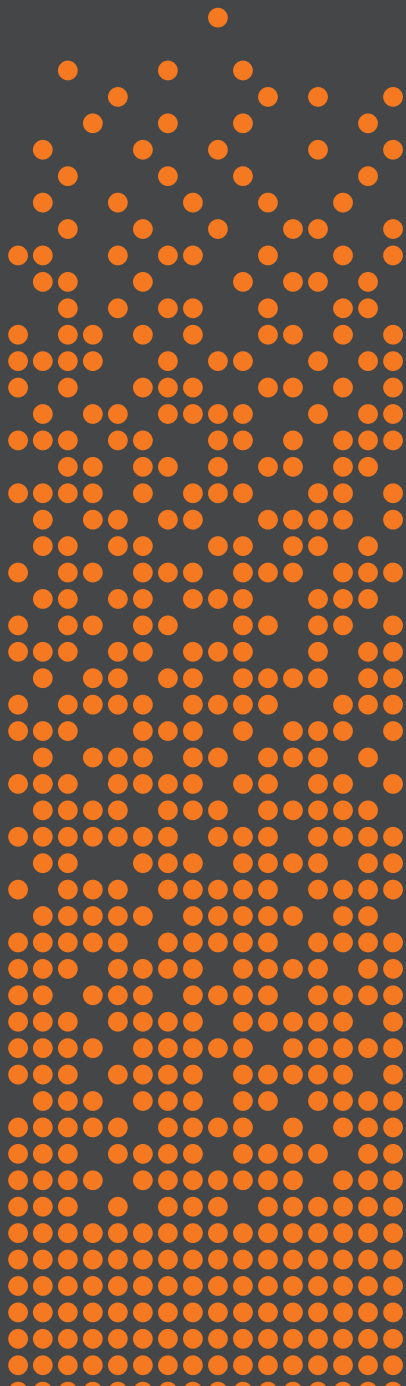


# Dynamics

of an Authoritarian  
System

Hungary, 2010–2021

Maria Csanádi, Márton Gerő,  
Miklós Hajdu, Imre Kovách,  
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# Preface

In the 2009 European Union (EU) parliamentary election, an overwhelming majority of Hungarians voted for the then opposition party, Fidesz, in coalition with the Christian Democratic People's Party. In April 2010, the same coalition, headed by the Fidesz leader Viktor Orbán, won Hungary's national elections. Following eight years in opposition, with this victory Orbán formed his second government since the first free elections in 1990. His coalition won over two-thirds of the parliamentary seats, allowing for a radical rewriting of the Constitution. In October 2010, Fidesz also achieved a landslide victory in local elections. Subsequently, political success proved to be persistent. Between 2010 and 2021, Orbán has governed for three consecutive periods and his party's position has remained dominant in all three (EU, national, and local) dimensions. In April 2022, Fidesz's fourth land-slide victory occurred.

In this book, six academics come together to track the systemic consequences of this Fidesz success between 2010 and 2021. They come from different fields and analyze the process from the points of view of political economy, economics, and sociology. However, their focus is shared: to track down Fidesz's algorithm. The authors want to empirically reveal the dynamics and structural characteristics of a social system formation, the properties of redistribution, the political favoritism in redistribution through public procurement, and the consequences of political favoritism on the uncontrolled enrichment of those who are most politically connected.

The ten years of steady system formation in Hungary under Orbán's leadership since 2010 took place in a macroeconomically favorable environment and in politically precarious international circumstances. The Orbán government fulfilled all aggregated economic policy requirements before COVID-19 hit the world's economies in late 2019. Positive macroeconomic indicators pleased international audit institutions, professionals, and Western politicians. They acknowledged the optimal decrease in the national-level debt-to-GDP (gross domestic product) ratio, coping with EU requirements.<sup>1</sup> According to

1 By 2020–2021, both owing to compensating for the pandemic's impact and the campaign activity preparing the 2022 national elections, the budget deficit increased above loosened EU requirements. "Hungary Government Debt to GDP," TradingEconomics.com, 2021, <https://tradingeconomics.com/hungary/government-debt-to-gdp>.

the European Commission's 2019 country report, the real GDP growth rate was relatively high, and among the fastest and highest in Europe.<sup>2</sup> Industrial production indices since 2015 have grown sharply,<sup>3</sup> with special momentum in construction.<sup>4</sup> Citizens bought state bonds, demonstrating trust.<sup>5</sup> The inflation rate was steadily low,<sup>6</sup> the unemployment rate declined,<sup>7</sup> labor shortage increased, and so did living standards.<sup>8</sup> Thus, international standards and institutions classified the government's economic performance as stable or better.<sup>9</sup>

Macroeconomic success suggested good governance, which was supported domestically by innumerable reform projects in both the social and economic realms. Outstanding development programs reflected the government's continuous developmental policy. After a long and protracted W-type economic recession of 2008–2013, high economic growth allowed the government to pave the way for Hungarian enterprises to invest increasingly abroad through international agreements. Orbán and his economic policy team's widely advertised "unorthodox economic policy" looked justified.<sup>10</sup> The Hungarian electorate acknowledged the overall success of this government activity with repeated two-thirds majority seats in parliament. Based on these macroeconomic and political

2 "Country Report Hungary 2019," European Commission, February 27, 2019, [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-hungary\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-hungary_en.pdf).

3 "Industrial Production (Volume) Index Overview," Eurostat, October 2021, [https://ec.europa.eu/eurostat/statisticsexplained/index.php/Industrial\\_production\\_\(volume\)\\_index\\_overview](https://ec.europa.eu/eurostat/statisticsexplained/index.php/Industrial_production_(volume)_index_overview). "EU-27, Industrial Production for Total Industry and Main Industrial Groupings, 2005–2020 .png," Eurostat, October 19, 2020, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:EU-27,\\_Industrial\\_production\\_for\\_total\\_industry\\_and\\_main\\_industrial\\_groupings,\\_2005-2020.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:EU-27,_Industrial_production_for_total_industry_and_main_industrial_groupings,_2005-2020.png).

4 "Country Report Hungary 2019," European Commission, February 27, 2019, [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-hungary\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-hungary_en.pdf).

5 Péter Cseresnyés, "Astounding Demand for Hungary's New 'Super Bond,'" *Hungary Today*, June 12, 2019, <https://hungarytoday.hu/astounding-demand-for-hungarys-new-super-bond/1>.

6 "Hungary Inflation Rate," *Trading Economics*, 2021, <https://tradingeconomics.com/hungary/inflation-cpi>.

7 "Hungary: Unemployment Rate from 1991 to 2020," *Statista*, October 12, 2021, <https://www.statista.com/statistics/339859/unemployment-rate-in-hungary/>.

8 "Developments in Individual OECD and Selected Non-Member Economies," *OECD Economic Outlook*, Vol. 2018 Issue 2, 2018, <http://www.oecd.org/economy/outlook/economic-forecast-summary-hungary-oecd-economic-outlook.pdf>.

9 Ministry of Finance, "Standard and Poor's Upgrades Its Outlook with Relation the Hungarian Economy," Website of the Hungarian Government, February 15, 2020, <https://2015-2019.kormany.hu/en/ministry-for-national-economy/news/standard-and-poor-s-upgrades-its-outlook-with-relation-the-hungarian-economy>.

10 György Matolcsy, "Egyensúly és növekedés" [Economic balance and growth], Volume 1–2, 2015 and 2020, <https://www.mnb.hu/kiadvanyok/mnb-szakkonyvsorozat/egyensuly-es-novekedes-1-kiadas>; <https://www.mnb.hu/kiadvanyok/mnb-szakkonyvsorozat/egyensuly-es-novekedes-2-kiadas>; <https://www.mnb.hu/en/publications/mnb-book-series/economic-balance-and-growth>. Kristóf Lehmann, Dániel Palotai, and Barnabás Virág, "The Hungarian Way: Targeted Central Bank Policy," MNB, 2017, <https://www.mnb.hu/en/publications/mnb-book-series/the-hungarian-way-targeted-central-bank-policy>.

indicators, the government propagates the success of “illiberal democracy,”<sup>11</sup> worthy of all-around national pride, self-esteem, and worldwide emulation.<sup>12</sup> International and domestic trust in the government’s political and economic decisions raised Orbán’s public image as a strong leader.

The image of being a strong leader domestically encouraged Orbán’s personal aspirations internationally as well. He has intensively sought international political recognition for both his illiberal democracy and unorthodox economic policy. He attests to these instruments as sources of his government’s political and economic success. Orbán touts these achievements as the result of his personal courage and desire to deviate from liberal-conservative political and economic strategies. Critiques of his policy are rejected by the Orbán government as the evil of the “left-liberals,”<sup>13</sup> or if not, servants of George Soros’s will.<sup>14</sup>

Behind the conflicts lie Fidesz’s and Orbán’s personally steady advancement toward the far right<sup>15</sup> with what is now likely unstoppable momentum both domestically and internationally. Domestically, since 1994, Orbán has gradually moved his party from left-liberal toward the conservative right on the political palette. During this process, his party (Fidesz) built coalitions with, and then absorbed and/or disaggregated, conservative parties and their constituencies, occupying the created niche.

Orbán has also been steadily maneuvering his party toward the right in the EU and globally. In 2000, he relocated Fidesz from the Liberal International to the European People’s Party (EPP), the largest umbrella organization for center-right parties in the EU. Within this latter group, Orbán’s party representatives have gradually approached the ideological right extreme. Outside the EPP, Orbán, on repeated critical occasions, has taken sides with far-right

- 11 Csaba Tóth, “Full Text of Viktor Orbán’s Speech at Bäile Tuşnad (Tusnádfürdő) of July 2014,” *Budapest Beacon*, July 29, 2014, <https://budapestbeacon.com/full-text-of-viktor-orbans-speech-at-baile-tusnad-tusnadfurdo-of-26-july-2014/>.
- 12 “Szijjártó Péter: Sikeres átállás folyik a hazai gazdaságban” [Péter Szijjártó: Successful adaptation is taking place in domestic economy], *Delmagyar*, September 18, 2020, <https://www.delmagyar.hu/gazdasag/hazai-gazdasag/szijjarto-peter-sikeres-atallas-folyik-a-hazai-gazdasagban-4584993/>.
- 13 Zoltán Kovács, “Orbán: ‘There Are No Liberals, Only Communists with University Degrees,’” *Index*, February 17, 2020, [https://index.hu/english/2020/02/17/hungary\\_viktor\\_orban\\_state\\_of\\_the\\_nation\\_2020/](https://index.hu/english/2020/02/17/hungary_viktor_orban_state_of_the_nation_2020/).
- 14 David M. Herszenhorn, “Hungary’s Freudian Political Fight: Orbán vs Soros,” *Politico*, April 27, 2017, <https://www.politico.eu/article/hungarys-freudian-political-fight-orban-vs-soros/>; “FM Szijjártó: Tusk ‘Failed Both as a Party Leader and as a Person,’” *Hungary Today*, October 26, 2020, <https://hungarytoday.hu/fidesz-szijjarto-tusk-illiberal-degenerate-democracy-hungary/>; Péter Cseresnyés, “War of Words Escalates After Jourová’s ‘Sick Democracy’ Comment and PM Orbán’s Reaction,” *Hungary Today*, September 30, 2020, <https://hungarytoday.hu/jourova-hungary-sick-democracy-comment-pm-orban-letter-reactions/>.
- 15 Aditya Bhattacharya and Julian Riedel, “The Metamorphosis: Thirty Years of Viktor Orbán,” *Sciences Po Bibliothèque*, April 2019, <http://dossiers-bibliotheque.sciencespo.fr/une-vie-politique-europeenne-european-political-life/metamorphosis-thirty-years-viktor-orban>.

Eurosceptic parties in the EU, supported by the Russian leader Putin.<sup>16</sup> He even flirted with forming a coalition with them,<sup>17</sup> suggesting they leave the EPP when Fidesz's suspension or expulsion from the EPP was at stake.<sup>18</sup> Flirting persists in 2022, but with alternating members owing to the dynamics of international developments. Hungarian government representatives also regularly block EU decisions that require a common stance<sup>19</sup> and the Orbán government has spent dozens of millions of euros for anti-Soros propaganda to vilify liberal and humanitarian EU decisions.<sup>20</sup> At one point, fueled by the Hungarian cabinet's propaganda strategy, antiestablishment public campaigns against the EU set mobile billboards at EU headquarters (Brussels) to "Stop Brussels," mocking or demonizing major EU politicians and Soros, to whom they are allegedly subservient.<sup>21</sup> A similar campaign, with billboards, was carried out throughout Hungary, spreading mistrust and fear among constituencies regarding demonized targets.<sup>22</sup>

- 16 Fredrick Wesslau, "Putin's Friends in Europe," European Council on Foreign Relations, European Council on Foreign Relations, October 19, 2016, [https://ecfr.eu/article/commentary\\_putins\\_friends\\_in\\_europe7153/](https://ecfr.eu/article/commentary_putins_friends_in_europe7153/); Susi Dension and Dina Pardijs, "The World According to Europe's Insurgent Parties: Putin, Migration and People Power," European Council on Foreign Relations, June 27, 2016, [https://ecfr.eu/publication/the\\_world\\_according\\_to\\_europes\\_insurgent\\_parties7055/](https://ecfr.eu/publication/the_world_according_to_europes_insurgent_parties7055/).
- 17 Gergely Szakács, "Hungary Suspends Court Reform That Worried EU, Shuns Salvini," *Reuters*, May 30, 2019, <https://www.reuters.com/article/us-hungary-courts-idUSKCN1T00XO>.
- 18 Maira Martini, "Hungary's Controversial Golden Visa Scheme: Ins and Outs," *Voices for Transparency*, March 29, 2018, <https://voices.transparency.org/hungarys-controversial-golden-visa-scheme-ins-and-outs-daf8961df85d>; Maira Martini, "Hungary's Residency Bond Program: The Russian Connection," *Budapest Beacon*, August 24, 2016, <https://budapestbeacon.com/istvan-szaraz-bunch-interesting-russians-around-hungarys-residency-bond-program/>.
- 19 Raphael Ahren, "Budapest Blocks Joint EU Statement Condemning US Shift on Settlements," *Times of Israel*, November 19, 2019, <https://www.timesofisrael.com/budapest-blocks-joint-eu-statement-condemning-us-shift-on-settlements/>; Alexandra Brzozowski, "Hungary Blocks NATO Statement on Ukraine over Minority Rights Row," *Euractiv*, October 30, 2019, <https://www.euractiv.com/section/defence-and-security/news/hungary-blocks-nato-statement-on-ukraine-over-minority-rights-row/>; Justin Spike, "Hungary the Only Country Not to Sign EU Statement Condemning Violence against Russian Protester," *Insight Hungary 444*, January 28, 2021, <https://insighthungary.444.hu/2021/01/28/hungary-the-only-country-not-to-sign-eu-statement-condemning-violence-against-russian-protesters>; Simon Osborne, "EU Panic: Guy Verhofstadt Claims: 'Bloc Has Hungary Problem' and Warns 'It Will Get Worse,'" *Express*, January 29, 2021, <https://www.express.co.uk/news/world/1390927/eu-crisis-guy-verhofstadt-hungary-russia-vladimir-putin-alexei-navalny-arrest>.
- 20 Attila Bátorfy, "The Government of Hungary Spent €216 Million on Propaganda and Fearmongering in the Past 8 Years," *Átlátszó*, November 1, 2019, <https://english.atlatszo.hu/2019/01/11/the-government-of-hungary-spent-e216-million-on-propaganda-and-fearmongering-in-the-past-8-years/>.
- 21 Georgi Cotev, "Commission Responds to Orbán's Latest Anti-Immigration Campaign," *Euractiv*, February 28, 2019, <https://www.euractiv.com/section/politics/news/commission-responds-to-orbans-latest-anti-immigration-campaign/>.
- 22 Nick Thorpe, "Hungary's Poster War on Immigration," *BBC*, February 14, 2015, <https://www.bbc.com/news/world-europe-33091597>; Brigitta Csikász, "Hungarian Government Spent €48

Orbán also hurries to pay lip service to any resourceful authoritarian leader's victory, resulting in interstate agreements. This process occurred with Bolsonaro (Brazil), Duterte (Philippines), Putin (Russia), Xi Jinping (China), Netanyahu (Israel), Trump (USA), Erdogan (Turkey), and Aliyev (Azerbaijan). Indeed, based on official reports of Orbán's meetings with international leaders between 2010 and 2020, he has met more frequently with dictators than with other heads of state.<sup>23</sup> Since 2014, and Fidesz's first renewed electoral victory, the frequency of these meetings even surpassed EU meetings and V4 (post-socialist member countries) meetings. This frequency has sharply increased since 2016, when economic and political conflicts with the EU began to escalate. Among dictators, Orbán himself and his government built tight economic, political, and personal connections with Putin.<sup>24</sup>

Deviation from EU norms has gradually surfaced in various fields, raising concerns about the Orbán government's relationship with the EU's fundamental values. EU reports have focused on fundamental human rights (Tavares report),<sup>25</sup> judicial independence, freedom of expression, corruption, rights of minorities, and the situation of migrants and refugees.<sup>26</sup> An overwhelming number of controversial cases have been connected to the neglect of the rule of law (Sargentini report).<sup>27</sup> A United Nations (UN) human rights report on Hungary in 2019 highlighted political intimidation of civil organizations, overcrowded prisons, concerns about judicial freedom, unrestricted access to a covert collection of information for prosecutors, freedom of expression, censorship, association, religion, protection of refugees, corruption and lack of transparency,

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Million on Propaganda in First Three Months of 2019," *Átlátszó*, April 24, 2019, <https://english.atlatszo.hu/2019/04/24/hungarian-government-spent-e48-million-on-propaganda-in-first-three-months-of-2019/>.

- 23 Attila Bátorfy, Eszter Galambosi, and Bence Mikola, "A miniszterelnök találkozói" [Meetings of the prime minister], ATLO, September 9, 2019, <https://atlo.team/a-miniszterelnok-talalkozasai/>.
- 24 Martini, "Hungary's Controversial Golden Visa Scheme"; Martini, "Hungary's Residency Bond Program"; Daniel Bozsik, Sandrine Amiel, and AP, "Eastern Romance: Hungary's Orban and Russia's Putin Set to Meet, Again," *Euronews*, October 30, 2019, <https://www.euronews.com/2019/10/29/eastern-bromance-hungary-s-orban-and-russia-s-putin-set-to-meet-again>.
- 25 Sean Lambert, "The Tavares Report," *The Orange Files*, May 18, 2018, <https://theorangefiles.hu/the-tavares-report/>.
- 26 Thomas Wahl, "Rule-of-Law Developments in Hungary," *eucri*, May 19, 2020, <https://eucri.eu/news/rule-law-developments-hungary/>.
- 27 Judith Sargentini, European Parliament, "Report on a Proposal Calling on the Council to Determine, Pursuant to Article 7(1) of the Treaty on European Union, the Existence of a Clear Risk of a Serious Breach by Hungary of the Values on Which the Union Is Founded," 2018, [https://www.europarl.europa.eu/doceo/document/A-8-2018-0250\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-8-2018-0250_EN.html); Nóra Köves, "The Sargentini Report – Its Background and What It Means for Hungary and for the EU," Heinrich Böll Stiftung, September 19, 2018, <https://www.boell.de/en/2018/09/19/sargentini-report-its-background-and-what-it-means-hungary-and-eu>.



government's attitude, and more.<sup>28</sup> These concerns all increased Fidesz's political conflicts within the EU.

Political conflicts have been gradually paired with economic ones. Irregularities in spending of EU funds by the Orbán government have come increasingly to the fore, strengthening voices for economic sanctions. In addition, corruption charges regarding the EU's structural funds' spending (OLAF report) have become more frequent.<sup>29</sup>

Conflicts over political and economic issues between Orbán and the EU have accumulated over time. Frictions intensified in 2016, with the increasing number of corruption cases that have been revealed by EU investigative reports on EU budget fraud, some suspected to be connected to Orbán, his friends, and family.<sup>30</sup> These EU charges, however, have only minor legal domestic consequences in Hungary. According to the referred document, from the 22 cases recommended to the Hungarian law enforcement agencies for investigation by the EU between 2008 and 2015, only 4 were investigated, and 3 of the 4 were decided by the agencies to not process further.<sup>31</sup> Moreover, investigations by the OLAF into corruption only concern the spending of EU funds. In addition, prosecution in these cases can only be decided by domestic legal forums because Hungary is one of the six member countries (along with Poland, Slovakia, Denmark, Ireland, and Sweden) that did not join the European Public Prosecutor's Office (Council Regulation (EU) 2017/1939) against crimes committed in the use of EU funds.

Tension escalated further from 2018 onward, when the EU tried to link the budget access of individual members to the rule of law.<sup>32</sup> This drew the conditionality (veto) menace of the Hungarian and Polish governments by the

28 "Hungary 2019 Human Rights Report," Country Reports on Human Rights Practices for 2019 United States Department of State, Bureau of Democracy, Human Rights and Labor, 2019, <https://www.state.gov/wp-content/uploads/2020/03/HUNGARY-2019-HUMAN-RIGHTS-REPORT.pdf>.

29 Rui Tavares, "Report on the Situation of Fundamental Rights: Standards and Practices in Hungary (Pursuant to the European Parliament Resolution of 16 February 2012)," European Parliament, June 24, 2013, [https://www.europarl.europa.eu/doceo/document/A-7-2013-0229\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-7-2013-0229_EN.html); Eszter Zalan, "Hungary Heads EU Anti-Fraud Investigation List – Again," *EUobserver*, September 11, 2020, <https://euobserver.com/justice/149405>.

30 "Press Meeting: 'Accusations against Hungary—Embezzlement of EU Funds,'" Press meeting at the European Parliament Brussels, July 13, 2016, <https://www.socialistsanddemocrats.eu/sites/default/files/Corruption%20cases%20concerning%20Hungary.pdf>.

31 Zalan, "Hungary Heads EU Anti-Fraud Investigation List—Again," <https://euobserver.com/justice/149405>.

32 Karoline Kowald, "Proposal for a Regulation on the Protection of the Union's Budget in Case of Generalised Deficiencies as regards the Rule of Law in the Member States," European Parliament, December 22, 2020, <https://www.europarl.europa.eu/legislative-train/theme-new-boost-for-jobs-growth-and-investment/file-mff-protection-of-eu-budget-in-case-of-rule-of-law-deficiencies>.

end of 2020 regarding the acceptance of the EU budget.<sup>33</sup> Besides threatening a Hungarian veto, Orbán's propaganda team organized a fierce coordinated populist attack against the EU. For example, when he entered the room for discussions, publicized in a video, Orbán hinted that Brussels had been Hitler's headquarters (the Wolf's Lair).<sup>34</sup> In the same period, Szilárd Demeter, the ministerial commissioner of culture in Orbán's government, wrote an article in a domestic newspaper that went internationally viral. In the article he referred to George Soros as the "liberal Führer," who is turning Europe into a "gas chamber" where Hungarians are the "new Jews."<sup>35</sup> Additionally, the Fidesz founder, Tamás Deutsch, the leading representative of the Fidesz faction within the EPP, compared the EPP faction leader Manfred Weber's critical stance toward Fidesz to the Gestapo and to the Hungarian secret service (ÁVO) in the 1950s.<sup>36</sup>

These conflicts have provoked a multitude of EU sanctions that have led to sharper populist reactions from the Orbán government, further aggravating the conflicts. A number of infringement processes have been carried out against the Hungarian government.<sup>37</sup> Hungary, in the company of Poland, is accused of

- 33 Vlagyislav Maximov, "EU Institutions Strike Budget Deal on Rule of Law Mechanism," *EURACTIV*, November 5, 2020, <https://www.euractiv.com/section/all/news/eu-institutions-strike-deal-on-rule-of-law-mechanism/>.
- 34 Viktor Orbán, "A józan ész győzelméért küzdünk. Irány a farkasverem" [We are fighting for the victory of common sense. Let us head to the wolf pit], Facebook, December 10, 2020, <https://www.facebook.com/orbanviktor/videos/203744577956155/>; Gergely Nyilas, "Úgy alakult, hogy Orbán Hitler főhadiszállásához hasonlította Brüsszelt" [It so happened that Orban compared Brussels to Hitler's headquarters], *Telex*, December 10, 2020, <https://telex.hu/kulfold/2020/12/10/ugy-alakult-hogy-orban-hitler-fohadiszallasahoz-hasonlitotta-brusszelt>.
- 35 Fanni Kaszás, "'Europe Is Soros' Gas Chamber"—Ministerial Commissioner Causes Storm of Indignation," *Hungary Today*, November 30, 2020, <https://hungarytoday.hu/szilard-demeter-soros-hitler-europe-gas-chamber/>; AFP and TOISTAF, "Hungarian Official Says Europe Is 'Gas Chamber' of Soros the 'Liberal Führer,'" *Times of Israel*, November 29, 2020, <https://www.timesofisrael.com/hungarian-official-says-europe-is-gas-chamber-of-soros-the-liberal-fuhrer/>; "Hungarian Culture Head Retracts Article Comparing George Soros to Hitler," *RFE/RL*, November 29, 2020, <https://www.rferl.org/a/hungary-museum-retracts-article-george-soros-nazi-gas-chambers-holocaust-hitler-orban-eu/30974375.html>.
- 36 Maia de la Baume, "EPP Sanctions Head of Viktor Orbán's MEPs," *Politico*, December 17, 2020, <https://www.politico.eu/article/epp-sanctions-head-of-viktor-orbans-meps-hungary-tamas-deutsch/>; "Nazi Comparisons in the EPP: Parliamentary Group Leader Weber Has a New Problem with Hungary," *The Limited Times*, December 3, 2020, <https://newsrnd.com/news/2020-12-03-%0A---nazi-comparison-in-the-epp--parliamentary-group-leader-weber-has-a-new-problem-with-hungary-.Sygz3--8jw.html>.
- 37 "Commission Follows Up on Infringement Procedure against Hungary Concerning Its Asylum Law," European Commission, May 17, 2017, [https://ec.europa.eu/commission/presscorner/detail/ET/IP\\_17\\_1285](https://ec.europa.eu/commission/presscorner/detail/ET/IP_17_1285); "European Commission Launches Infringement Procedure against Hungary over the 'Stop Soros' Package of Laws," *About Hungary*, July 20, 2017, <http://abouthungary.hu/news-in-brief/european-commission-launches-infringement-procedure-against-hungary-over-the-stop-soros-package-of-laws/>; "Hungarian Government Will Not Respond to EC's Unrealistic Deadline in Relation to Infringement Proceedings Concerning Transparency of Civil Organizations," *About Hungary*, November 8, 2017, <http://abouthungary.hu/news-in-brief/hungarian-government-will-not-respond-to-ecs-unrealistic-deadline-in-relation-to-infringement>

breaching EU norms and its basic values. Therefore, according to the European Parliament's decision in 2018, Hungary is being subject to procedure under Article 7(1) of the Treaty on European Union.<sup>38</sup> In addition, the intensifying conflict between Fidesz representatives and other parties of the EPP led to the suspension of their voting rights within the EPP in 2019.<sup>39</sup> Later, the leader of the Fidesz caucus in the EPP, Tamás Deutsch, was deprived of voting rights and positions held in the EPP after the disrespectful conduct against the leader of the EPP in 2020.<sup>40</sup>

Decisive legal efforts until 2021 have not halted the flow of EU funds to Hungary. Neither have they changed the Hungarian government's preferences in spending strategy and centralized distribution, privileging Fidesz-connected investors.<sup>41</sup> Thus, sanctions have been only vain attempts at curbing Fidesz's and Orbán's fast move toward the extreme right<sup>42</sup> and halting corruption in spending EU funds.<sup>43</sup>

Why are EU institutions apparently unable to regulate the Hungarian government and halt Hungary's dominant political party's steady path to the far right, authoritarianism and corrupt practices? Hungary's size is insignificant in the EU. Its population is about 2 percent of the EU countries. The number of Fidesz representatives is currently 12 in the EPP, plus 1 of the coalition partners from its 187 MPs. The whole European Parliament has 705 delegates from

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-proceedings-concerning-transparency-of-civil-organizations/; "European Commission Launches Infringement Procedure against Hungary," *About Hungary*, February 16, 2017, <http://abouthungary.hu/news-in-brief/european-commission-launches-infringement-procedure-against-hungary/>; "EU Accuses Hungary of Discrimination against Roma Children," *About Hungary*, May 27, 2016, <http://abouthungary.hu/news-in-brief/eu-accuses-hungary-of-discrimination-against-roma-children/>.

38 Sargentini report, [https://www.europarl.europa.eu/doceo/document/A-8-2018-0250\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-8-2018-0250_EN.html).

39 "Orbán: 'EPP Lost Sovereignty and Is Dictated to from the Left,'" *Hungary Today*, March 25, 2019, <https://hungarytoday.hu/orban-epp-lost-sovereignty-and-is-dictated-to-from-the-left/>.

40 Maia de la Baume, "EPP Sanctions Head of Viktor Orbán's MEPs."

41 András Bódis, "Amíg Ön a járványra figyelt, a NER bevette az országot – leltár a 'hazavitt' stratégiai ágazatokról" [While you were busy paying attention to the epidemic, the NER took over the country—an inventory of strategic sectors "taken home"], *Válasz Online*, January 28, 2021, <https://www.valaszonline.hu/2021/01/28/amig-on-a-jarvanyra-figyelt-a-ner-bevette-az-orszagot-leltar-a-hazavitt-strategiai-agazatokrol/>.

42 "Orbán's Emergency Powers Hit Opposition Funding," *Financial Times*, April 23, 2020, <https://www.ft.com/content/5ba8a724-871c-480e-930d-ed9b0469cafe>; Kriszta Kovács, "Hungary's Orbánistan: A Complete Arsenal of Emergency Powers," *Verfassungsblog*, April 6, 2020, <https://verfassungsblog.de/hungarys-orbanistan-a-complete-arsenal-of-emergency-powers/>.

43 Sándor Zsíros and Christopher Pitchers, "Responsibility to Deal with Corruption in Hungary Lies with Viktor Orbán, Says Former Belgian PM," *Euronews*, November 26, 2020, <https://www.euronews.com/2020/11/26/viktor-orban-responsible-for-corruption-in-hungary-says-former-belgian-pm>; Katalin Erdélyi, "Secret Estates of Very Important Hungarians Not Yet as Big or Expensive as 'Putin's Palace,'" *Átlátszó*, February 2, 2021, <https://english.atlatszo.hu/2021/02/02/secret-estates-of-very-important-hungarians-not-yet-as-big-or-expensive-as-putins-palace/>.

the 27 member countries.<sup>44</sup> Then why do sanctions implemented by the EU prove inefficient? According to experts, legal mechanisms so far implemented have been underused for a multitude of reasons.<sup>45</sup> However, neither Hungary's size, nor the underuse of instruments is relevant compared to the fact that individual cases have been targeted by sanctions instead of the overall system that Orbán and the Fidesz have developed. The EU is picking cases of corruption regarding the spending of EU funds, on the violation of rule of law, and on human and civil rights. However, such cases have been borne day by day in Hungary since 2010. They are not deviations from the rules in Hungary, but conform to the development and functioning of a centralized authoritarian system. They are backed by the Constitution, laws and regulations, decrees, national and local development projects, structural reforms, public tenders, and so on. Formally, all are justified and legal. What makes them examples of institutionalized corruption is exactly the institutional-legal context that has been bent to favor those who are politically connected. And here is the essential problem raised in this book: the vulnerability of democracy to populism, authoritarian rule, and political capture.

Democratic rules in the EU are unprepared to deal with authoritarianism and populism. Meanwhile, the menace of the metamorphosis of the Fidesz as a party into an authoritarian system either remains unperceived or undervalued. Moreover, the defense of the basic democratic values in the EU against the Hungarian government represented by Fidesz are entangled and tempered by party interests of the EPP, and by economic lobbying interests and its political representation—primarily from Germany, whose large enterprises have an important stake in Hungary.

Orbán became the leader of a centralized authoritarian system, that János Kornai had warned against in 2015, strengthened by his domestic success and victories in EU conflicts. These achievements have increased Orbán's influence far above the country's political importance internationally. Orbán demonstrates how to use democratic rules and its institutions, in the name of illiberal democracy, as easy devices to build an authoritarian system and winning strategies in EU conflicts. Through these devices, his government has widely propagated unorthodox economic policy as a mechanism that politically shapes EU sources and domestic resource extraction and redistribution legally through institutionalized corruption. Orbán has repeatedly and successfully undermined and disregarded the EU's fundamental principles, unity,

44 "Members, Bodies, and Activities," European Parliament, <https://www.europarl.europa.eu/portal/en>.

45 Petra Bárd and Barbara Grabowska-Moroz, "The Strategies and Mechanisms Used by National Authorities to Systematically Undermine the Rule of Law and Possible EU Responses," *Reconnect*, December 12, 2020, <https://reconnect-europe.eu/wp-content/uploads/2021/01/D8.2.pdf>; Anna Wojcik, "A Bad Workman Always Blames His Tools': An Interview with Laurent Pech," *Verfassungsblog*, May 28, 2018, <https://verfassungsblog.de/a-bad-workman-always-blames-his-tools-an-interview-with-laurent-pech/>.

and common actions with no effective political or economic consequences for many years in the EU. Faint international reactions follow serious national and international security threats posed by the fact that the Orbán government opened the door to Russian political infiltration to Hungary and thereby the EU through offshore settlement bonds managed by Orbán's Chief of Cabinet;<sup>46</sup> it has tolerated the physical presence of Russian spies in Hungary for years until publicly discovered,<sup>47</sup> and so far, as opposed to other countries, Russian spies were not publicly expelled from Hungary sanctioning Russian invasion of Ukraine. Orbán personally provided diplomatic status and financial support in 2019 to the Russian dominated International Investment Bank settled in Budapest, allowing the staff uncontrolled activity, entry, and exit;<sup>48</sup> provided a 10 million euro loan to Marine Le Pen's election campaign in 2022 through Orbán's closest friend-owned Hungarian bank (MKB Bank Ltd.);<sup>49</sup> Orbán efficiently used the Russian invasion of Ukraine to boost his electoral campaign in early 2022 through state-monopolized media. He personally propagated that Hungarians should not suffer the costs of international sanctions against Russia; that Hungary should "definitely" stay out of the war, and that it will not send weapons for Ukrainian defense<sup>50</sup> or even let NATO transport military facilities to Ukraine through the Hungarian border;<sup>51</sup> reluctantly publicly allowed the presence of NATO at the Hungarian-Ukrainian border after declaring that it is unnecessary, as Hungarian troops can defend it.<sup>52</sup> On the other hand, despite signing EU sanctions against Putin's Russia as a reaction to Russian military aggression to Ukraine, Orbán did not call off large Russian

46 Péter Erdélyi, Roman Sleinov and Blanka Zöldi, "Members of Putin's State Machine Received Hungarian Residence Permits through Controversial Golden Visa Program." *Direkt36*, September 10, 2018. <https://www.direkt36.hu/en/putyin-gepezetenek-tagjai-kaptak-magyar-papirokat-orbanek-kotvenyprogramjaban/>.

47 András Dezső and Szabolcs Panyi, "Russian Diplomats Exercised with Hungarian Cop Killer's Far-right Gang," *g7*, October 31, 2016. <https://www.stopfake.org/en/russian-diplomats-exercised-with-hungarian-cop-killer-s-far-right-gang/>.

48 Dominique Istrate, "Hungary Offers Russian Bank Diplomatic Status, Complete with Immunity," *Emerging Europe*, February 22, 2019. <https://emerging-europe.com/business/hungary-offers-russian-bank-diplomatic-status-complete-with-immunity/>.

49 "France's Le Pen Got Loan from Hungarian Bank Close to Orbán – Filing," *Reuters*, March 10, 2022. <https://www.reuters.com/world/europe/frances-le-pen-got-loan-hungarian-bank-close-orban-filing-2022-03-10/>; Márton Dunai (Budapest) and Leila Abboud (Paris), "Marine Le Pen Received Loan from Hungarian Bank Tied to Viktor Orbán," *Financial Times*, March 9, 2022. <https://www.ft.com/content/808cc9de-221e-4b10-83a4-0e67c01bf21e>.

50 "PM Orbán: Hungary Will Not Send Weapons to Ukraine," *MTI-Hungary Today*, March, 7, 2022, <https://hungarytoday.hu/orban-ukraine-weapons-ukrainian-refugees/>.

51 "Hungary Refuses to Allow Weapons Transit to Ukraine," *Politico*, February 28, 2022, <https://www.politico.eu/article/hungary-foreign-minister-peter-szijarto-weapon-transit-ukraine/>.

52 Júlia Tar, "NATO to Strengthen Presence in Hungary as Well," *MTI-Hungary Today*, March 24, 2022, <https://hungarytoday.hu/hungarian-defence-forces-nato-military-army-ukrainian-russian-war-hungary/>.

investments and loans in Hungary.<sup>53</sup> An even more explicit security threat is the total cyber exposure of the Hungarian government and all its international partners to Russian cyber-attacks. An investigative reporter, Szabolcs Panyi,<sup>54</sup> revealed that since the early 2010s Putin's hackers gained full access to Hungary's foreign ministry networks—even to the most protected ones. Just three months earlier, in December 2021, Péter Szijjártó, the acting foreign minister since 2014, received the highest award for foreigners from Russia's foreign minister Sergei Lavrov.<sup>55</sup>

Fidesz needed only ten years to evolve and stabilize as a centralized authoritarian system shielded by Hungary's democratic setting. We cannot exclude unprecedented changes, nor predict the exact limits of its persistence influenced by domestic and international dynamics. The Hungarian case demonstrates the vulnerability of democratic settings to populism and authoritarianism. Institutionally unchallenged system evolution also raises the strong possibility for the emulation of similar metamorphoses in any other democracy menacing unity and fundamental democratic principles. The evolving authoritarian system has its undetected automatism that determine its system-conforming modes and instruments of self-reproduction leading to repeated victory of the authoritarian leadership. Simultaneously, the evolutionary character of a system formation, the evolving and ever-changing institutional context, and the centralized pattern-specifics of power distribution provide much room for maneuver for the leadership in influencing the systemic process. In such fluid context, personality, intellectual quality, and individual motivations of a leader matter much more in shaping the evolutionary process than among the constraints of a stabilized system. However, we shall not venture to determine whether the systemic automatism, the internal logic of the centralized system, the EU's ambiguous and belated reactions to evolving system characteristics, or Orbán's individual motivations and skillful actions have greater roles in the direction the evolution has been taking. Instead, in our book we demonstrate that systemic evolution and reproduction automatism, external sources, and Orbán's personal power aspirations are reinforcing each other toward a system formation characterized by centralization, institutionalized corruption, and overall destruction in social, environmental, economic, and public spheres, deaf to humanity and solidarity.

Maria Csanádi

53 "Hungary Stands by Russian Energy Project—Minister Aays," *Reuters*, March 2, 2022, <https://www.reuters.com/markets/europe/hungary-stands-by-russian-backed-energy-projects-minister-says-2022-03-02/>.

54 Szabolcs Panyi, "Putin's Hackers Gained Full Access to Hungary's Foreign Ministry Networks, the Orbán Government Has Been Unable to Stop Them," *Direkt36*, March 29, 2022, <https://www.direkt36.hu/en/putyin-hekkerei-is-latjak-a-magyar-kulugy-titkait-az-orban-kormany-evek-ota-nem-birja-elharitani-oket/>.

55 "FM Szijjártó Receives Order of Friendship from Russian Counterpart," *MTI-Hungary Today*, December 30, 2021, <https://hungarytoday.hu/foreign-minister-szijjarto-order-friendship-russia-sergei-lavrov/>.



# Introduction

*MARIA CSANÁDI, MÁRTON GERŐ, MIHÁLY LAKI,  
AND ISTVÁN JÁNOS TÓTH*

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.

János Kornai (2015)

In his 2015 study, János Kornai argues that under Prime Minister Viktor Orbán, Hungary has made a dramatic U-turn from democracy to autocracy. He meticulously examines all systemic characteristics of democracy and concludes that by 2015, Hungary's U-turn had been radical but uneven in different social sub-spheres of the democratic system. It was evident and fully executed in the political realms, in checks and balances, and in the judiciary, but only partially in the private economy through various nationalization processes.

The devaluation of the concept of the democratic system that had been built between 1990 and 2010, the government's desire to move away from democracy, and the construction of a new power structure and a new system was already reflected in the "System of National Cooperation" (SNC or NER<sup>1</sup>) adopted by Parliament on June 16, 2010.<sup>2</sup> The first sentence of this document refers to the democratic period from 1990 to 2010 as "two turbulent decades of transition" after which "Hungary regained the right to and the capability of self-determination." Immediately after the first actions taken by the Orbán government, the first laws passed by the new parliament (2010), and the new Basic Law (April 25, 2011)<sup>3</sup> went into effect, several studies specified how these changes strengthened the concentration of power in the head of government. Authors argued that government actions weakened democratic institutions and the free press, as well as

1 NER is the Hungarian abbreviation of Nemzeti Együttműködés Rendszere (the System of National Cooperation - SNC). Throughout the book we shall use SNC and NER interchangeably.

2 See the English translation of political declaration and of the System of National Cooperation at [https://www.parlament.hu/irom39/00047/00047\\_e.pdf](https://www.parlament.hu/irom39/00047/00047_e.pdf).

3 See the Hungarian version at <https://net.jogtar.hu/jogszabaly?docid=a1100425.atv>, and the English translation at [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-REF\(2021\)046-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-REF(2021)046-e).



undermined the constitutional system (Kornai 2011, 2012; Bánkuti et al. 2012). Thus, the politics of Orbán's government in the first years after 2010 were seen either as a move away from the democratic system and a step toward autocratic rule (Kornai 2015), or as building a new system, the post-communist mafia state (Magyar and Vásárhelyi 2013; Magyar and Vásárhelyi 2017).

Orbán's model and program to build an authoritarian system was openly declared in 2014, after his party's (Fidesz) second landslide victory.<sup>4</sup> In a speech in Baile Tusnad, Romania, in 2014, Orbán defined this new system as illiberal; he also identified autocratic regimes as positive examples for Hungary:

In other words, the Hungarian nation is not a mere set of individuals, but a community that must be organized, strengthened, and even built. In a sense, the new state we are building in Hungary is illiberal, not a liberal state. It does not deny the fundamental values of liberalism, such as freedom, and I could name some more, but it does not make this ideology a central element of state organization; it contains a different, specific, and national approach.

. . . perhaps the defining moment in the world today can be summed up as a race to find the way of organizing a community, the state that is best able to make a nation, a community, internationally competitive. (. . .) This explains, Ladies and Gentlemen, why the hot topic in thinking today is to understand those systems that are not Western, not liberal, not liberal democracies, perhaps not even democracies, and yet make nations successful. Today the stars in international analysis are Singapore, China, India, Russia, Turkey.<sup>5</sup>

Behind the latter idea there is a latent reference to a logic that argues that autocratic, dictatorial regimes are capable of faster economic growth in the long run, so the necessary condition for faster economic growth in Hungary is an autocratic system or dictatorship (Kornai 2014).

Orbán's move toward building an autocratic system is not unique. Nonetheless, it provides a laboratory context for those wanting to analyze the metamorphosis of a political entity into an authoritarian system, the evolution of its systemic characteristics, the multiple modes of infiltrating and shaping the political-economic-social context, the sources and methods this system may reproduce itself with, the process of centralization of decisions, the characteristics of the

4 According to the election results, the Fidesz–KDNP alliance (KDNP, Christian Democratic People's Party) preserved its two-thirds majority. The Fidesz–KDNP alliance held 133 seats of the 199 total seats in the Hungarian Parliament. [https://static.valasztas.hu/dyn/pv14/szavossz/en/eredind\\_e.html](https://static.valasztas.hu/dyn/pv14/szavossz/en/eredind_e.html).

5 Viktor Orbán's speech at Tusnádfürdő (Baile Tusnad in Romania), July 4, 2014. "A munkaalapú állam korszaka következik" (The era of the work-based state is to come next), [https://2010-2015.miniszterelnok.hu/beszed/a\\_munkaalapu\\_allam\\_korszaka\\_kovetkezik](https://2010-2015.miniszterelnok.hu/beszed/a_munkaalapu_allam_korszaka_kovetkezik) (translated into English by the authors).

leading political elite and those privileged by them, the factors of adaptation of the society to authoritarianism, the implementation of populism in power and its behavioral consequences, and so on.

Many studies have focused on the reasons behind the growing popularity of populist parties in Europe, as well as on the threat their advancement poses to institutions of democracy, the free press, rule of law, individual liberty, and civil rights (Schöpflin 2013; Körösiényi 2015; Csillag and Szelényi 2015; Muller 2016; Csizmadia 2017; Palonen 2018; Bogaards 2018; Buzogány and Varga 2018; Körösiényi et al. 2020). Other studies concentrate their attention on the similarities between post-communist autocratic and populist developments in Eastern Europe. Hungary and Poland are the most frequently cited examples for the backsliding of liberal democracy in this region (Csizmadia et al. 2013; Ágh 2015; Kornai 2015, 2016; Rummens 2017; Bogaards 2018; Krekó and Enyedi 2018; Magyar 2019; Kovács and Trencsényi 2019); however, recently Slovakia has also come to the fore (Harris 2019).<sup>6</sup> Analyzing a broader base of post-communist states, Cianetti et al. (2018) accentuate the differences rather than similarities. They argue against generalizing about “democratic backsliding” or U-turns from democracy in Eastern Europe (Kornai 2015, 2019). In their view, Hungary and Poland are special cases of post-communist developments in Central and Eastern Europe. Many other countries did not have the chance to make a U-turn or experience democratic decline, as institutions of democracy never evolved at all. These arguments on divergent post-communist developments harmonize with those studies in which post-socialist countries’ transformation differences are interpreted as structure-specific. Depending on the different patterns of the communist party-states’ power structure (Csanádi 2006), the sequence, speed, and political-economic conditions of transformation differ, and so does the level of cumulated uncertainty and subsequent rent-seeking and short-term behavior (Bunce and Csanádi 1993). These latter characteristics are interpreted as crony capitalisms (Aligica and Tarko 2014, quoting Gustafson 1999; Li 2009; Redding and Witt 2007). Thus, even if Hungary is a special case, this does not rule out the idea that some processes may be interpreted as backsliding, or as a U-turn away from democracy. On the other hand, the lack of initial democratic institutions does not rule out the evolution of post-communist transformations into authoritarian systems. Kornai in 2015 argued that among European post-communist states, only Hungary reversed institutions and procedures of democracy.

6 Ivan Krastev, “Eastern Europe’s Illiberal Revolution. The Long Road to Democratic Decline,” *Foreign Affairs*, April 16, 2018, <https://www.foreignaffairs.com/articles/hungary/2018-04-16/eastern-europes-illiberal-revolution>; Khatya Chhor, “Can the EU Stop Its Members from Sliding toward Authoritarianism?,” *France 24*, April 9, 2018, <https://www.france24.com/en/20180409-slide-toward-authoritarianism-eu-errant-members-orban-hungary-poland>; Hampton Stephens, “The Battle for Democracy in Central and Eastern Europe,” *World Politics Review*, April 3, 2019, <https://www.worldpoliticsreview.com/insights/25066/the-battle-for-democracy-in-central-and-eastern-europe>.

However, since 2015, similar processes have been gaining ground in other post-communist countries due to systemic automatism and emulation.

What does backsliding mean? Let us presume that the Hungarian system did not slide back after 2010, and that it bears the ideal characteristic institutions and processes of democracy. Additionally, let us suppose that the democratic values of a representative democracy are reflected in everyday political and social practice. In this situation, institutions of democracy are established, information flows freely, and the media is unconstrained. There is freedom of speech and elections are free and controlled. There is transparency of government and political decision-making. Legislative, executive, and judiciary powers of the state are separate and of equal rank. Control of each unit's power is functioning, and general decisions are politically unbiased. Civil society is developed and active. Human, civil, and minority rights are acknowledged politically, socially, and economically. Governmental and religious institutions are separate. The market is free of cartels and monopolies, and is based on institutional control. Redistribution is socially based, and government investments serve the long-term social good. Finally, corruption is constrained, and its occurrence is the exception rather than the rule.

Politico-legal contradictions that emerge from the point of view of democracy support the concept of a U-turn. However, discrepancies from democratic systems dissipate if one instead evaluates Hungarian developments from the angle of system evolution and power relations (Jakab 2020). What we find is that factors that otherwise would be interpreted as anomalies from the point of view of a democratic system are in fact the structural and dynamic characteristics of a systemic evolutionary process toward an authoritarian system. Structural factors are forging the systemic context, shaping rules and democratic procedures accordingly. The evolving authoritarian system benefits rather than turns away from formal institutions and processes of democracy. It uses these as devices of authoritarian rule. Accordingly, from the point of view of post-communist transformations, Hungary's authoritarian developments may be compared with others in the region, even if institutions of democracy failed to evolve in other countries.

Despite the importance of the Orbán regime in the international literature, approaches to and definitions of the nature of Hungary's current social system are multiple. The system is defined as, for example, an illiberal state, an autocracy, a hybrid regime, a mafia state, a kleptocracy, state-capitalism, a developmental state, a party-state, a predatory authoritarian state, a dependent state, an accumulating state, a financial state, and a competitive authoritarianism (Levitsky and Way 2002; Csanádi 2014b; Kornai 2015; Magyar 2015, 2016, 2019; Tóth and Hajdu 2018; Sallai and Schnyder 2018; Bozóki and Hegedűs 2018; Körösnéyi 2015; Scheiring 2020a). Some of these authors refer to it as a special kind of hybrid regime, for example, Bozóki and Hegedűs (2018) label it as an externally constrained hybrid regime. Others see it as a diffusively defected democracy (Bogaards 2018), a neo-prebendal system (Szelényi and Csillag 2015),

a mafia state (Magyar 2015, 2016, 2019), or a country that “has moved from the subset of democracies into the subset of autocracies” (Kornai 2015), a modern autocracy (Guriev and Treisman 2015), a plebiscitary democracy or a plebiscitary leader democracy (Körösényi 2015; Körösényi et al. 2020), or electoral authoritarianism (Unger 2018). In these works, most authors interpret hybridity as a system-characteristic rather than the immanent nature of an evolutionary process (Robinson 2001; Halmai 2014; Csillag and Szelényi 2015; Bozóki and Hegedűs 2018; Kovács and Trencsényi 2019; Czibere and Kovach 2021).

While Hungarian hybridity is interpreted as a result of a deterioration (or backsliding) from democracy toward autocracy, other countries in the post-Soviet region (e.g., Ukraine or Moldova) are seen as having experienced the opposite, half-hearted democratization from fully autocratic regimes (Knott 2018). For these other countries, the creation of hybrid regimes was a feature of the third wave of democratization, but it still marked a relative liberalization of autocracies (Diamond 2002; Levitsky and Way 2002). The reversal of democratization and the nonlinear development of democratic regimes was present, but usually happened some years after transitions and in countries with weak democratic institutions. The Orbán regime not only takes the less common trajectory, that is, de-democratization, but it reversed democratic development made during the 20 years following 1989.

There are two reasons why there is so little agreement on the exact nature of the Orbán regime. First, it is still changing and constantly evolving. Second, the various approaches taken emphasize different aspects of the evolving system. These two reasons are also interrelated, since during the process of evolution of the authoritarian system, different aspects became temporarily more accentuated, capturing the attention of those doing research in the field. In the first two or three years, it might have seemed that the Constitution, freedom of the press and other media, and, to some extent, the rule of law were the main targets. Around 2013–2014, the electoral system and the redistribution of markets and properties came to the fore. From 2015 onward, the occupation of the media sphere, attacks on civil society, heated political communication, and the transformation of the remnants of the constitutional system (courts, judicial system) were the main focus of the governing elite.

This dynamic nature of the gradual erosion of democratic institutions (reversed hybridity in the making) is similarly captured in Bogaards’s (2018) approach. Applying the concept of embedded democracy, which interprets democracy as a balanced system of partial regimes (e.g., the electoral system, civil rights, political rights), he shows how the attrition has been diffused in the Hungarian democratic system. Thus, in his concept, the differentiating aspect of the Hungarian regime is not the level of erosion in just one area of democratic institutions, but that all of them gradually became affected to some extent.

A dynamic political science approach to hybridity is reflected in Kovács and Trencsényi (2019). They analyze the realization of a “new social contract” inherent in the NER presented by the Orbán government after gaining a two-thirds

parliamentary majority in 2010. According to Kovács and Trencsényi (2019), the hybridity of the evolving Hungarian system was reflected in the short-term needs of actual policies; in the combination of a large number of ideologies, political styles, economic strategies, amalgamated authoritarian, and collectivist traditions; and self-defense against the external, unknown “Other,” as well as the conformity, hopelessness, and inertia of the Hungarian people. In addition, they mention the resacralization of mass politics combined with antimodernity, and the hybridity of political antiliberalism, economic freedom, and the misery of a simulated, devastated democracy.

Several traits of this characterization of the NER match the populist elements conceptualized by Laclau (2005), Arato (2019), and Rosanvallon and Goldhammer (2008), especially since 2015: governing through political campaigning, a strong “Us” versus “Them” distinction, an emphasis on enemies in political communication, claiming that the political leader represents the people (the Us), and equating democratic legitimacy with electoral success.

Reflecting on this dynamic nature of Hungary’s political developments, several approaches have been developed to define Hungary’s political regime, the political properties of its institutions, and its policy instruments. Definitions are complex and manifold, including illiberal, autocratic, fascist, populist, mafia, accumulative state, and patronage state (Magyar 2016; Szanyi 2016; Krekó and Enyedi 2018; Ungváry 2019; Lendvay 2019; Scheiring 2020a, b).

The question arises whether the Orbán regime has any clear ideology informing and legitimizing its actions and policies. Csillag and Szélényi (2015) argue that the ideology is post-communist traditionalism, or neo-conservatism, which is a statist version of an ideology that identifies itself as social conservative. “They inspire a popular movement, stage cultural wars” (p. 28), emphasize the concept of deservingness in welfare services, and nurture strong anti-immigrant sentiments. However, others argue that this is only the surface. Körösényi and colleagues (2020) claim that in policymaking processes, ideology plays only a small role, if any. Policymaking in the Orbán regime is based on bottom-up, ad hoc ideas, and when a policy is attacked from the outside, it tends to crystallize as an ideologically legitimized or defended element of the system. Thus, it seems that values and ideologies are important on the discursive level, but less important on the policy level. In this sense, the Orbán regime’s ideological nature is more populist than conservative (Illés and Körösényi 2017).

The concepts of a neo-prebendal system (Szélényi and Csillag 2015), accumulative state (Scheiring 2020a), and post-communist mafia state (Magyar and Vásárhelyi 2013, Vol. 1; Magyar and Vásárhelyi, 2017, Vol. 2; Magyar 2016) have also been raised to describe the Orbán regime. Scheiring (2020a) interprets two periods in Hungarian post-communism from a political economy point of view. He distinguishes both theoretically and empirically the period before 2010 as being a competitive state and the period after 2010 as an accumulating state, from the aspect of economic growth and the dynamics of the ruling class. He argues that the birth of the latter was a class reaction to the former. Similar

differentiation, the shift from a democratic to an authoritarian system, is the basis of Sebők's analysis (2019). His analytical perspective is the dominating financial sector, political elite, and international capital, and its impact on social stratification.

Magyar and Madlovics (2021) emphasize the ruling political elite's access to the state's resources and how they hijack every available resource to serve their interests. This includes the redistribution of markets via regulation, the legalization of corruption, and reprivatization of the state's property. These processes do not eliminate private property. On the contrary, they create legal and economic structures in which the ruling political elite become the "owners" of the property, whether it is state or private. The main aspect, however, is how these processes serve or intertwine with the processes of sustaining political power.

Magyar and his coauthors (Magyar 2016; Magyar and Vásárhelyi 2013, Vol. 1; Magyar and Vásárhelyi 2017, Vol. 2; Magyar and Madlovics 2021) emphasize that in a mafia state the oligarchs, or entrepreneurs with significant economic power, are subordinated to the ruling political elite. In the mafia state, the state is not captured by the oligarchs, but the political leader or a narrow political elite, as a "political family," appoints its oligarchs and grants them economic power (Magyar 2016). To this extent, a mafia state is a form of institutionalized corruption, as the corruption is systemic, and high-level government officials organize the corrupt transactions (Rose-Ackerman 1999; Charap and Harm 1999; Lambsdorff 2007). Corrupt transactions are not exceptions but are an immanent feature of the political and economic system. The mafia state is a special case of a crony system, or crony capitalism, where the real purpose of government is to create a favorable situation for the cronies of the political leader or his family, to favor them through state regulation, or through preferential access to loans, public procurement, state subsidies, and so on (Haber 2002; Krueger 2002; Nucifora et al. 2015).

In conclusion, we argue that instead of taking democracy as a starting point from which the Orbán regime has been deviating, we will follow the dynamics of evolution and self-reproduction of a centralized authoritarian system. From this perspective, the aforementioned various approaches and the reversed concept of hybridity, demonstrating the deterioration of democracy (backsliding) and a shift from democracy toward authoritarian rule, have a common dynamic cause. As during the system's evolution, any of the aforementioned types, or their combinations as described in the literature, may emerge (Poliyakova et al. 2019). However, due to the dynamics of evolution, these can be spotted in different dimensions, in alternating weights, and in different times. Combinations are aligned with Orbán's actual short-term interests. They all characterize Orbán's regime and the evolving system dynamics at different times and in different aspects. What remains common in time and space is the authoritarian characteristic of the developing system. In this respect, in Hungary, backsliding from democracy can be interpreted as an important, specific episode of the evolutionary process toward a centralized authoritarian system.

Several questions arise in this situation and this book represents our efforts to answer them empirically. For example, is it possible to track the metamorphosis of a political party into a system and through it the dynamics of evolution of an authoritarian construct? How can the emergence of systemic features be perceived, and how can this emergence be differentiated from mere fluctuations? Can we distinguish the compulsions of automatisms from emulation? Can we detect the interplay of automatisms and individual actions in the evolution of a system? Can the interrelationship between evolution and self-reproduction of the system be demonstrated? What are the factors of the cohesion of such a system and those leading to its loss? How do domestic and external sources contribute to the authoritarian system's evolution and reproduction?

In the first part of the book, Csanádi (chapter 1) empirically follows the evolution of political capture and its diffusion as a centrally managed network. She explores over 700 individual and governmental decisions and events between 2010 and 2021 to illustrate this process.<sup>7</sup> Illustrations help to follow Fidesz's systemic expansion, first in the political subfield, then stretching out toward and occupying institutions of checks and balances, and further advancing to local and grassroots autonomies and the economic subsphere. Csanádi reveals how the expanding diffusion of political capture shapes and structures the economic and social subfields. She also analyzes how diffused political capture serves as channels of institutionalized corruption through politically selective (re)distribution, and uncontrolled accumulation of those most integrated into these channels. She also describes the destructive consequences of this expansion-without-control in economic, environmental, and public fields, and points to the domestic and external stabilizing factors, despite its destructive advancement.

In the second part of this book, three empirical studies analyze the results of the main characteristics of this evolving system and its self-reproduction. In chapter 2, Gerő and Kovách define and analyze the three main forms of redistribution during systemic self-reproduction. They distinguish social security and welfare, project-based, and recombinant types, in which results are shaped by the diffusion of political capture into public, institutional, social, and economic spheres. Expenditure on social security and welfare services (such as education and health) and the maintenance of the pension system are the largest. However, among welfare expenditures, the amounts of redistribution for social purposes have tended to decrease. The amounts of welfare services are, in principle, divided equally, but practically are distributed to the detriment of those on lower incomes. Indeed, by 2016, the share of development projects exceeded that of welfare expenditure by 28 percent. It is very likely that there is a strong interaction between the rapidly increasing number of these projects and the absolute and relative decline in welfare expenditure, especially social spending. Recombinant redistribution provides ownership, development resources, and market access to beneficiaries solely for political purposes. It has

7 All links were controlled and retrieved by April 2022.



no countervailing, direct economic development effect, despite the significant redistribution of property and resources.

In the next case study (chapter 3), Tóth and Hajdu, using data from more than 242,000 public procurement tenders, analyze corruption risk and the intensity of competition of public tenders from 2005 to 2021. Their analysis entails a statistical comparison of the corruption risk, the control of corruption, the intensity of competition, and the strength of price competition among tenders. They compare tenders won by companies with close personal and family ties to Orbán and other members of his government (the MGTS+ companies<sup>8</sup>) and those among tenders won by Hungarian firms without such political connections. They use the existence of a single bidder as an indicator of corruption risk and the existence of more than three bidders as a proxy for the control of corruption and an indicator of the intensity of competition. To measure the intensity of price competition, they use the difference between the pre-tender estimated value and the actual contract value as a percentage of the contract value. The results indicate that after 2010, the corruption risk is significantly higher, and competition intensity and control of corruption are significantly lower in tenders won by MGTS+ companies than in tenders won by Hungarian companies without political connections. Concerning the price competition, their results suggest that under the Orbán regime, politically connected companies won tenders with a lower level of price competition. Beyond that, as the contract value increases, fewer companies are eligible to meet the tenders' criteria, which is a normal phenomenon; however, these politically connected actors seem to benefit from this. Thus, their results show the systemic prevalence of political favoritism under the Orbán regime: crony companies enjoy this policy.

The result of redistribution to politically connected enterprises may be detected in their occupation of increasingly larger space in the market through purchases, mergers, privatization of public assets, concessions through development projects, or structural reforms. The other result is the unrestrained and sudden enrichment of politically connected owners utilizing “non-market” behavior. These politically networked individuals are examined by Laki in the third case study (chapter 4). He analyzes the yearly data on the 100 wealthiest Hungarian businesspeople. Based on his empirical criteria of “connectedness,” he identifies 18 enterprises that fulfill these criteria. He pinpoints the different modes the government uses to interfere, to “mediate,” to prefer, and to exempt their activity in the market. His results reveal the concentrated favoritism by the Fidesz government and consecutive wealth increase of politically preferred businesspeople. Laki illustrates the different modes of government intervention for their sake. For example, government bailouts of Fidesz-connected businesspeople's property through nationalization, the introduction of individually suited regulatory advantages, the bending of general rules, and executing government-managed owner changes. Other government favors include the distribution of

8 Acronym based on the initial letter of the names of those privileged.



focused development programs to politically connected individuals and their companies. Yet another mode of favoritism is the replacement of market suppliers with politically favored ones. Laki focuses particular attention on the businessman closest to Orbán, Lőrinc Mészáros. He reveals the non-market characteristics and non-economic logic of interdependence among Mészáros's amassed 300 companies. Laki reflects on the sweeping speed of Mészáros's wealth accumulation, the different sectors of his advancement, and the front man's non-market business behavior during the period of his skyrocketing wealth accumulation. His emergence and overall winning position suggest an uncontrolled and concentrated political favoritism and institutionalized corruption through political connectedness.

Together these four chapters provide an empirical view of the dynamics of the evolution and reproduction of an authoritarian system with centralized power structure. In this context, the book describes the unleashed infiltration of the Orbán government into the Hungarian political, social, and economic sub-spheres, public or private. It points to the processes and methods of expansion and diffusion into those subfields, and the specific modes of systemic self-reproduction during these processes through various forms of resource extraction and distribution to the advantage of those close to the political leadership.

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**Part I**

**METAMORPHOSIS OF A PARTY  
INTO A SYSTEM**



# PATHS TO POLITICAL CAPTURE AND INSTITUTIONALIZED CORRUPTION IN HUNGARY, 2010–2021

MARIA CSANÁDI<sup>1</sup>

## System Evolutions in Comparative Perspective

### *Structural Framework of the Metamorphosis*

Reviewing the extensive literature listed in the preface and the introduction, I have concluded that the various efforts to define Viktor Orbán's regime in Hungary as a system converge into one common standpoint: its authoritarian nature. Rather than adding one more definition to the many, my endeavor is to empirically follow the dynamic paths of a political entity toward an authoritarian system. Despite the vast variety of authoritarian regimes, essential parallels in the metamorphosis of a political entity into an authoritarian system may be discovered (Csanádi 2006, 2014b). Such processes embody similar systemic developmental stages: a political party, as an entity in one subfield (political), monopolizes the political subfield. Subsequently, it extends its instruments of power to all other subfields. During the advancement of this process, it develops system characteristics in its structure and dynamics. In the first part of this book I trace this process:

<sup>1</sup> I owe a great deal to my friends and colleagues who have read my manuscript in its different stages of readiness and commented on it in detail. They helped me to better structure my research material, be more precise and pointed to the gaps I had to fill. I am thankful for the lengthy discussions that helped me formulate my thoughts with Andras Lórinçz, Mihály Laki, István János Tóth, Éva Voszka, Barb West, Anna Lakatos, Imre Kovach, Júlia Varga, Peter Katzenstein, Annamaria Inzelt, András Bozóki, Petra Bárd, Pál Lővei, Márton Gerő, Peter Vámos, Anikó Almási, Erzsébet Szalai, and Gábor Monori. Special thanks to István János Tóth, who not only contributed with thorough discussions, but also technically unified the style of the manuscript according to general standards. I am also grateful to Ferenc Gyuris, Li Qing, Zheng Yisheng, Liu Hong, Li Ling, Wang Peng, Li Shi, Yu Yongding, Lai Hairong, Wu Jinglian, Wu Yushan, Mao Yushi, Wu Shanshan, and Liu Shengyu, friends and esteemed colleagues. From them I have learned in depth about the structure, operation, and transformation of the Chinese party-state system. This is a knowledge that gave me insights and inspiration to get back to analyze what was my starting point decades ago: the dynamics of evolution of the Hungarian authoritarian system.

- The emergence of the systemic elements that induced the metamorphosis of Fidesz.
- The institutional factors in this process that provide the evolution of its centralized nature.
- The formation of the respective institutional characteristics in the evolution of dependencies and chances for interest promotion.
- The dynamics of the propagation of such characteristics, capturing more and more subfields.
- The centralized modes of diffusing institutionalization of dependencies and interest promotion, reaching into deeper and deeper spheres in each of the captured subfields.
- The structural characteristics and modes of personalized interactions, and the transfer of resources through the diffused channels.
- The modes through which systemic inequalities are being created by the centralized diffusion of the channels of dependencies and interest promotion.
- The characteristics of selective extraction and distribution of resources through the channels.
- The reasons why actors are motivated to integrate into and adapt to expectations through the channels, securing the cohesion and reproduction of the system during its evolution.
- System-characteristic instruments of self-reproduction during evolution.

The advancing extension of the instruments of power develop into a complex dynamic power network that is activated during decision-making processes. The implementation of complex dynamic networks would be ideal to describe and analyze the dynamics of the centralized propagation of the channels of dependencies and interest promotion in a social system. Social systems, including authoritarianism, have all the basic characteristics of dynamically forming complex networks that enable dynamic processes amongst the actors. However, their modeling with networks, their different social patterns, and respective dynamics are yet to be developed. So far, dynamic network studies are still several steps away from analyzing complex social systems as networks, their evolutionary dynamics, and their specific topologies (patterns). Work in this direction has begun (Boccaletti et al. 2006; Liu, Slotine, and Barabási 2011; Peixoto and Bornholdt 2012; Gracious et al. 2021).<sup>2</sup>

This gap between the network characteristics of an evolving social system and its analysis as a network may be “overarched” by an “intermediate” network-based comparative institutional framework, called the Interactive Party-state (IPS) model. This framework has been constructed to empirically detect the evolutionary dynamics of a political entity (the Communist Party) into a system and its reversal from a system into a political entity (Csanádi 2006, 2009,

<sup>2</sup> Dynamics and Structure of Networks (DYNASNET) project: <https://cordis.europa.eu/project/id/810115>.

2014b). This framework allowed me to descriptively follow the evolution of the structure and dynamics of party-states as authoritarian systems with different patterns of power distribution, and their divergent operation during evolution and transformation. Through this framework, the network characteristics of dependencies, interest promotion, institutionalized instruments of power, channel forming, and participants with different weights may be discovered. It also reveals activities through these lines and inequalities in bargaining through the same, as well as its pattern-dependent dynamics of operation, instruments of self-reproduction, and transformation.

This framework also allows me to empirically identify and follow the centralized development and expansion of the network of dependencies and interest promotion in Hungary from 2010 onward. This network has been diffusing uncontrolled into different social subfields since 2010 in this country. One can also detect the formation of its main systemic instruments for resource extraction and redistribution through the diffused channels, adapted to the centralized pattern of power distribution in occupied subfields. The framework also enables me to empirically detect the systemic characteristics of selectivity in resource extraction and distribution that adapt to actors' different intensities of integration into the network. It allows me to reveal and empirically support the systemic motivations of economic behavior: the individual drives for integration into the centralized network of dependencies and interest promotion. Selectivity traces the inequalities created by the different intensities of integration into the centralized network.

The level of intensity of integration of different actors may be defined as "respective bargaining capacities" through the expanding channels. Consequently, different intensities of integration into the network of dependencies and interest promotion provide different bargaining capacities. Bargaining capacities in the framework are composed of the actors' capacities for resource attraction, resource distribution, and resource extraction, as well as their capacities to resist intervention along the threads of the network attached to them. Thus, both resource extraction and allocation will be "form-fitted" (selective) according to the distribution of different bargaining capacities in the network. The less integrated, the lower the resisting capacity to intervention and resource extraction; the more integrated, the higher the capacity to resist intervention and for resource attraction.

The different distribution and extent of bargaining capacities within the network define specific patterns (topologies) of power distribution in authoritarian systems, from centralized to decentralized patterns (Csanádi 2006). These patterns will determine the locations of decisions over extraction and distribution of resources, positions, activities, organizations, and staff in the network. Owing to the evolving characteristics of Orbán's authoritarian system since 2010, I only deal with the evolution of the characteristics of a centralized pattern as the structure closest to the one to describe. In this pattern, interconnecting lines originate at the highest levels of the state hierarchy. Resource extraction and

redistribution is also centralized in the state hierarchy. In such centralized patterns, actors in general are able to connect with fewer ties to the network compared to more decentralized ones. Therefore, most actors' bargaining capacity is low in general, and within that, their capacity to resist government interventions is likewise relatively low. Conversely, a higher intensity of integration into the centralized network with multiple ties is the privilege of relatively few. I call these groups politically connected through the network. These characteristics also allow me to point to the groups more intensively integrated and most privileged in the centralized structure. It will also be possible to empirically reveal the characteristics of their interrelationships.

These specifics of power distribution in the network have major consequences for the dynamics of its evolution and operation. In the evolution of such centralized structures, the propagation of the network into any subsphere has faint structural barriers owing to low capacities to resist. Therefore, also the structural constraints<sup>3</sup> of resource extraction and redistribution through the centralized network remain soft for an extended period. Lacking both control and resistance, forced resource redeployment characterizes the instruments of resource extraction and redistribution of the centralized pattern. On the other hand, owing to chances for unlimited resource accumulation for those who are privileged, selective overinvestment meets loose barriers. Thus, the framework helps to follow and interpret the uncontrolled expansion of those privileged few and the selective consequences on accumulation (Csanádi 2015; Csanádi and Gyuris 2020a).

To analyze the complexity of the metamorphosis of the Fidesz into a system in Hungary since 2010, it required the utilization of concepts from a number of different academic fields and their harmonization with the systemic framework. Harmonization allows me to reveal the development of the main characteristics of the evolving social system in Hungary since 2010, as well as its specific centralized nature. Thus, *political capture* becomes the basic instrument of the system's self-organization that characterize Orbán and his government's advancement in power, by subjugating the different social subspheres. *Diffusion of political capture* into different subfields becomes the specific mode of the advancement of political capture and network formation within these subfields, occupying ever larger space in them. The *structure of the network* depends on the pattern of distribution of the bargaining capacities of actors integrated into it. The centralized distribution of bargaining capacities defines the *centralized character* of the diffused network. Instruments of extraction and redistribution in a centralized power structure allow for *forced resource redeployment*. The modes of forced resource redeployment bring about *politically selective* extraction and distribution according to the intensity of integration into the centrally diffused network.

3 I call domestic constraints in party-states "structural," as the domestic limits of politically selective resource extraction depend on actors' capacity to resist intervention owing to the structural characteristics of power distribution.

Politically selective extraction and distribution, shaped by the diffused channels of political capture, serve as the *infrastructure of institutionalized corruption*. Selectively forced resource redeployment allows for the advancement of the diffusion of political capture, feeds institutionalized corruption, and, thereby, contributes to the reproduction of the given distribution of power. The social foundation of such extraction and distribution is based on the different intensities of actors' integration into the diffused network of political capture, leading to respective *social stratification*. I have pointed to the chances of *group formation* from those actors most privileged, due to their more intensive integration into the centrally diffused network of political capture and the system dynamics of their increasing number. Finally, domestically, persistence and cohesion of the evolving system is granted by the steady flow of resources through forced resource redeployment; the incessant *drives for integration* into the diffused channels of political capture, justified through *institutionalized populism*. This is the authoritarian systemic context that clarifies the difference between the content of "political capture," generally interpreted in a narrow sense as a relationship between business and government when political leaders appoint businesses to be privileged (Magyar 2016; Kornai, 2019), and the term of "diffused political capture" as a relationship between government and all social subfields detailed earlier. Meanwhile, externally, the advancement and reproduction of the system is nurtured through *foreign resources* that conserve the domestic status quo.

The process of metamorphosis will be empirically illustrated by selected supporting evidence. These come from parliamentary and government documents; published empirical analyses in the fields of economics, political science, and sociology; statistical data published by the European Union (EU) and the Hungarian Central Statistical office (KSH); and both international and national investigative reports. I frequently refer to the second part of this book, where authors empirically demonstrate the systemic modes and consequences of redistribution and institutionalized corruption. However, the complexity of system formation is hard to quantify. Reports over facts and interactions will be used as illustrations of the structure and dynamics of the metamorphosis.

Case-by-case empirical analysis would be necessary to reveal the background of government decisions and procedures. However, fieldwork in this context is very difficult: interviewing is hindered by unwillingness, fear, or loyalty and counter interests. Data of public interest is missing, if it ever existed, remains undisclosed, or is only provided following a court decision.<sup>4</sup> If acquired in exchange for a high official fee, information frequently turns out to be

4 Aranka Szávuly, "Interjú az atlatszo.hu jogi képviselőjével" [Interview with the legal representative of atlatszo.hu], *Jogászvilág*, January 8, 2015, <https://jogaszvilag.hu/szakma/interju-az-atlatszohu-jogi-kepviselojevel/>.



deliberately distorted and useless,<sup>5</sup> or long out of date due to the tide of new events. Moreover, even if acquired and correct, it is difficult to confirm. The kind of statistical data usually used in the analysis only partially reflects real measures and their consequences due to the closed channels that permeate all dimensions of Hungarian society. At the same time, these same difficulties are the obvious signs of the deficit of institutions of democracy, democratic functions, procedures, and information flow.

In conclusion, in this section I have demonstrated the usefulness of the network-based systemic framework to empirically analyze the dynamics of evolution of the social system dominated by Viktor Orbán in Hungary since 2010. Next, I define the main concepts outlined in this section that allow the adaptation and extension of the framework to the metamorphosis of Fidesz into a system.

### ***Dynamic Concepts Nested in the Network to Detect the Metamorphosis***

Next, I will shortly detail the concepts adapted to the concrete socioeconomic context that evolved since 2010. These will allow the empirical tracing of the evolution of Orbán's party into a system of centralized power distribution following its dynamics through the evolving network. (1) First, I will detail its basic instrument of self-organization, characterizing Orbán's authoritarian system: the political capture. (2) I will also elaborate on the mode of evolution of political capture interpreted as a network: the diffusion of political capture in different subfields. (3) Next, I will point to the structural sources of evolution characterized by the central diffusion of political capture: the politically selective extraction and distribution through the centrally diffused network according to the intensity of integration. (4) These will be followed by the instruments of politically selective extraction and distribution in a centralized power structure: the instruments of forced resource redeployment. (5) Next, the social basis of such extraction and distribution will follow: the different intensity of actors' integration into the diffused network of political capture, transforming forced redeployment into institutionalized corruption and stabilizing the network.

(1) The basic device to grasp the systemic character is the concept of *political capture* (Fuentes-Nieva and Galasso 2014). This is the way Orbán's system organizes itself. Magyar (2015) uses a version of this notion, "political venture," to define the concept of a mafia state, referring to the system characteristics of Hungary since 2010. Kornai accepted this term when he revisited his concept of system paradigms. He defined the present Hungarian system as a capitalist autocracy. Within that context, Kornai characterized the specific collaboration between government and business as when "state captures the business realm"

<sup>5</sup> "Draft Law on Data Protection and Freedom of Information," *TASZ*, June 29, 2011, <https://tasz.hu/cikkek/draft-law-on-data-protection-and-freedom-of-information-1>.

(Kornai 2019). The direction of this relation is the opposite of “state capture,” when oligarchs capture the state. A version of the latter is understood as crony capitalism, attested to post-socialist systems mentioned by Aligica and Tarko (2014). As Kornai (2019) argues in his paper “System Paradigm Revisited”:

The expression state capture has joined the vocabulary of political studies and is not rare in Hungary either: legislation and other regulations are tailored to the needs of specific capitalist groups. The opposite effect is at least as common: the state captures the business realm. State leaders appoint and dismiss the oligarchs. Such intervention by politicians and bureaucrats extends from the top of the business hierarchy down to the middle management levels. They decide who gets rich quick, sometimes with lightning speed, and whose wealth diminishes.

I shall slightly modify and simultaneously extend the validity of Kornai’s definition, combined with that of Magyar. I will nest the concept into its actual dynamic systemic context. My goal is to adapt the phenomena to the evolution of a centralized authoritarian system. Accordingly, *political capture* represents the characteristic strategy of a system evolution. During the process, a dominant political group uses the state and its instrument to extend its power over political, social, and economic subfields. Thus, in a systemic context, political capture becomes not only a structural but also a dynamic term. It is the process through which Fidesz’s political elite gradually captures political, legislative, executive, and economic power, and through those, the society. Political capture allows them to reap its benefits in any subfield.

(2) I interpret the advancement of political capture among socioeconomic subfields, and its expanding infiltration into those, as the *diffusion* of political capture. This will provide the *authoritarian systemic context* of political capture. This is a specific, system-conforming interpretation of the term diffusion and its dynamics, adopted from physics to social science. Weygandt (2017) provides a concise description of the diverse interpretation of the term and its dynamics in social science. Summarizing her analysis, the term represents the spreading of legal instruments, innovations, polities, or ideas from central to periphery countries, from developed to underdeveloped ones. Instruments will spread to passive or competitive receptors, willingly or unwillingly adopting it and adapting to it. They may spread due to either coercive measures, competition, emulation, or learning. For example, such is the adaptation of the term in the diffusion of electoral revolutions of liberals over illiberals in post-communist states (Bunce and Wolchik 2006). Another example is the potential diffusion of authoritarianism from Putin’s Russia to Orbán’s Hungary (Buzogány 2017). In my adaptation, diffusion is domestic and systemic, while keeping all the above dynamic characteristics of propagation. It represents the active spreading and influence of political capture through the relationships of dependencies and interest promotion, forming a network throughout the socioeconomic texture and serving as

channels of resource extraction and redistribution. The diffused political capture since 2010 in Hungary involves institutionalized and informal segments of the decision-making process. Interconnecting dependency lines of a network are formed by diffusion, originating from the political center.

(3) *The metamorphosis* of the political entity into a system occurs through the expanding diffusion of political capture, taking up systemic characteristics and pattern specifics. The diffusion of political capture involves the center sucking up more and more public and private fields “feeding” the network’s expansion. The centralized expansion of the network is open-ended, owing to unequal bargaining capacities of actors both within the network and of those outside of it. Through the expanding network resources are extracted according to the level of resisting capacities and distributed according to those more intensively integrated. Thus, both extraction and distribution will be politically selective according to the level of integration. From this point of view, political connectedness and political favoritism is systemic, rather than a deviation from it. Diffusion in all subfields is played by the rules of the centralized power network through instruments of forced resource redeployment adapted to the subfield to be captured.

(4) Centralized diffusion of political capture will also determine the structure-specific *modes* and *instruments* of resource extraction and distribution. The Orbán government uses one comprehensive tool, involving all others. This is the luster of a developmental state, carrying out reforms and development.<sup>6</sup> However, empirical facts reveal that reforms and developments bifurcate according to locations in the social sphere, while both carry out forced resource redeployment. “Reforms” or “modernization” serve for politically selective resource extraction from politically captured public fields less intensively integrated into the network, and its redeployment to those privileged. Conversely, “development” serves politically selective direct allocation of resources through development projects and other means. Those privileged in allocation are private and public actors more intensively integrated into the network. The relationship between reforms and development indirectly evolves as resources extracted from—or non-distributed to—reformed fields become budgetary sources that partially finance development programs. Resources are extracted, transferred from within the network from public spheres (be they central or local, social or economic), or attracted from outside the network from domestic or external markets. The same instruments of forced resource redeployment simultaneously serve the diffusion of political capture during the process.

For example, expansion or diffusion of political capture occurs through the privatization of public assets to the privileged; nationalization of private ventures and reprivatization to the privileged; allowing mergers of competitors by the

6 Government of Hungary, “National Reform Programme 2018 of Hungary,” April 2018, [https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-hungary-en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-hungary-en_0.pdf).

privileged; and ownership transfers and market development upon public procurement. Development programs awarded by the government involve forced resource redeployment through exemptions of the privileged in the network from market rules. Such privileges function to the detriment of those forced to adapt to the rules. Exemptions to the privileged are provided on legal terms by the government, the cabinet, or personally by Orbán, declaring it being of strategic importance. Expansion and forced redeployment may occur also by starving out market competitors of resources and/or constraining market chances of individual competitors leading them to bankruptcy and/or forcing them to sell their property to the network-privileged.

Diffusion of political capture occurs during reforms and developments through legally supported government interventions resulting in forced resource redeployment: centralization, mergers, dismemberments, loss of autonomy, loss of status quo, loss of decision-making capacities, loss of property under forced bankruptcy procedure, or forced bankruptcy, and takeover through increased taxation of disfavored entities. These processes of forced resource redeployment go parallel with the expansion of the network by creating Fidesz-close organizations, replacing those disfavored and forcedly redistributing their functions. Privileged expansion is preempted, accompanied, or followed by supporting state intervention.

(5) Political capture and its diffusion, and forced resource redeployment offer multiple legal measures in the framework of a pretended developmental state. These measures privilege those cumulatively integrated into the closed channels to the detriment of those attached to the network with less ties or outside the expanding network. Measures are applied directly or indirectly.

Similar empirical examples may be pointed out in any other system, be it authoritarian or democratic. However, these may be found scattered in different countries. Instead, in Hungary, since 2010, they appear en masse and concentrated and legally supported, called “hipocratic mass legalism” by Jakab (2020). Not only does their mass occurrence, but also their systemic character makes the difference. These instruments are nested and applied in the centrally diffused channels of political capture. Accordingly, they serve the politically selective extraction and distribution through forced resource redeployment. Thus, politically selective extraction and distribution through the diffused channels of the network fuels *institutionalized corruption*. The diffused political capture legalizes both criminal and policy acts for private gain (see Charap and Harm 1999 on the endogenization of corruption patterns to the political structure). Therefore, both Orbán’s actions and cases should be interpreted as the reflections of a politically captured, centralized authoritarian system where corruption is institutionalized. By focusing on individual cases, rather than on systemic features, the evolution of this social system is persistently nurtured both domestically and from abroad.<sup>7</sup>

7 “Hungarian Police Find No Crime in Projects Disputed by EU Anti-Fraud Office,” *Reuters*, November 7, 2018, <https://www.reuters.com/article/uk-hungary-eu-funds-probe>

In conclusion, I have defined the most important concepts of a centralized authoritarian system in the making. These dynamic systemic concepts allow me to avoid the rigid theoretical categorization of a constantly changing structure, while detecting signs of system formation. The multitude of events used in the study indicate the recognized empirical evidences of evolving system characteristics since 2010.

The next section deals with the process of disintegration of the power network of the Hungarian party-state system by the end of the 1980s. This disintegration process (Bunce and Csanádi 1993) simultaneously created the dynamic context for the surfacing of new political entities (Csanádi 1997, 2006, 2015).

## Political-Economic Context of Systemic Evolution

### *Path-Dependence and Cumulated Uncertainty in System Transformation*

Transformations in party-state systems in Europe had a common tendency. All meant the reversed metamorphosis of the communist party: from a system into a political entity (Csanádi 2009). Reversed metamorphosis simultaneously involved two opposite processes: the retreat of the politically monopolized network of dependency and interest promotion from dominated subfields, and the evolution of a new system outside of it. Differences in the transformation processes emerged for structural reasons. They are dependent on the specific patterns of power distribution in the power network. These patterns, in turn, require different instruments for resource extraction and distribution. Pattern-conforming instruments will influence the characteristics of transformation (Csanádi 1997, 2011, 2015). Depending on the pattern, either all subspheres collapse abruptly while transformation is accompanied by extended and deep crisis and cumulated uncertainty, or first political or economic transformation occurs with lower level and shorter crisis period and lower intensity of uncertainty. Pattern-conforming transformations also influence the varieties of post-communist developments (Csanádi 2016).

In Hungary, political transformation occurred first. Therefore, economic transformation was carried out second, under a democratic regime, and was accompanied by accumulated uncertainty and economic crisis. I will shortly

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-idUKKCN1NC12N; Sándor Zsíros and Euronews, "Hungary's Economic Figures 'Prove' There Is No Systematic Corruption," *Euronews*, November 12, 2018, <https://www.euronews.com/2019/11/12/hungary-s-economic-figures-prove-there-is-no-systematic-corruption>; [https://transparency.hu/wp-content/uploads/2019/01/CPI\\_2018\\_narrativ\\_en\\_20190208.pdf](https://transparency.hu/wp-content/uploads/2019/01/CPI_2018_narrativ_en_20190208.pdf); Miklós Ligeti, József Péter Martin, Bálint Mikola, and Gabriella Nagy, "Corruption, Economic Performance and the Rule of Law in Hungary," *Hungarian Spectrum*, September 4, 2019, <https://hungarianspectrum.org/2019/09/04/we-have-proof-hungary-is-the-most-corrupt-country-in-the-eu/>.

detail the last period of the system transformation in Hungary by the end of the 1980s that set the contextual stage for the political transformation first (see details in Csanádi 1997, 2006).

Instruments of resource extraction and distribution that sustain political and economic systems adapt to the distribution of bargaining capacities in the power network. For example, the centralized structure of the Hungarian party-state was remodeled after its collapse during the failed 1956 revolution. The new power structure, set up under Soviet control, bore the same general characteristics. However, the power distribution became less centralized, as it more intensively integrated strategic economic actors. Decentralizing reforms substituted forced resource redeployment in the new pattern. Nonetheless, resource allocation remained centralized and politically selective according to decentralized bargaining capacities, causing expansive investment. Meanwhile, extraction remained selective (Csanádi 2001, 2005). During the course of the 1970s and 1980s, the reproduction of the network met more frequently hardening constraints due to increased resistance and bargaining capacity of those integrated into the network. Consequently, decentralizing reforms within the network, seeking new resources to extract and distribute escalated, while gradually losing their capacity to reveal new resources and cohesion of the network loosened. Reform escalation and hardening constraints led the economy into a recession spiral (Antal 1985) and loss of cohesion.

As a result, the Hungarian Socialist Workers Party (communist party) gradually lost legitimacy. This was reflected in the increased decentralization of the network, and the retreat of the party from the political subsphere (Csanádi 1997). The loss of legitimacy increased political conflicts. These lead to the formation of different political platforms within the party. In the given delegitimized social context, the multiplicity of platforms transformed into a struggle for political survival. Experts began to flee from the party apparatus to government and economic positions, and the party bureaucracy, its functions, and its power instruments emptied. The process concluded in the split of the communist party into a reformist and a conservative political entity in 1989, and the communist party as a power structure vanished.<sup>8</sup>

The reformist wing, the Hungarian Socialist Party, entered the first freely elected parliament in 1990. However, it could only become a small opposition party that reached 10.89 percent of the national-level votes, and 33 seats from the close to 400.<sup>9</sup> Thus, decentralizing reforms within the network brought about gradual political transformation first. This process was then followed by eco-

8 For a detailed case study on the development and impact of systemic traps and their consequences in Hungary, see Csanádi (1997). On comparing system transformations theoretically, and demonstrating those in case studies of different patterns represented by Romania, Hungary, and China, see Csanádi (2006).

9 "Elections Held in 1990," Inter-Parliamentary Union, [http://archive.ipu.org/parline-e/reports/arc/2141\\_90.htm](http://archive.ipu.org/parline-e/reports/arc/2141_90.htm).

conomic transformation, which began in the late 1980s but gained momentum after the free elections of the 1990s and the formation of the new government.

This structural sequence of reversed metamorphosis, compared to a sudden collapse of all subspheres in centralized patterns, was still more fortunate. It allowed for the birth and relatively peaceful conversion of emerging interest groups into political organizations. This occurred parallel to the gradual retreat and demise of the party-state network (Csanádi 1997, 2006, 2009). Owing to the specific sequence of this pattern's metamorphosis, where political transformation came first, the economic transformation that followed took place under a democratic political setting.

However, system transformation is not a linear "transition" (Csanádi 2005). The retreat of the power network from political and economic subfields and the emergence of the characteristics of a new system is more complex. The political transformation in Hungary from the 1990s onward developed under conditions of accumulated uncertainty and economic crisis (Bunce and Csanádi 1993). Uncertainty was caused by the time gap between the relatively sudden disappearance of the power network by the end of the 1980s, as opposed to the evolutionary formation of the new system. Kornai (1995) called this phenomenon a transformational recession.<sup>10</sup> All these changes occurred in the context of suddenly collapsed international order and economic ties of the Soviet Bloc, the Soviet Union, and its domino effect on member states and their different pattern-conforming transformations.

In Hungary, factors of accumulated uncertainty were multifaceted. Almost 90 percent of the members of the first, democratically elected parliament (MPs) were inexperienced, newly made politicians (Kurtán and Ilonszki 2008; Ilonszki 2011). They did not even have experience in lower levels of leadership. An overwhelming number of the new parliament was composed of teachers, and a smaller number of lawyers, reporters, historians and writers, engineers, doctors, and so forth.<sup>11</sup> Inexperienced individuals had suddenly been thrown into leadership positions (Ilonszki and Kurtán 2011). Over 86 percent of these MPs were former Communist Party members. New parties and other organizations were unrooted new entities in the society. They were formed without political power or social backing. The conditions of new trade unions, professional organizations, foundations, interest group clubs, and entrepreneurs were similar. These organizations surfaced, stabilized, and/or disappeared in the institutional chaos. At the same time, thousands of new laws, amendments, and corrections to new laws were passed. These were seasoned with numerous government orders and

10 Varieties in the level of crisis of different party-states were influenced by the earlier patterns of power distribution. The more centralized, the larger and deeper the crisis, the longer its duration. The level of accumulated uncertainty was also pattern-dependent. The more centralized the distribution of power, the higher was the level of uncertainty in the transformation (Bunce and Csanádi 1993; Csanádi 2006).

11 "Elections," Inter-Parliamentary Union, [http://archive.ipu.org/parline-e/reports/arc/2141\\_90.htm](http://archive.ipu.org/parline-e/reports/arc/2141_90.htm).



regulations, and reformed organizational structures and functions (Csanádi and Páczai 1996). Moreover, the system of institutional checks and balances developed slowly. So did their instruments of control: civil laws; electoral laws; media law; and other laws regarding local governments, prices, regulations, and government decrees. Over the next years, uncertainty further accumulated because of the extensive policy changes caused by alternating governments and governing parties, and frustrations over unfulfilled popular expectations by 1994 (Bíró-Nagy and Laki 2018).

In a context of accumulated uncertainty, short-term interests emerged in using political capital for economic gain. Political actors with short-term economic interests could take advantage of the fact that economic transformation in Hungary came second to political transformation. The state's capacity to intervene in the rigid structures of centralized extraction and allocation in the first period remained intact. In the presence of emerging short-term interests in the fluid situation, the state was compelled and simultaneously empowered to intervene. At the same time, it was forced to decrease its own power for the sake of economic transformation. Consequently, opportunities emerged to mobilize the state's (to that time) unlimited ownership power. But this occurred without developed institutional checks and balances (Bunce and Csanádi 1993; Csanádi 1997). Such opportunities allowed for massive corruption by all parties and governments (Sipos 2007).<sup>12</sup>

The privatization process was laden with inexperienced staff and a lack of transparency of tenders. The influence of the environmental ministry and its local agencies was weak. Transactions were burdened by short-term interests (Kaufman and Siegelbaum 1997)<sup>13</sup> and poor documentation, and were statistically not monitored. Transaction documents had no central storage and were without the internal control of the logistics of the privatization agency. In addition, due to high staff turnover it was impossible to follow the fate of individual transactions. The fluidity of the social context intensified uncertainty. Uncertainties enhanced short-term behavior of both sellers and purchasers,

12 Very few case studies are available on this topic. One of the most profitable corruption case, however, was in oil trading, involving a vast political and economic Russian-Hungarian network and producing 80,000 pages of documents for law enforcement agencies, with 4,300 criminal acts and 340 convicted and imprisoned. Nonetheless, the economic and political "big shots" were spared. The investigating journalist was physically attacked as well. Irén Kármán, "Befejezték az olajos akták titkosításának felülvizsgálatát" [The review of the encryption of the oil files has been completed], *NOL*, February 6, 2008, <http://nol.hu/archivum/archiv-480407-281613>; Nick Thorpe, "Ministers Accused in Hungary's £220m Oil Rip-Off," *The Guardian*, August 28, 2000, <https://www.theguardian.com/world/2000/aug/28/1>.

13 György Bugyinszki, "A privatizáció egy undorító műfaj"—Tömpe István, az Állami Vagyonügynökség első igazgatója" [Privatisation is a disgusting genre'—István Tömpe, first director of the State Property Agency], *Magyar Narancs*, September 8, 2005, [https://magyar-narancs.hu/belpol/a\\_privatizacio\\_egy\\_undorito\\_mufaj\\_-\\_tompe\\_istvan\\_az\\_allami\\_vagyonyugynokseg\\_első\\_igazgatoja-64496](https://magyar-narancs.hu/belpol/a_privatizacio_egy_undorito_mufaj_-_tompe_istvan_az_allami_vagyonyugynokseg_első_igazgatoja-64496).



and heightened corruption risks and environmental neglect (Csanádi and Pácsi 1996; Csanádi 1998, 1999).

Chances for corruption emerged through state monopolies, determining the actors of the evolving market sphere. New bargaining possibilities emerged in the context of privatization and in the process of restitution of the communist party's real estate wealth to the state (Neff 1992).<sup>14</sup> Corruption emerged in the clandestine efforts to transfer public ownership into the hands of former leading politicians before the restitution of the Communist Party's assets. New opportunities accumulated in the redistribution of those assets to new parties before 1995 (Soós 2012), including Fidesz. Further ones appeared later in the subsequent reprivatizations of those assets by Fidesz.<sup>15</sup>

Institutional uncertainty was aggravated by persistent transformational economic crises.<sup>16</sup> This included an adaptation crisis: state-owned enterprises were used to operating in the context of the power network (Sik and Wellman 1997). These enterprises were suddenly confronted with, and judged by, market expectations and market coordination (Kornai 1993; Bunce and Csanádi 1993; Csanádi 2006, 2015). The slow adaptation pressure of a radically different structure, the cumulated uncertainty, and rampant corruption caused the persistence of the crisis. This resulted in the quick decline of the popularity of the conservative Hungarian Democratic Forum (Magyar Demokrata Fórum, MDF) governing between 1990 and 1994. Deceptions compared to high expectations regarding the positive outcomes of transformation, and the longing for vanished stability compared to cumulated uncertainty, resulted in the electoral success of the Socialist party from 1994 to 1998. Fidesz was the next in the row to form a government in 1998–2002. Having been in opposition for two governing cycles, provided several years of learning opportunities.

Next, I shall detail the systemic evolution of the Fidesz, sketching its metamorphosis from a political entity to a political regime. The logic of this detected process does not necessarily mean chronological dynamics. The elements of the metamorphosis of the party into a system may emerge and stabilize simultaneously. They might also evolve independently or in an interrelated fashion,

14 Rod Menso, "Kámforra vált közvagyon—korrupció és privatizációs villámrajt 1989-ben" [Public property disappeared into the air—corruption and privatization blitz in 1989], *Helsinki Figyelő*, August 22, 2019, [https://helsinkifigyelo.blog.hu/2019/08/22/kamforra\\_valt\\_kozvagyon\\_korrupcios\\_es\\_privatizacios\\_villamrajt\\_1989-ben](https://helsinkifigyelo.blog.hu/2019/08/22/kamforra_valt_kozvagyon_korrupcios_es_privatizacios_villamrajt_1989-ben).

15 Péter Mihályi, "Privatizáció és államosítás Magyarországon—régmúlt és közelmúlt" [Privatization and nationalization in Hungary—the past and the recent past], KRTK manuscript, April 26, 2018, [https://www.mtaki.hu/wp-content/uploads/2018/04/10\\_Visszaallamositas\\_KTRK\\_eloadohoz.pdf](https://www.mtaki.hu/wp-content/uploads/2018/04/10_Visszaallamositas_KTRK_eloadohoz.pdf); Ábrahám Vass, "Gov't Outsources State Assets and Unis to 'Raise Competitiveness,' Opposition Believes It's Robbery," *Hungary Today*, April 28, 2021, <https://hungarytoday.hu/orban-fidesz-govt-outsourcing-state-assets-public-funds-robbery-deep-state/>.

16 Transformation crisis and Kornai's approach, "transformational recession," differ. Kornai's analysis (1995) is based on the economic side of the system transformation, while my analysis focuses on the phenomena of system transformation that includes transformation recession.

surface transitorily and disappear. Elements of the evolution adapt to the complexity of the process.

### ***From a Party to a Political Regime through Political Capture***

“A great battle is behind us,” the prime minister said during his victory address just before midnight. “We’ve taken a decisive victory. We created the possibility for ourselves to protect Hungary.” . . . “Today, Hungary took in a great victory (sic),” he said. . . . On the eve of his third landslide victory, PM Orbán reminded supporters that this is the time when “one must be humble because there’s much to be humble about.” . . . “I congratulate the voting citizens. The high turnout left no room for doubts.” . . . Looking to the future, the prime minister said that “our home is not yet standing where it should, but together we will fight.” . . . He thanked all the Hungarians outside Hungary who, in his words, “helped defend the mother country.” . . . “I would also like to thank especially those who prayed for us . . . *Soli Deo Gloria*,” the prime minister said before inviting the crowd to sing along to the ‘Kossuth hymn’ together.<sup>17</sup>

Zoltán Kovács’s (spokesman) report on the  
sweeping victory of Fidesz in national elections,  
April 9, 2018

The metamorphosis of the Fidesz as a political party into the current Hungarian systemic context involved 30 years. During this period of accumulated constraints and opportunities, Orbán maneuvered Fidesz into the persistent political dominance it has maintained since 2010. However, this was not a straightforward path to unquestioned centralized power. I will only reflect on those stages of the process that are important from an evolutionary point of view. I will address only those methods through which Fidesz expanded and seized political power. Regarding its initial period, I will rely on my empirical research experiences and on experts’ studies on privatization and political expansion, and in-depth political analysis.

Orbán’s party, the Fidesz, was born from a small fraternity group of radical activist students in law school in 1988. They were members of a college community at the law university (ELTE Állam- és Jogtudományi Kar) in Budapest, gathering students from around different cities and towns of Hungary (Bruszt 1991; Bruszt and Stark 1991; Kristóf 2015; Magyar and Vásárhelyi 2013; Csizmadia et al. 2013, 2015; Ványi 2013; Kovács and Trencsényi 2019; Körösi et al. 2020). The process began during the final phase of the gradual

17 Zoltán Kovács, “PM Orbán Declares Victory in General Election and Fidesz Makes History by Becoming the First Party in Hungary to Win Three Consecutive Terms,” *About Hungary*, April 9, 2018, <http://abouthungary.hu/blog/pm-declares-victory-in-general-election-and-fidesz-makes-history-by-becoming-the-first-party-in-hungary-to-win-three-consecutive-terms/>.

and peaceful disintegration of the communist system in Hungary (Bunce and Csanádi 1993; Csanádi 1997, 2006, 2011). By 1988, the kernel of the small community formally transformed into a movement and later a party. The party's name was the League of Young Democrats (Fiatal Demokraták Szövetsége, FIDESZ). Fidesz pursued liberal economic and social goals. As a party, Fidesz was originally located on the left-liberal side of the political spectrum, politically close to the Free Democrats. Its leadership was collective, with Orbán as one of its members. Orbán himself had a left-liberal stance with anticommunist views. His thesis in 1987 was on self-organizing social movements, based on the Polish example.<sup>18</sup> Fidesz managed to enter the first freely elected parliament as a small generational opposition party. The leadership was composed of youngsters, some of them still had to conclude final exams at the university. Thus, the party started from this quasi-junior position, constantly learning from and shaping the political and economic context. Orbán led his party through hectic periods of ups and downs<sup>19</sup> and ideological turns (Kovács and Trencsényi 2019; Csizmadia et al. 2013, Körösenyi et al. 2020).

Moving in the fluid context of the transformation and adapting to accumulated socioeconomic uncertainty, Orbán has continuously remodeled his behavior and tactics since 1989. His approach to opportunities offered by the dynamics of the political-economic-social context has always been populist (Szilágyi and Bozóki 2015), whether he was located outside or inside the parliament, in opposition, or in governing power. Populism is one of his political devices for expansion and power. However, his instruments flexibly shifted according to his position in the actual political environment.

I will focus on the use of different strategies and political-social “devices” Orbán implemented to conserve and increase his constituency. These devices are apparently independent from each other, scattered in different social sub-fields, democratic or non-democratic means. However, they all point in the same direction: expansion of political influence by politically destroying adversaries, weakening coalition partners, and absorbing and stabilizing new constituencies. They include:

- Antiestablishment propaganda, occasionally growing into violence in opposition.
- The organization of local conservative communities for antiestablishment campaign activism.

18 Viktor Orbán, “Társadalmi önszerveződés mozgalom a politikai rendszerben” [Social self-organization movement in the political system], (MA thesis, Eötvös Loránd Tudományegyetem ÁJK, 1987), <http://2010-2015.miniszterelnok.hu/attachment/0017/szakdolgozat.pdf>.

19 Zoltán Haszán, “A történelmi pillanat, amikor két vereség után Orbán Viktor lemondott” [The historic moment when Viktor Orbán resigned after two defeats], 444, January 8, 2018, <https://444.hu/2018/01/08/a-tortenelmi-pillanat-amikor-ket-vereseg-utan-orban-viktor-lemondott>.

- Maneuvering toward the conservative right-wing of national and international politics and absorbing potential constituencies in political niches.
- Electoral coalition building and swallowing coalition partners' constituencies.
- Absorbing the religious constituency when rising to power by privileging the dominant religion and church in several modes.
- Rewriting electoral law with a bias toward large parties.
- Amending the constitution to constrain the opposition's chances for election coalition building.
- Providing double citizenship for minority Hungarians in neighboring countries to become eligible to vote in Hungarian national elections.
- Inviting the settlement of foreign labor with registration and local election rights.
- Using government-financed party campaigns to inundate the country with populist Fidesz propaganda as advertisements of public interest.
- Monopolizing the media and information dissemination.
- Creating alternative and uncontrollable referendums under the Cabinet's control to directly influence voters.

Orbán's position in the political palette twisted and shifted pragmatically numerous times. He started as a young rebellious antiestablishment warrior during the last phase of the political disintegration of the communist power. He continued with populist antiestablishment fights in parliamentary opposition moving toward conservative parties during lost elections between 1990 and 1998. Meanwhile, he was advancing toward power with full-fledged attacks on actual political adversaries, be these in the government or in opposition, strong or weak, or his own close comrades (Petőcz 2001; Lendvai 2019; Szemere 2020). At the same time, he gradually maneuvered his party ideologically toward the right, both internationally and domestically. Fidesz's membership in the Liberal International that started in 1992 lasted eight years. In 2000, Orbán shifted toward the conservative right. Fidesz became a member of the European People's Party (EPP) and the Democratic Union in the EU. During this process, Fidesz adapted to and diffused into the ideological niches of the conservative political market. Fidesz, with Orbán's charismatic leadership, populist tactics, and strategic party coalitions (Magyar 2013, 2016; Kovács and Trencsényi 2019) extended its network. The party reached out and gradually attracted and absorbed the electorate of all conservative and right-wing parties.<sup>20</sup> Such absorption occurred

20 Lili Bayer, "Hungarian Ruling Party Strengthens Ties to Italian Far Right," *Politico*, April 1, 2019, <https://www.politico.eu/article/hungarian-ruling-party-strengthens-ties-to-italian-far-right-brothers-of-italy-viktor-orban-giorgia-meloni/>; Kevin Liptak, "Trump Welcomes Hungary's Far-Right Nationalist Prime Minister after Past Presidents Shunned Him," *CNN Politics*, May 14, 2019, <https://edition.cnn.com/2019/05/13/politics/trump-hungary-viktor-orban/index.html>; "Orbán is felbukkant az európai szélsőjobb összeborulásán, még ha nem is úgy, ahogy Salvini szeretne volna" [Orbán has also turned up at the confluence of the European far right, even if not in

during the coalition with the Smallholders and the right conservative Hungarian Democratic Forum. This process took place during Fidesz's first governing period in 1998–2002.

Similar was the fate of the coalition with the Christian Democratic People's Party, a Fidesz coalition partner from 2005 onward.<sup>21</sup> At the height of populist mobilizations in the 2018 elections, Orbán moved even further toward the extreme right with the same method. He managed to extend his influence on the constituency at the opposition's extreme right party, named Jobbik (Szabó and Gerő 2019). His usual strategy led to usual results: the split and electoral backsliding of the thus far most popular adversary in opposition.

The first electoral coalition contributed to Orbán's first governing period between 1998 and 2002. Orbán made use of his partners in the campaign period. However, during the governing period he began to take over the partner's constituency. This early method became his usual tactic to annihilate adversaries or coalition partners. He would incite conflicts within the given party, contributing to the split of leadership or parliamentary representatives, and then let them vanish in the conflicts. Meanwhile, he absorbed those MPs from the partner party who supported him. None of these parties survived in the long term. In the next elections following these absorption processes, both coalition parties' results were well below the threshold to enter the parliament. Their constituencies either joined Fidesz or the extreme right, or disappeared from the political palette altogether. Other tactics to expand were used when in opposition. Orbán pursued the 2002 elections without a coalition partner, losing by 1 percent to the Socialist–Free Democrat (SZDSZ) coalition.

To compensate the loss and conserve the constituency in opposition, Orbán engaged in building an extraparliamentary nationwide network from his constituency. The main purpose was to keep this constituency and mobilize them against the governing party, and to grasp the spirit of the campaign to be able to move together if needed. The nationwide network was composed of numerous conservative right-wing locally active, expanding communities, the so-called Civic Circles Movement (Polgári Körök Mozgalom) (Greskovits 2017). It served to radicalize constituencies by organizing antiestablishment mass movements to destabilize the ruling elite. It also supported and organized electoral campaigns. The direct mass-mobilizing functions, both in the case of demonstrations and election campaigns, were infrastructurally efficient and quick in large

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the way Salvini would have liked], 444, May 20, 2019, <https://444.hu/2019/05/20/orban-is-felbukkant-az-europai-szelsojobb-osszeborulasan-meg-ha-nem-is-ugy-ahogy-salvini-szerette volna>.

21 "Historical Development," *Eurydice*, December 1, 2021, <https://2015-2019.kormany.hu/en/ministry-of-human-resources/news/crystal-clear-and-predictable-situation-and-spheres-of-responsibility-to-be-created-in-operation-of-theatres>; István Pion, Dániel Juhász, and Gyula Balogh, "A kultúra nemzeti alap: több ezren tiltakoztak a törvénymódosítás ellen a Madách téren (fotók)" [Culture is a national fund: thousands protested against the law amendment on Madách Square (photos)], *Népszava*, December 9, 2019, [https://nepszava.hu/3059891\\_a-kultura-nemzeti-alap-tobb-ezren-tiltakoztak-a-torvenymodositas-ellen-a-madach-teren-fotok](https://nepszava.hu/3059891_a-kultura-nemzeti-alap-tobb-ezren-tiltakoztak-a-torvenymodositas-ellen-a-madach-teren-fotok).

cities. Their antiestablishment character is revealed in the fact that civic circles spread overwhelmingly in the capital and cities, where the local targets of attack, the governing parties, were in majority. Even within Budapest, the movement spread in the most affluent districts, where opposition to the governing parties had potential leverage (Greskovits 2017).

The antiestablishment mass-movement functions of the civic circles lasted until 2006. However, their activism has reintensified during each election campaign period to date. Successes and failures (lost elections in 2002, lost referendum in 2004), as well as gradually moving toward the right, created internal conflicts. This also temporarily weakened Orbán's position within the party. Still, he carried through the hierarchization of the party structure in 2002–2003, despite strong conflicts.<sup>22</sup> This move was combined with centralization, the replacement of collective leadership with autocratic in 2002–2003 (Müller 2014). The ground had been already prepared a decade ago when he cleared the party's kernel from those who would disagree with him (Petőcz 2001). The party's centralized power has so far strictly upheld. Deviations are radically halted. Occasionally, disgrace and expulsion are paired with the "loss" of apparently private wealth and its "redistribution" among businessmen close to Orbán (Rényi 2019).<sup>23</sup>

Orbán's great opportunity to expand Fidesz's influence through populism emerged in 2006. This was after the unexpected defeat of the Fidesz–Christian Democrat coalition to the coalition of the Socialists (MSZP) and Free Democrats (SZDSZ).<sup>24</sup> This second-time-winning coalition formed a new government on April 23, 2006, with the socialist Ferenc Gyurcsány as the prime minister. As a reaction, from 2006 onward, Orbán and his propaganda team's populist activity radically increased, and measures for political revenge were stepped up. He used both economic and political facts "offered" by the governing coalition parties to whip up popular anger (Szalai 2010, 2012). Later, further opportunities emerged with the impact of the global crisis in 2008. Orbán did not restrict himself to rhetoric to fuel public anger, nor to the mass deployment of civic circles. He also physically demonstrated to the public how to act if dissatisfied. For example, he personally dismantled security fences in Budapest's Parliament Square suggested as "symbols of fear and anti-democratism of the coalition government,"

22 "A Fidesz a kampányrajt előtt: Zavarok egy miatt?" [Fidesz on the campaign trail: confusions due to one?], *Magyar Narancs*, January 1, 2005, [https://magyarnarancs.hu/belpol/a\\_fidesz\\_a\\_kampanyrajt\\_elotildett\\_zavarok\\_egy\\_miatt-53537](https://magyarnarancs.hu/belpol/a_fidesz_a_kampanyrajt_elotildett_zavarok_egy_miatt-53537).

23 Zoltán Ádám and András Bozóki, "State and Faith: Right-Wing Populism and Nationalized Religion in Hungary," *Intersections. East European Journal of Society and Politics*, 2016, 2(1): 9–122, DOI: <https://doi.org/10.17356/ieejsp.v2i1.143>.

24 "Országgyűlési választások" [National elections], Nemzeti Választási Iroda, September 1, 2017. <https://www.valasztas.hu/orszaggyulesi-valasztasok>; "Az Országos Választási Bizottság közleménye az országgyűlési képviselők 2006. évi választásának eredményéről" [Announcement of the National Election Committee on the results of the 2006 national elections], [static.valasztas.hu, 2006. https://static.valasztas.hu/parval2006/hu/03/kozlemenyek/kozl0509.pdf](https://static.valasztas.hu/parval2006/hu/03/kozlemenyek/kozl0509.pdf).

showing his rebellious courage (street fighter)—as a member of the parliament enjoying immunity and leader of the Fidesz in opposition—against established power.<sup>25</sup>

The following chronology, from May 2006 through June 2009, highlights some of Orbán's tactics during his time in opposition: he was practically waging civil war against the coalition government from the beginning to the end of its second term.

At a closed-door Socialist MP caucus on May 26, 2006,<sup>26</sup> Ferenc Gyurcsány, the incumbent prime minister, delivered a controversial speech in front of his fellow politicians. Using dramatic phrases, he tried to convince his political partners of the necessity for restrictive economic policy measures. The purpose of these measures was to compensate for the irresponsible economic policy during the last years of the socialist government's previous term. He admitted they deceived the public for years. Moreover, he admitted that during the election they concealed the country's critical economic situation. "We have lied day-and-night," he said.<sup>27</sup> Gyurcsány's speech was leaked. Its date is uncertain because publicity and political reactions from Orbán came several months later in an opportune time. This timing coincided with the drastic increases in public energy prices and business taxes on June 12, 2006, as a result of Gyurcsány's convincing speech. A year after, personal income taxes were raised, and other financial burdens in education and healthcare were imposed (Scheiring 2020a).

Social dissatisfaction at economic policy decisions, heightened mass anger, and chaos led to the critically declining popularity of the governing coalition. Overall disappointment with the harsh economic policy and the approaching local government elections provided Orbán the social ground for reshuffled populist impetus. At that point, Gyurcsány's popularity dropped to 27 percent in August, compared to 47 percent at the beginning of the year. Also party preferences shifted toward Fidesz: 24 percent of the eligible voters would choose the Socialist Party (MSZP), while 34 percent would have voted for Fidesz.<sup>28</sup> On September 17, 2006, after several months of silence, Gyurcsány's closed-door speech was publicly exposed. This move instantly gave way to growing mass demonstrations in front of the parliament, to the siege and partial destruction of the TV headquarters, including equipment and displays of cultural relics.<sup>29</sup> At the TV headquarters, the masses exerted physical aggression against

25 "Orbán kordont bont, éljen a Fidesz!" [Orbán pulls down the cordon, long live Fidesz!], YouTube, January 2, 2012, <https://www.youtube.com/watch?v=-8EQmcIgGT4>.

26 "Orbán 72 órás ultimátumot adott a kormánynak" [Orban gave the government a 72-hour ultimatum], *Index*, October 2, 2006, <https://index.hu/belfold/ulti1002/>.

27 "We Lied to Win, Says Hungary PM," *BBC News*, September 18, 2006, <http://news.bbc.co.uk/2/hi/europe/5354972.stm>.

28 "Gallup: Gyurcsány mélyponton" [Gallup: Gyurcsány at rock bottom], *24.hu*, September 1, 2006, [https://24.hu/belfold/2006/09/01/gallup\\_gyurcsany\\_melyponton/](https://24.hu/belfold/2006/09/01/gallup_gyurcsany_melyponton/).

29 "A Fidesz tíz perc alatt szétkapta a Kossuth téri kordont" [Fidesz tore down the Kossuth Square cordon in ten minutes], *Index*, February 2, 2007, <https://index.hu/belfold/fid070202/>.



unprepared and professionally mismanaged police officers.<sup>30</sup> Continuing steady mass demonstrations, mob aggression, and organizational chaos provoked violent police intervention into demonstrations on September 19–20.<sup>31</sup> Orbán declared that Gyurcsány himself had to respond in court for his behavior, and should resign and give way to a transitional government.<sup>32</sup> Increased populist attacks fueled by Fidesz and personally by Orbán on the government aggravated the popular mood and led to a critical decline in the governing coalition's popularity. Channeled dissatisfaction against socialists soon had its effect. As a result, on October 1, 2006, the socialists dramatically lost local elections, only half a year after their second national electoral success. They ran fourth behind independent, Christian Democratic, and Fidesz candidates,<sup>33</sup> with the latter party members winning at the county level and in all but one of Hungary's major cities.<sup>34</sup>

On October 23, 2006, the day of the 50th anniversary of the 1956 revolution, antigovernment demonstrations in Budapest were accompanied by mass violence and by police brutality.<sup>35</sup> Orbán called for the government to take responsibility. He also demanded a referendum on the government's whole restrictive economic policy package. He also announced his plan to organize daily antigovernment demonstrations in front of the parliament building. On February 2, 2007, only months after the devastating defeat of the socialists in local elections, a parliamentary investigative report was submitted by Fidesz. It dealt with the prime minister's responsibility for the incidents and police actions in September–October 2006.<sup>36</sup> In the context of increasing uncertainty and chaos,

30 "A MTV székház ostroma" [The siege of the MTV headquarters], YouTube, September 18, 2006, <https://www.youtube.com/watch?v=9v6MNgWxSk4>.

31 "Ma 13 éve került nyilvánosságra Gyurcsány Ferenc őszödi beszéde" [Today marks the 13th anniversary of the publication of Ferenc Gyurcsány's speech at Ószöd], YouTube, September 17, 2019, <https://www.youtube.com/watch?v=n27zq-c0jFY>; "‘Hazudtunk reggel, éjjel meg este’—Tíz éve nyilvános az őszödi beszéd" [We lied morning, noon and night—Ten years since the Ószöd speech went public], *Origo*, September 16, 2016, <https://www.origo.hu/itthon/20160916-oszodi-beszed-gyurcsany-ferenc.html>.

32 "Minden nap nagygyűlést tart a Fidesz" [Fidesz holds a rally every day], *Origo*, October 6, 2006, <https://www.origo.hu/itthon/20061006keves.html>.

33 "Tájékoztató adatok az eredményekről" [Information on the election results], Országos Választási Iroda, October 22, 2006, [https://static.valasztas.hu/onkval2006/hu/10/10\\_0.html](https://static.valasztas.hu/onkval2006/hu/10/10_0.html).

34 "Tájékoztató adatok az eredményekről" [Information on the election results], Országos Választási Iroda, December 20, 2010, <https://static.valasztas.hu/dyn/ov10/outroot/onkdin/eredind.htm>.

35 Tímea Karip, "15 éve voltak a véres utcai összecsapások Budapesten" [Bloody street clashes in Budapest 15 years ago], *Index*, September 22, 2016, [https://index.hu/nagykep/2016/10/22/2006-oktober\\_23\\_egy\\_veres\\_nap\\_kronikaja/](https://index.hu/nagykep/2016/10/22/2006-oktober_23_egy_veres_nap_kronikaja/).

36 György Csepeli, Katalin Gönczöl, and Kálmán Györgyi, "Vizsgálati jelentés a 2006. szeptember-októberi fővárosi demonstrációkkal, utcai rendezvényekkel és rendfenntartó intézkedésekkel kapcsolatos eseményekről" [Investigation report on the events related to demonstrations, street disturbances and law enforcement measures in the capital from September to October 2006], February 2, 2007, [http://www.gonczolbizottsag.gov.hu/jelentes/gonczolbizottsag\\_jelentes.pdf](http://www.gonczolbizottsag.gov.hu/jelentes/gonczolbizottsag_jelentes.pdf).



Orbán promised order and punishment for the malfeasant ruling elite, further enflaming anger against the government and increasing the number of potential Fidesz voters.<sup>37</sup>

On March 9, 2008, a Fidesz-initiated referendum took place on some of the restrictive measures of the coalition government stabilization actions after the prior loose financial policy. An overwhelming majority of participants, 84.1 percent of the high turnout (50.5 percent), voted for the abolition of these measures.<sup>38</sup> Despite the fact that only some government measures were refuted, Orbán declared that the nation voted against the government in this ballot. The government's failure led to internal fights in the coalition government and to the breakup of the coalition on April 30, 2008. The socialists formed a minority government.

In early October 2008, the global economic crisis also hit hard the Hungarian economy. The National Bank turned to the European Central Bank for help to solve the liquidity crisis, and the government asked the International Monetary Fund (IMF) and the EU for financial help. In October, the IMF, EU, and the World Bank opened a 25.1 billion USD loan framework to Hungary. In early November, Moody's downgraded Hungary's debt rating, as the beginning of a trend, and Hungarian property funds were also suspended for ten days. In mid-November the Statistical Office's data showed that the Hungarian economy entered a recession spiral. The minority socialist government was forced to engage in crisis management.<sup>39</sup> Fidesz declaratively did not support the program. Instead, full-fledged public populist attacks on the left-liberal minority government advanced. At that time, Orbán, using the economic crisis and the governing coalition as a scapegoat, played the role of the anticapitalist, antiforeign, anti-large enterprise, anticorruption, and freedom-fighting politician—all attractive to the public (Palonen 2009).

Overall, we can see that Orbán, the charismatic leader of an established opposition party, successfully implemented the usual technical apparatus of populism (Müller 2014) between 2006 and 2010 against the establishment. He skillfully recognized and took political advantage of the opportunities provided by the socialist coalition government and the global crisis. Fidesz's policy during the period of opposition was to set charges against the government. It railed against the domestic economic crisis and neoliberal economic policy, as well as the left-liberal ideology more generally (Katzenstein 2020). It blamed the government for exposing the country to foreign interests, foreign loan dependence,

37 See Orbán's campaign against Gyurcsány, the leader of the Socialist Party: "A Fidesz nem áll többé szóba Gyurcsánnyal" [Fidesz will no longer talk to Gyurcsány], *Index*, September 21, 2006, <https://index.hu/belfold/ov0821/>.

38 "Országos Népszavazás 2008. március 9" [National Referendum on March 9, 2008], Országos Választási Iroda, March 18, 2008, [https://static.valasztas.hu/nepszav08/hu/08/8\\_0.html](https://static.valasztas.hu/nepszav08/hu/08/8_0.html).

39 The chronology of events see in Zoltán Farkas, "A válság tíz éve: mit tanultunk a nagy magyar összeomlás óta" [Ten years of crisis: what we learned since the great Hungarian crash], *HVG*, October 8, 2018, <https://hvg.hu/gazdasag/20181008>.

mass privatization of banks and companies sold to foreign entrepreneurs, social inequality, and corruption.

As opposed to charges, Fidesz's publicized alternative strategy was radically opposite to the acting government's. Fidesz was proclaiming to reinvigorate national identity; increase public wealth and the ratio of Hungarian ownership of banks, infrastructure, and energy. It promised to expand the number of domestic entrepreneurs, create a Hungarian middle class, and decrease indebtedness (Körösenyi et al. 2020; Voszka 2020).

On March 21, 2009, Gyurcsány resigned and handed over the government to a transitional professional leadership led by Gordon Bajnai until elections. Orbán suggested the dissolution of the parliament, but that was not accepted.<sup>40</sup> On June 7, 2009, though with low (36 percent) eligible turnout, the national-level elections for the European Parliament gave 56.4 percent of the votes to Fidesz. Meanwhile, the socialists got 17.4 percent and its ex-coalition partner, the Alliance of Free Democrats (SzDSz), got 2.2 percent.<sup>41</sup> Both low participation and Fidesz success pointed to the coming defeat of the socialists domestically.

By 2010, the popularity of the expert government declined to an extremely low level. Numbers were lower than for any incumbent government party since 1998.<sup>42</sup> We can argue that the first time Fidesz won two-thirds of the seats in the Hungarian parliament in April 2010 (Tóka 2018, 5, table 1) it was partially the result of protest votes<sup>43</sup> against the Socialist Party (Batory 2010). Nonetheless, Orbán's satisfaction was grounded. Fidesz's victory was overwhelming. Participation in those national elections reached high levels. The turnout was 64.2 percent in the first round and 46.6 percent in the second round. Both the Fidesz-Christian-Democratic coalition's vote shares and the parliamentary mandates (68 percent) were the highest among all other previously governing parties or coalitions in post-socialist Hungary, before or since (Tóka, 2018, 5 table 1). In Orbán's words (translation by M. Cs.):

Revolution happened today in the polling booths . . . Hungarian people today have ousted the regime of oligarchs who misused their power,

40 "Jöhetnek a szélsőséges forgatókönyvek—Nem oszlatta fel magát a parlament" [Extreme scenarios are possible—Parliament has not dissolved itself], *Portfolio*, September 15, 2008, <https://www.portfolio.hu/gazdasag/20080915/johetnek-a-szelsoseges-forgatokonyvek-nem-oszlatta-fel-magat-a-parlament-102334>.

41 "Az Európai Parlament tagjainak választása 2009. június 7" [The election of the members of the European Parliament on June 7, 2009], June 11, 2009, <https://static.valasztas.hu/dyn/ep09/outroot/hu/eredm.htm>.

42 "Socialist Woes in Hungary," *Political Capital*, February 3, 2010, [https://www.politicalcapital.hu/news.php?article\\_read=1&article\\_id=197](https://www.politicalcapital.hu/news.php?article_read=1&article_id=197).

43 "Round 2 of the Parliamentary Election of 2010, April 25, 2010," November 11, 2010, <https://static.valasztas.hu/dyn/pv10/outroot/vdin2/en/eredind.htm>; "Elsöpró fölényben a Fidesz" [Fidesz in a landslide], *Index*, May 3, 2007, <https://index.hu/belfold/kozv8413/>.

and the people have established a new regime, the regime of national unity.<sup>44</sup>

Orbán, for the second time in a power position, began to institutionalize expansionist measures and stabilize power.

To summarize and conclude this section, I have demonstrated the main techniques Orbán implemented before 2010 to increase his constituency and legally rise to power: moving toward the right, absorbing other parties, ideologies, and constituencies; fueling nation-wide activity of his electorate through Civic Circles, and incessant full-fledged and populist attacks against the governing left liberals, morally undermining them. Next, I shall demonstrate that these factors are integrant parts of a complex evolutionary process, through which the Orbán-led Fidesz party as a political regime gradually developed into a system.

## From Political Dominance to Political Capture

### *Integration of Institutions of Checks and Balances into the Executive Power*

The system of checks and balances, I don't know what you learned, but it is dumb, forget about it. It has nothing to do with either the rule of law or with democracy. (. . .) The problem is that some people seriously think that a government needs checks after being established as a result of the democratic expression of the people's will. They think that constantly putting spokes in the wheel constitutes democracy.<sup>45</sup>

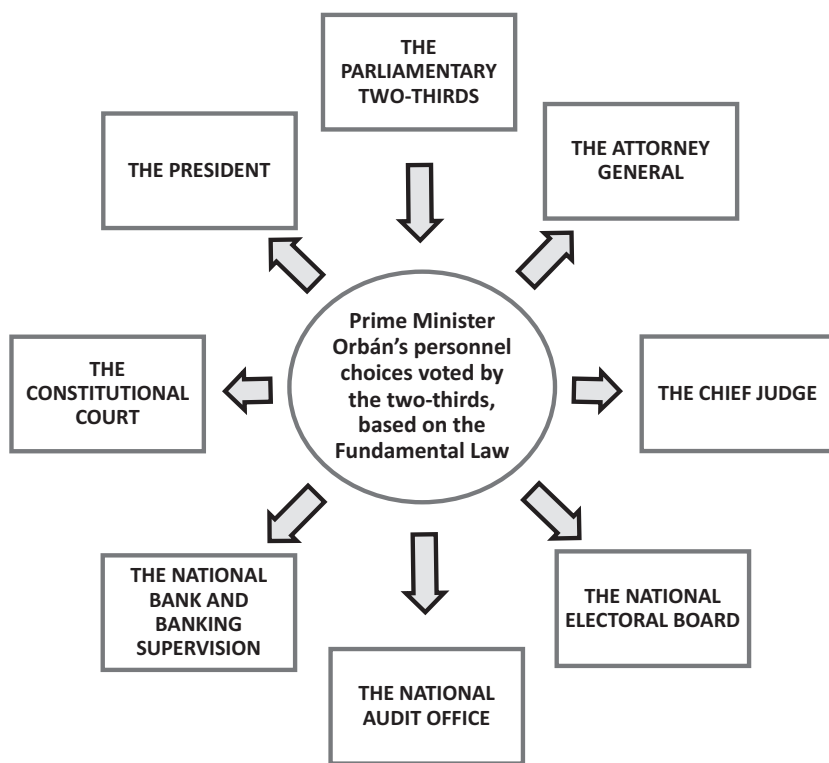
László Kövér, Speaker of the Parliament, one of the Fidesz founders, President of the General Assembly, October 20, 2019

Fidesz's constitutional majority from 2010 onward allowed for the monopolization of the political subfield. In this section I shall relate the different ways Fidesz, based on its democratically acquired majority power, gradually politically captured the institutions of control through political dominance. It also enabled the diffusion of political capture into all segments of the political sphere and institutional control.

As a result, Fidesz appointees dominate the parliament, the parliamentary committees, the presidential position, the presidency of the general assembly,

44 Viktor Orbán's speech after Fidesz's landslide victory in the 2018 national elections. "Orbán Viktor beszéde a Vörösmarty téren" [Viktor Orbán's speech in Vörösmarty Square], April 25, 2010, <https://2010-2014.kormany.hu/hu/miniszterelnokseg/miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-beszede-a-vorosmarty-teren-2010-aprilis-25>.

45 Tamás Németh, "Speaker of the Parliament: Forget Checks and Balances, They Are Dumb," *Index*, October 25, 2019, [https://index.hu/english/2019/10/25/laszlo\\_kover\\_checks\\_balances\\_dumb\\_forget\\_it\\_rule\\_of\\_law\\_hungary\\_fidesz/](https://index.hu/english/2019/10/25/laszlo_kover_checks_balances_dumb_forget_it_rule_of_law_hungary_fidesz/).



**Figure 1.1** Diffusion of political capture to checks and balances, turning institutions of control into executives based on the parliamentary two-thirds

the members and head of the Constitutional Court, the judiciary, the national audit office, the electoral board, the budgetary council, the banking supervision committee, and the head of the National Bank (fig. 1.1). Once captured, these controlling positions have been turned into executive positions at the service of the government. Expanded executive power and politically biased control has allowed the formulation and acceptance of a new constitution, the bending of laws in certain contexts, the passing of individualized laws, repeatedly amending the constitution whenever the government found it practical, and constraining the remaining capacity of the opposition, thereby expanding the diffusion of political capture at will.

The parliament, the *Fidesz* MPs, with their supermajority and bound by party discipline, approve every government bill, regardless of controversy or contradiction. They make no objections against even logically indefensible and incoherent bills submitted by the government. A bill may be accepted, rejected, or

withdrawn, all according to government suggestion. This reflects the diffusion of political capture in the legislative power.<sup>46</sup>

Diffusion of political capture may also be detected on the procedural side. These maneuvers are not unknown in parliamentary political instruments generally. What makes a difference here is that they have been implemented in the context of a Fidesz supermajority, giving full legal power to a single party. Fidesz MPs, members, and heads of parliamentary committees regularly obstruct committee sessions and decisions.<sup>47</sup> They circumvent committee discussions of even cardinal laws through self-referral bills that do not require prior committee discussion, only a vote.<sup>48</sup> They also boycott specifically announced parliamentary sessions on major issues (e.g., energy crisis or climate crisis, domestic violence) raised by the small opposition.<sup>49</sup>

46 Some examples: “Lesz propagandaminisztérium—Működött a szavazógép” [There will be a Ministry of Propaganda—The voting machine worked], *Népszava*, October 12, 2015, [https://nepszava.hu/1072955\\_lesz-propagandaminisztarium-mukodott-a-szavazogep](https://nepszava.hu/1072955_lesz-propagandaminisztarium-mukodott-a-szavazogep); Attila Kálmán, “A fideszes többség gondolkodás nélkül megszavazta az MTA-törvényt a bizottságban” [The Fidesz majority voted for the MTA law without a second thought], *24.hu*, June 17, 2019; Attila Weinhardt, “Gigantikus büntetés bevállalása után rögtön módosítja a közbeszerzési törvényt a kormány” [After incurring a huge fine, the government immediately amends the public procurement law], *Portfolio*, November 13, 2019, <https://www.portfolio.hu/unios-forrasok/20191113/gigantikus-buntetes-bevallalasa-utan-rogton-modositja-a-kozbeszerzesi-torvenyt-a-kormany-406963>.

47 Tamás Nótin, “Példátlan: még a szakszolgálatok sem jelentek meg a nemzetbiztonsági bizottság Strache-botrányról szóló ülésén” [Unprecedented: even the specialised services did not appear at the meeting of the national security committee on the Strache scandal], *Alfahír*, May 24, 2019, [https://alfahir.hu/2019/05/24/nemzetbiztonsag\\_nemzetbiztonsagi\\_bizottsag\\_szakszolgalatok\\_strache\\_botrany](https://alfahir.hu/2019/05/24/nemzetbiztonsag_nemzetbiztonsagi_bizottsag_szakszolgalatok_strache_botrany); Tamás Botos, “Nem tudott ülésezni a költségvetési bizottság, mert a kormánypárti képviselők egyszerűen nem jelentek meg” [The budget committee was unable to meet because the government representatives simply did not show up], *444*, March 20, 2018, <https://444.hu/2018/03/20/nem-tudott-ulesezni-a-koltsegvetesi-bizottsag-mert-a-kormanyparti-kepviselok-egyszeruen-nem-jelentek-meg>; “Határozatképtelenség miatt nem ülésezett a nemzetbiztonsági bizottság” [National Security Committee not meeting due to lack of quorum], *Magyar Nemzet*, December 2, 2019, <https://magyarnemzet.hu/belfold/hatarozatkeptelenseg-miatt-nem-ulesezett-a-nemzetbiztonsagi-bizottsag-6957020/>; “Szabotálták a fideszesek a Népjóléti Bizottság ülést” [Fidesz members sabotaged the meeting of Public Welfare Committee], *Magyar Narancs*, December 2, 2019, <https://magyarnarancs.hu/belpol/szabotaltak-a-fideszesek-a-nepjoleti-bizottsag-uleset-125005/>; “‘Ti is loptatok...!’—Ács Sándorné is ott volt a bizottsági ülésen” [You also stole!—Mrs Sándor Ács was also present at the committee meeting], *Népszava*, October 7, 2015, [https://nepszava.hu/1072437\\_ti-is-loptatok-acs-sandorne-is-ott-volt-a-bizottsagi-ulesen](https://nepszava.hu/1072437_ti-is-loptatok-acs-sandorne-is-ott-volt-a-bizottsagi-ulesen).

48 “Rövidebb út a pokolba” [A shorter way to hell], *Átlátszó*, November 7, 2011, [https://igyrinnan-kmi.atlatszo.hu/2011/11/07/buta\\_belatas/](https://igyrinnan-kmi.atlatszo.hu/2011/11/07/buta_belatas/).

49 Tamás Botos, “Bojkottálja a Fidesz a klímaügyben összehívott rendkívüli üléssnapot” [Fidesz boycotts the extraordinary session on climate change], *444*, September 18, 2019, <https://444.hu/2019/09/18/bojkottalja-a-fidesz-a-klimaugyben-osszehivott-rendkivuli-ulesnapot>; Szabolcs Dull, “A Fidesz teljesen bojkottálta a parlamenti ülést a lakhatásról” [Fidesz completely boycotted the parliamentary session on housing accommodation issues], *Index*, May 17, 2019, [https://index.hu/belfold/2019/05/17/a\\_fidesz\\_teljesen\\_bojkottalja\\_a\\_parlamenti\\_ulest\\_a\\_lakhatasrol/](https://index.hu/belfold/2019/05/17/a_fidesz_teljesen_bojkottalja_a_parlamenti_ulest_a_lakhatasrol/); “Bojkottált bizottsági ülés patkányügyben, rendkívüli közgyűlést kezdeményez az ellenzék” [Boycotted committee meeting on rats, opposition calls for extraordinary

Meanwhile, the Fidesz supermajority has introduced increasingly stricter regulations to suppress the weak opposition.<sup>50</sup> The modification of laws connected to the operation of the parliament intervenes in the basic rights of MPs, with large financial punishments if anyone disturbs the speech of another speaker.<sup>51</sup> In 2019, opposition members of parliament were physically hindered from entering the public TV headquarters by security guards. The attorney general found the MPs' complaint without legal basis. Meanwhile, he ruled the public TV's complaint about MPs "invading" the television rightful.<sup>52</sup> In early 2021, the Curia declared that information remains equilibrated if opposing opinions are mentioned on public TV without physical presence of those who represent it.<sup>53</sup> Public television between 2018 and 2022 allowed once a five-minute appearance

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assembly], YouTube, September 25, 2019, <https://www.youtube.com/watch?v=VaEOdTZCRJU>; "Bojkottálta a Fidesz-KDNP a kilakoltatás miatt tartott rendkívüli ülést, határozatképtelen lett" [Fidesz-KDNP boycotted the extraordinary meeting on evictions, it became inquorate], *atv.hu*, May 17, 2019, <http://www.atv.hu/belfold/20190517-bojkottalja-a-fidesz-kdnp-a-parlament-rendkivuli-uleset>; Zsuzsa Szelényi, "A Fidesz-KDNP-nek nem fontos a családon belüli erőszak megelőzése" [Domestic violence prevention is not important to Fidesz-KDNP], *Népszava*, March 4, 2015, [https://nepszava.hu/1050111\\_a-fidesz-kdnp-nek-nem-fontos-a-csaladon-beluli-eroszak-megelozese](https://nepszava.hu/1050111_a-fidesz-kdnp-nek-nem-fontos-a-csaladon-beluli-eroszak-megelozese); "Bojkottálta a devizakárosultakat a Fidesz-KDNP" [The Fidesz-KDNP boycotted the foreign exchange loan victims], *Index*, August 17, 2018, [https://index.hu/belfold/2018/08/17/teljes\\_a\\_fidesz-kdnp-s\\_bojkott\\_senki\\_nem\\_ment\\_el\\_a\\_parlamentbe/Nemzeti\\_Civil\\_Kontroll](https://index.hu/belfold/2018/08/17/teljes_a_fidesz-kdnp-s_bojkott_senki_nem_ment_el_a_parlamentbe/Nemzeti_Civil_Kontroll).

- 50 Tamás Botos, "Egész éjjel vitáztak parlamenti képviselőkre vonatkozó fegyelmi szabályok szigorításáról" [Disciplinary rules for MPs have been debated all night], *444*, November 21, 2019, <https://444.hu/2019/11/21/egesz-ejjel-vitaztak-parlament-i-kepviselok-re-vonatkozo-fegyelmi-szabalyok-szigoritasarol>; Viktor Z. Kazai, "Silencing Opposition in Hungary," *Verfassungsblog*, December 11, 2019, <https://verfassungsblog.de/silencing-the-opposition-in-hungary/>.
- 51 "Opposition Jobbik leader Peter Jakob receives record high fine for 'misbehavior,'" *Hungary Today*, May 25, 2021, <https://hungarytoday.hu/peter-jakab-fine-kover-hungary-house-speaker/>; "House Speaker Fines Opposition MP Tordai over 8 Million Forints," *Hungary Today*, March 13, 2021, <https://hungarytoday.hu/house-speaker-fines-opposition-mp-8-million-forints/>.
- 52 Luca Pintér, "Nem dobhatták volna ki az ellenzéki képviselőket tavaly az MTVA-ból" [Opposition MPs should not have been thrown out of MTVA last year], *Index*, September 27, 2019, [https://index.hu/belfold/2019/09/27/ellenzeki-kepviselok\\_mtva\\_szekhaz\\_per/](https://index.hu/belfold/2019/09/27/ellenzeki-kepviselok_mtva_szekhaz_per/); "2019. évi CVIII. Törvény az Országgyűlés működését és a képviselők jogállását érintő egyes törvények módosításáról" [Act CVIII of 2019 amending certain Acts concerning the functioning of Parliament and the status of Members of Parliament], *mkogy.jogtar.hu*, December 17, 2019, <https://mkogy.jogtar.hu/jogszabaly?docid=A1900108.TV>; "A parlament elfogadta az Országgyűlés működését érintő törvények módosítását" [Parliament has adopted amendments to laws affecting its functioning], *Mandiner*, December 10, 2019, [https://mandiner.hu/cikk/20191210\\_a\\_parlament\\_elfogadta\\_az\\_orzaggyules\\_mukodeset\\_erinto\\_torvenyek\\_modositasat](https://mandiner.hu/cikk/20191210_a_parlament_elfogadta_az_orzaggyules_mukodeset_erinto_torvenyek_modositasat).
- 53 Kúria Sajtótájékoztatója, "A médiaszolgáltató eleget tesz a kiegyensúlyozott tájékoztatás követelményének, ha legalább utalásszerűen informálja a közönséget a téma szempontjából jelentős ellentétes álláspontok létezéséről" [The media service provider complies with the requirement of balanced information if it informs the audience, at least by reference, of the existence of opposing views which are relevant to the subject matter], Kúria, December 2, 2021, <https://kuria-birosag.hu/hu/sajto/mediaszolgáltato-eleget-tesz-kiegyensulyozott-tajekoztat-as-kovetelményenek-ha-legalabb>.

for each opposition party before national election.<sup>54</sup> Still, even faint opposing reactions by parties or the public have been further weakened. Cardinal bills are submitted when the parliament's operation is at a pause or constrained: at midnight, and/or before weekends or national holidays. These tactics were used, for example, with bills relating to the centralization of certain taxes from local governments, the increase of the transfer of the state's role to the church in education and social issues, and the appointment of theater directors. Such has happened to the bill on "rule by decree" ostensibly due to COVID-19, which was introduced and passed on the eve of the Easter holidays in 2020.<sup>55</sup> Others, including the ninth modification of the constitution, have been passed during Orbán's rule by decree in 2020.<sup>56</sup>

On April 25, 2011, Fidesz's parliamentary two-thirds approved a new constitution called "Fundamental Law,"<sup>57</sup> which was created by Fidesz experts (see Bánkuti et al. 2011; Vörös 2021), without any civil, professional, or political consultation with opposition parties.<sup>58</sup> Fidesz took advantage of the shortcomings of the previous constitution, where a fourth-fifths provision was required only on amendments rather than on the overall creation of the constitution. Fidesz also abolished the four-fifths constitutional requirement of the earlier constitution with a two-thirds majority after 2010. Bárd (2013) calls this move a "constitutional putsch."

Instead of political negotiation, a so-called *national consultation* (see later) was held in the first quarter of 2011 on the modification of the constitution. The

54 "After Four Years of Neglect, State Media Gives Five Minutes to Each Opposition Party before Election," *Hungary Today*, March 12, 2022, <https://hungarytoday.hu/public-state-media-opposition-fidesz-bias-media-freedom-election/>.

55 Erika Gulyás, "Újabb Semjén-javaslat visszavonását követelik a szakszervezetek" [Trade unions demand the withdrawal of another Semjén proposal], *Népszava*, April 15, 2020, [https://nepszava.hu/3074627\\_ujabb-semjen-javaslat-visszavonasi-kovetelik-a-szakszervezetek](https://nepszava.hu/3074627_ujabb-semjen-javaslat-visszavonasi-kovetelik-a-szakszervezetek); Nóra Diószeghi-Horváth, "Tovább erősítene a kormány az egyházakat a gyerekvédelem és a szociális ellátások területén" [The government would further strengthen churches in child protection and social services], *Mérce*, April 1, 2020, <https://merce.hu/2020/04/01/tovabb-erositene-a-kormany-az-egyhaziakat-a-gyerekvedelem-es-a-szocialis-ellatasok-teruleten/>; Zoltán Ágoston, "Zaklatópárt lett a Fidesz, de senki nem gondolt arra, hogy Prof. Dr. Kásler Miklós nevezzen ki színházigazgatókat" [Fidesz has become a harassment party, but no one thought of Prof. Dr. Miklós Kásler appointing theatre directors], *168 Óra*, December 11, 2019, <https://168ora.hu/itthon/kultura-torveny-vita-orszagaz-2019-12-10-178734>; "Megszavazták a kormánypártok: jön a rendeleti kormányzás" [The governing parties have voted for rule by decree], *Portfolio*, March 30, 2020, <https://www.portfolio.hu/gazdasag/20200330/megszavaztak-a-kormanypartok-jon-a-rendeleti-kormanyzas-423014>.

56 Zsuzsa Sándor, "Erre használta fel Orbán a veszélyhelyzetet" [This is how Orbán used emergency situation], *24.hu*, December 27, 2020, <https://24.hu/belfold/2020/12/27/jogalkotas-torvenyek-2020-pandemia-veszelyhelyzet-orban-viktor-sandor-zsuzsa-velemeny/>.

57 "The Fundamental Law of Hungary, April 25, 2011," <https://2015-2019.kormany.hu/download/e/02/00000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf>.

58 Christoph Grabenwarter, Wolfgang Hoffmann-Riem, Hanna Suchocka, Kaarlo Tuori, and Jan Velaers, "Opinion on the New Constitution of Hungary," June 20, 2011, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2011\)016-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2011)016-e).



nonbinding questionnaire was filled with guided questions, emotional topics, and populist language. Results were uncontrollable. At the end, the ratio of the publicized number of returned questionnaires was well below the requirements of a legal referendum. Moreover, the new constitution bill was submitted before the answers could have been taken into consideration (Bárd 2013). Nonetheless, the new document entered into force on January 1, 2012, amended ten times since<sup>59</sup> to the coalition's advantage. The tenth in 2022 May, immediately implemented, gave full control to Orbán in case of war emergency in the neighborhood.

Diffusion of political capture also advanced in elections. Between 2011 and 2013, Fidesz legalized several measures that served to prolong its political dominance, also via the modified election law (Tóka 2014). For example, Fidesz decreased the number of MPs by half and justified this drastic cut by “practical” reasons: too large and inefficient. The decreased numbers consistently involved the municipal mayors who could have formed a counterbalance in the parliament to the center or to the governing force if Fidesz lost local elections in the future. Fidesz redrew electoral regions to its preference (gerrymandering). It shifted from two rounds to one round of voting to privilege a relative majority, no matter how low the percentage. This regulation eliminated the chance to affect the results by mobilizing further voters for a second round. These changes are reflected in the relative stability of the government's mandate in the following elections in 2014, despite a 9–9.5 percent lower ratio of votes compared to 2010 (Tóka 2018). Between 2014 and 2018, election law did not change. Still Fidesz's share of votes increased by a further 5 percent in 2018 due to a strong preference for the larger party that allows the absorption of leftover votes. This is the reason for the Fidesz achievement of much larger mandates compared to its election results, which until 2022 only in 2010 surpassed 50% of the votes. As a result, receiving one-third of the votes from the eligible population (2,824,551:8,269,858 = 34.1%) in 2018, Fidesz got a supermajority mandate for a third consecutive term, which, according to Tóka (2018), is unique in the history of democracies but usual in authoritarian systems.

The government, using the parliamentary supermajority, not only created a constitutional putsch through the Fundamental Law (Bárd and Pech 2019), but referring to that, modified a mass of other laws, a process called “legislative blitzkrieg” by Bárd (2019). These laws contributed to the diffusion of political capture into different subfields. They also provided new opportunities for the redistribution of assets and resources through the diffused channels toward Fidesz-privileged activities, organizations, businesses, and businesspeople. They enhanced Fidesz's information and media dominance expanded pro-Fidesz

59 “Amendments to the Fundamental Law,” *The Orange Files*, June 21, 2018, <https://theorangefiles.hu/amendments-to-the-fundamental-law/>; Justin Spike, “Constitutional Amendments and Gay Adoption Ban Proposed as Lockdown Hits Hungary,” 444, November 12, 2020, <https://insighthungary.444.hu/2020/11/12/constitutional-amendments-and-gay-adoption-ban-proposed-as-lockdown-hits-hungary>. The tenth amendment (T625) reacts to the Russian invasion of Ukraine (T/25): <https://www.parlament.hu/irom42/00025/00025.pdf>.



constituency; compensated labor shortage in dynamically growing industries increasingly dominated by Fidesz-close businesses through the settlement law; redefined the nature of public assets and public money enabling its transfer to private funds and hands; the trading of agricultural land that enabled the accumulation of properties by Fidesz politicians and privileged businesspeople; initiated conservative gender constraints by outlawing modification of birth sex;<sup>60</sup> and narrowed the concept of family formation and child adoption criteria.<sup>61</sup> As a result of some of these changes, the EU initiated several disciplinary actions against the Hungarian government.<sup>62</sup> However, legal processes focusing on special issues rather than evolving authoritarian systemic characteristics did not slow the speed of expansion of political capture.

Diffusion of political capture is served by *bended (bespoke) laws*. These laws are created to support the government's purposes in any subfield actually designated. Magyar (2016, 117–122), described such laws as “custom tailored” (lex). According to him, these laws are interpreted by legal experts as having a veneer of legality, but in actuality are illegitimate. In Hungary, for example, lex CEU (Central European University),<sup>63</sup> lex NGO,<sup>64</sup> and lex Soros<sup>65</sup> involving asylum laws<sup>66</sup> are seen to be contrary to European standards. They violate human rights and the rule of law (Bárd 2013, 2019; Uitz 2019). In cases where actual laws would not permit action by Fidesz, the government submitted a new law, repeatedly amended the fundamental law, or modified unsatisfying laws to fit their

60 “Hungary Outlaws Changing Gender on Documents after Birth,” *The New York Times*, <https://www.nytimes.com/2020/05/28/world/europe/hungary-transgender-law.html>.

61 Andras Sereg, “Kilenc év, kilenc alaptörvény-módosítás” [Nine years and nine amendments to Fundamental Law], *Index*, November 11, 2020, [https://index.hu/belfold/2020/11/11/kilenc-ev\\_kilenc\\_alaptorveny-modositas/](https://index.hu/belfold/2020/11/11/kilenc-ev_kilenc_alaptorveny-modositas/).

62 Jennifer Rankin, “Hungarian Minister Grilled by EU about ‘Threats to Rule of Law,’” *The Guardian*, September 16, 2019, <https://www.theguardian.com/world/2019/sep/16/hungary-faces-eu-disciplinary-action-over-alleged-rule-of-law-violations>; “Commission Refers Hungary to the European Court of Justice of the EU over the Higher Education Law,” *European Commission*, December 7, 2017, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_17\\_5004](https://ec.europa.eu/commission/presscorner/detail/en/IP_17_5004); Alexandra Brzozowski, Beatrix Rios, and Geraldo Fortuna, “EPP Votes to Suspend Hungary’s Fidesz Party Membership,” *EURACTIV*, March 20, 2019, <https://www.euractiv.com/section/future-eu/news/epp-votes-to-suspend-hungarys-fidesz-party-membership/>. Also Article 7 over the rule of law was initiated against the Hungarian government, see Sándor Zsíros, “Article 7: EU Grills Hungary over Rule of Law Concerns,” *Euronews*, September 17, 2019, <https://www.euronews.com/2019/09/17/article-7-eu-grills-hungary-over-rule-of-law-concerns>.

63 Sean Lambert, “Amendments to the Law on National Higher Education,” *The Orange Files*, November 1, 2017, <https://theorangefiles.hu/amendments-to-the-law-on-national-higher-education/>.

64 Sean Lambert, “The NGO Law,” *The Orange Files*, November 11, 2017, <https://theorangefiles.hu/ngo-law/>.

65 Sean Lambert, “The STOP Soros Law,” *The Orange Files*, <https://theorangefiles.hu/the-stop-soros-law/>.

66 “Hungary: Government’s New Asylum Bill on Collective Push-Backs and Automatic Detention,” Hungarian Helsinki Committee, February 15, 2017, <https://helsinki.hu/wp-content/uploads/HHC-Info-Update-New-Asylum-Bill-15.02.2017.pdf>.

actual purposes (Majtényi and Szabó 2011).<sup>67</sup> The bespoke law may also obstruct decisions made by the EU or the opposition's bill suggestions according to the government's interests. All such laws have been approved by the parliament supermajority without exception, in the name of national pride and autonomy (Levitzky and Ziblat 2019; Magyar 2016).<sup>68</sup> The president of Hungary since 2012, János Áder, has ratified all the bended laws that were targeting individual issues, or promoting or demoting political positions and individuals (see list by Magyar 2013, 2015, 2016).<sup>69</sup>

67 For example, the law on national heritage has been modified 48 times since its first ratification in 1992.

68 Levitzki and Ziblat (2019), analyzing the behavior of Republicans in the Trump era in the *New York Times*, call this phenomenon constitutional hardball, "a general behavior that, while technically legal, uses the letter of the law to subvert its spirit." They also raise the example of Hungarian and Turkish governments engaging in similar practices: "Governments in Hungary and Turkey have used court packing and other 'legal' maneuvers to lock in power and ensure that subsequent abuse is ruled 'constitutional.'" "Why Republicans Play Dirty," *New York Times*, September 20, 2019, <https://www.nytimes.com/2019/09/20/opinion/republicans-democracy-play-dirty.html>.

69 For example, the law against the CEU: "Újra itt tartunk: Ne írj alá, János!" [Here we go again: Do not sign it János], *Népszava*, June 17, 2017, <https://nepszava.hu/1133236-ujra-itt-tartunk-ne-ird-ala-janos>; the law for detaching all research institutes from the academy and nationalizing its buildings through compulsory and free lending to the supervising government committee: Gergely Szakács, "Hungarian Scientists Mull Legal Action over Government Controls," *Reuters*, September 12, 2019, <https://www.reuters.com/article/us-hungary-scientists/hungarian-scientists-mull-legal-action-over-government-controls-idUSKCNITD1IAN>; Alison Abbott, "Hungarian Government Takes Control of Research Institutes Despite Outcry," *Nature*, July 8, 2019, <https://www.nature.com/articles/d41586-019-02107-4>; the education law and its modification that further distorts professional autonomy of kindergartens, schools, and the parents' civil autonomy: "Tiltakozunk a köznevelési törvények módosításai ellen!" [We protest against the amendments to the public education laws!], *Szülői Hang*, June 12, 2019, <https://szuloihang.hu/2019/06/21/civilek-es-az-ellenzek-allasfoglalasa/>; the law against civil organizations: "A kormány a civilek ellen" [The government against civil movements], *Index*, August 25, 2018, [https://index.hu/aktak/civilek\\_kormany\\_orban\\_viktor\\_okotars\\_nemeth\\_szilard\\_tasz\\_norveg\\_civil\\_alap/](https://index.hu/aktak/civilek_kormany_orban_viktor_okotars_nemeth_szilard_tasz_norveg_civil_alap/); Levente Szadai, "Áder János aláírta az akadémiai kutatóhálózatot levalasztó MTA-törvényt" [Áder has signed the law detaching research institutes from the Academy], *Mérce*, July 12, 2019, <https://merce.hu/2019/07/12/ader-janos-alairta-az-akademiai-kutathalozatot-levalaszto-mta-torvenyt/>; Richárd Tóth, "Áder aláírta a tb-törvényt, azt is megmagyarázta, miért" [Áder has signed the social security law, he also explained why], *HVG*, December 18, 2018, [https://hvg.hu/itthon/20191218\\_Ader\\_alairta\\_a\\_tb\\_torvenyt\\_azt\\_is\\_megmagyarázta\\_miért](https://hvg.hu/itthon/20191218_Ader_alairta_a_tb_torvenyt_azt_is_megmagyarázta_miért);

"Áder aláírta a törvényt amivel a Fidesz szájkosarat tett az ellenzékre" [Ader signed the law that put a muzzle on the opposition], *HVG*, December 18, 2019, [https://hvg.hu/itthon/20191218\\_Ader\\_alairta\\_a\\_torvenyt\\_amivel\\_a\\_Fidesz\\_szajkosarat\\_tett\\_az\\_ellenzékre](https://hvg.hu/itthon/20191218_Ader_alairta_a_torvenyt_amivel_a_Fidesz_szajkosarat_tett_az_ellenzékre); Péter Urfi, "Áder aláírta a kulturális törvényt is" [Ader has also signed the cultural law], *HVG*, December 18, 2019, <https://444.hu/2019/12/18/ader-alairta-a-kulturalis-torvenyt-is>; "Áder János elárulta, miért nem mondta ki a klímacédelem szót újévi köszöntőjében" [János Áder revealed why he did not say "climate protection" in his New Year's greetings], *HVG*, January 5, 2020, [https://hvg.hu/itthon/20200105\\_Ader\\_Janos\\_elarulta\\_miért\\_nem\\_mionda\\_ki\\_a\\_klimacédelem\\_szot\\_ujevi\\_koszontojeben](https://hvg.hu/itthon/20200105_Ader_Janos_elarulta_miért_nem_mionda_ki_a_klimacédelem_szot_ujevi_koszontojeben); Bányai Bundula, "A Fidesz kiiktatná az Alkotmánybíróságot—Túl erős testület" [Fidesz would eliminate the Constitutional Court—Too powerful body], *Magyar*

The signs of diffusion of political capture may not only be revealed in the redrawn constitution, modified election law, selectively passed majority laws, and bended laws designed specifically for the government's benefit and agenda. Diffusion of political capture may be recognized in the executive partisan-biased activity of institutions of checks and balances. With two-thirds majority, at the suggestion of the prime minister, pro-Fidesz leadership was appointed in all institutions of control and their mandate was expanded in time bridging parliamentary cycles. With this move, not only the parliament, but also institutions of control were turned into the Orbán government's executive apparatus. Figure 1.1 depicts the political capture of legislative and control institutions. Figure 1.1 reflects the fact that through Fidesz's parliamentary supermajority, and the president accommodating to his will, Orbán has indirect personal power to appoint, transfer, or dismiss the heads and members of the national-level "independent" institutions of checks and balances.

So the *Constitutional Court* was packed with Fidesz appointees, by legally increasing the number of its members, and thereby, the chances for pro-Fidesz decision. The government, through the parliament, has also gradually replaced the original members when mandates have expired.<sup>70</sup> Moreover, it also deprived the court of many of its former capacities.<sup>71</sup> Consequently, the court frequently delays decisions and either rejects submitted issues or brings partisan-biased resolutions.<sup>72</sup>

Political capture reflects the position and behavior of the president of Hungary, Pál Schmitt, elected in 2010, by the two-thirds of the parliament held by Fidesz.<sup>73</sup> He publicly declared his unconditional faith in and loyalty to Orbán and his government.<sup>74</sup> He ratified the new constitution in April 2011, and signed

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*Narancs*, November 4, 2010, [https://magyarnarancs.hu/belpol/a\\_fidesz\\_kiiktatna\\_az\\_alkotmanybirosagot\\_-\\_tul\\_eros\\_testulet-74900](https://magyarnarancs.hu/belpol/a_fidesz_kiiktatna_az_alkotmanybirosagot_-_tul_eros_testulet-74900).

70 Károly Lencsés, "Fideszes káderekkel tömték ki az Alkotmánybíróságot" [The Constitutional Court was stuffed with Fidesz cadres], *Népszabadság*, Ápril 4, 2015, <http://nol.hu/belfold/a-jogallam-ok-1530133>.

71 "Szűkül az Alkotmánybíróság hatásköre" [Constitutional Court's discretion narrowed], *HVG*, November 16, 2010, [https://hvg.hu/itthon/20101116\\_alkotmanybitosag\\_hataskore](https://hvg.hu/itthon/20101116_alkotmanybitosag_hataskore).

72 "Megszavazták az Alkotmánybíróság jogainak szűkítését" [The rights of the constitutional court have been narrowed], *Origo*, November 16, 2010, <https://www.origo.hu/itthon/20101116-ujabb-modositas-az-alkotmanybirosag-jogkoreit-korlatozo-alkotmanymodositashoz.html>; Nóra Chronowski, "Az alkotmánybíráskodás sarkalatos átalakítása" [A fundamental overhaul of the constitutional judiciary"], [jogtk.mta.hu](http://jogtk.mta.hu), August 2014, [https://jog.tk.mta.hu/uploads/files/mtalwp/2014\\_08\\_Chronowski.pdf](https://jog.tk.mta.hu/uploads/files/mtalwp/2014_08_Chronowski.pdf); *Magyar Nemzet*, "A Kúria is kimondta, nem volt jogsértő a Fidesz-aktivisták aláírásgyűjtése" [The Curia also ruled that the collection of signatures by Fidesz activists was not illegal], *Magyar Nemzet*, May 16, 2019, <https://magyarnemzet.hu/belfold/a-kuria-is-kimondta-nem-volt-jogserto-a-fidesz-aktivistak-alairasgyujtese-6933599/>.

73 Darren Mara, "Hungarian Parliament Elects Former Olympian as New President," *Deutsche Welle*, June 29, 2010, <https://www.dw.com/en/hungarian-parliament-elects-former-olympian-as-new-president/a-5742966>.

74 Marton Dunai, "UPDATE 1-Hungary's Next President Says Will Support Govt," *Reuters*, June 29, 2010, <https://www.reuters.com/article/idUSLDE65S1HW20100629>.

nearly 100 bills by the end of this first year, without sending any of them to norm control. He finally resigned in April 2012, following undeniable heavy plagiarism charges regarding his master's thesis.<sup>75</sup> His degree was also revoked by Semmelweis University in March 2012. Schmitt was replaced by the parliamentary two-thirds in April 2012 by János Áder, one of the founders of Fidesz. Also directed by party discipline, Áder ratified all the cardinal laws and amendments to the Fundamental Law. He did it despite popular demonstrations within and outside the parliament asking him personally not to do so. Among several dozens of cardinal laws Áder signed at the behest of Fidesz is that which forced the CEU to leave Hungary and move to Austria.<sup>76</sup> Another law signed by Áder was the destitution of the Academy of Sciences of its research centers and buildings, and submission of scientific research under the discretion of the Ministry of Innovation and Technology.<sup>77</sup> He also signed the so-called slave law, which allows employers to force workers into overtime without compensation for several months.<sup>78</sup> He signed the cultural law, centralizing the financing of theatres;<sup>79</sup> the destitution of the Constitutional Court's rights in economic issues;<sup>80</sup> the amendments to the constitution biased toward Fidesz interests;<sup>81</sup> and the modification of the social security law at the time of increasing unemployment owing to

75 Ákos Fluck, "Különvéleménye" [Individual opinion], *Index*, March 2012, [https://index.hu/assets/documents/belfold/dr\\_fluck\\_kulonvelemeney.pdf](https://index.hu/assets/documents/belfold/dr_fluck_kulonvelemeney.pdf); Fanni Facsar, "Hungary's President Quits over Alleged Plagiarism," *CNN*, April 2, 2012, <https://edition.cnn.com/2012/04/02/world/europe/hungary-president-resigns>.

76 Tamás Székely, "Lex CEU: Hungarian President Signs Controversial Higher Education Law—CEU Plans Legal Action" *Hungary Today*, April 11, 2017, <https://hungarytoday.hu/lex-ceu-hungarian-president-signs-controversial-higher-education-law-29190/>; Gergely Gulyás, "Összegző jelentés" [Summarizing report], April 3, 2017, <https://www.parlament.hu/irom40/14686/14686-0013.pdf>.

77 Törvényalkotási Bizottság "egységes javaslat zárószavazáshoz" [Legislative Committee "unified proposal for final vote"], June 24, 2019, <https://www.parlament.hu/irom41/06359/06359-0010.pdf>.

78 "2018. évi CXVI. Törvény a munkaidő-szervezéssel és a munkaező-kölcsönzés minimális kölcsönzési díjával összefüggő egyes törvények módosításáról" [Act CXVI of 2018 amending certain acts related to the organization of working time and the minimum fee for temporary agency work], *Jogtár*, December 20, 2018, <https://mkogy.jogtar.hu/jogszabaly?docid=A1800116.TV>; "Hungary President Signs Controversial 'Slave Law,'" *BBC*, December 20, 2018, <https://www.bbc.com/news/world-europe-46637216>.

79 Felix Schlagwein, "Hungary Passes Law Tightening Grip on Country's Theaters," *Deutsche Welle*, December 12, 2019, <https://www.dw.com/en/hungary-passes-law-tightening-grip-on-countrys-theaters/a-51642455>; Zsolt Semjén, "A Nemzeti Kulturális Tanácsról, a kultúrstratégiai intézményekről, valamint egyes kulturális vonatkozású törvények módosításáról" [On the National Cultural Council, on cultural strategy institutions and on the amendment of certain cultural-related laws], December 9, 2019, <https://www.parlament.hu/irom41/08441/08441.pdf>.

80 Kriszta Kovács, "After the Economic Crisis—In a State of Exception?," Venice Commission, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-JU\[2014\]013-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-JU[2014]013-e).

81 "Lawmakers Adopt Ninth Amendment to Hungary's Constitution," *About Hungary*, December 16, 2020, <http://abouthungary.hu/news-in-brief/lawmakers-adopt-ninth-amendment-to-hungarys-constitution/>.

COVID pandemic, which might divest 70 thousand Hungarians of healthcare.<sup>82</sup> He also signed the so-called civil law, constraining and stigmatizing NGOs,<sup>83</sup> and approved the creation of the controversial court of public administration, later suspended owing to EU concerns.<sup>84</sup> Regardless of his declared personal and positional commitment for climate protection, he did not object to the government's refusal to declare a climate catastrophe, despite the government having signed the climate agreement in 2016.<sup>85</sup> In 2020, he signed a new law, at the government's request, that suspended the court's decision over the government's obligation for financial compensation of prisoners for overcrowded jails. This law overrode the highest court's earlier decision. Áder ratified it without asking for norm control from the Constitutional Court. This was followed by a law amendment to prevent abuses of financial compensation due to overcrowded prisons.<sup>86</sup> The major decision he signed was the "rule by decree" bill at the eve of the COVID-19, which empowered the government to decide when to put an end to its own monopoly of power in this emergency situation.<sup>87</sup>

82 "Hetvenezer Magyar maradhat TAJ-kártya nélkül" [Seventy thousand Hungarians could be left without social security card], *Portfolio*, February 4, 2021; Edina Pentz, "New Social Security Act from 1 July 2020 in Hungary," *RSM Hungary*, July 2, 2020, <https://www.rsm.hu/en/blog/2020/07/new-social-security-act-from-1-july-2020-hungary#:~:text=The%20new%20Social%20Security%20Act,of%20contribution%20payment%20as%20a.>

83 Christian Keszthelyi, "President Áder Signs NGO Law into Effect," *Budapest Business Journal*, June 16, 2017, <https://bbj.hu/politics/foreign-affairs/eu/president-ader-signs-ngo-law-into-effect>; Krisztina Than, "Civil Organizations in Hungary Brace for Government Crackdown on NGOs," *Reuters*, April 26, 2018, <https://www.reuters.com/article/us-hungary-orban-ngos-idUSKBN1HW1ZN>.

84 Gergely Szakács, "Hungary Suspends Court Reform That Worried EU, Shuns Salvini," *Reuters*, May 30, 2019, <https://www.reuters.com/article/us-hungary-courts-idUSKCN1T00XO>.

85 "A kormány nem hirdeti ki a klímavészhelyzetet, de dolgoznak egy klímastratégián" [The government does not declare climate emergency but is working on climate strategy],

*HVG*, October 22, 2019, [https://hvg.hu/itthon/20191022\\_A\\_kormany\\_nem\\_hirdeti\\_ki\\_a\\_klimaveszhelyzetet\\_de\\_dolgoznak\\_egy\\_klimastrategian](https://hvg.hu/itthon/20191022_A_kormany_nem_hirdeti_ki_a_klimaveszhelyzetet_de_dolgoznak_egy_klimastrategian); Sam Morgan, "Budapest Declares Climate Emergency, Teases Carbon-Neutrality," *EURACTIV*, November 7, 2019. <https://www.euractiv.com/section/energy-environment/news/budapest-declares-climate-emergency-teases-carbon-neutrality/>; "Hungary: Orban Goes Green on Climate Change as Long as It Remains 'Christian-Democratic,'" *Kafkadesk*, January 21, 2020, <https://kafkadesk.org/2020/01/21/hungary-orban-goes-green-on-climate-change-as-long-as-it-remains-christian-democratic/>.

86 Zsolt Semjén, "A büntetések, az intézkedések, egyes kényszerintézkedések és a szabálysértési elzárás végrehajtásáról szóló 2013. évi CCXL. törvény és a börtönzsúfolttsági kártalanításokkal kapcsolatos visszaélések megszüntetése érdekében szükséges haladéktalan intézkedésekről szóló 2020. évi IV. törvény módosításáról" [Amendment of Act CCXL of 2013 on the enforcement of sentences, measures, certain coercive measures and the enforcement of detention for offences and Act IV of 2020 on immediate measures to end the abuse of prison overcrowding compensation], May 12, 2020, <https://www.parlament.hu/irom41/10528/10528.pdf>.

87 Vörös Imre, "Miért ne dőljön be Európa Varga miniszter asszonynak?" [Imre Vörös: Why should Europe not fall for Minister Judit Varga?], *Magyarugyved.blog*, May 13, 2020, [https://magyarugyved.blog.hu/2020/05/13/voros\\_imre\\_miert\\_ne\\_doljon\\_be\\_europa\\_varga\\_miniszter\\_asszonynak](https://magyarugyved.blog.hu/2020/05/13/voros_imre_miert_ne_doljon_be_europa_varga_miniszter_asszonynak); Eszter Neuberger, "Aláírta Áder János a rabok kártérítésének visszatartásáról

The signs of diffusion of political capture may also be seen in the partisan-biased executive activity of the highest-level institutions of control (checks and balances). The government uses these institutions of control as political devices. Bended control and interventions constrain Fidesz's political adversaries. For example, before the national elections in 2018, the head of the *State Audit Office*, a former Fidesz MP, investigated the campaign financing of all (and only) opposition parties. The office accused these parties of receiving forbidden support, ruling them close to bankruptcy.<sup>88</sup> Meanwhile, Fidesz was freely benefiting from the state budget for its political campaigns as government activity. The party also uses the state budget for public government announcements (spending 100 billion HUF between 2015 and 2019).<sup>89</sup> It can also use state-owned enterprises as budgetary devices for the purpose of government advertisement.<sup>90</sup> The government may allocate partisan advertisement, as they were of public interest through state-owned media and uncontrollable national consultations. Also, the government used public sources to campaign against civil groups and opposition politicians. Even in nonelection years, an extremely large sum of money is used year round for government propaganda and indirect election campaigning.<sup>91</sup>

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szóló törvényt” [János Áder signed the law on withholding compensation for prisoners], 444, March 6, 2020, <https://444.hu/2020/03/06/alairta-ader-janos-a-rabok-karteritesenek-visszatar-tasarol-szolo-torvenyt>.

- 88 László Domokos, “Az Állami Számvevőszék elnökének leváltását kezdeményezi a DK,” *Index*, February 3, 2019, [https://index.hu/belfold/2019/02/03/domokos\\_laszlo\\_asz\\_mentelmi\\_jog/](https://index.hu/belfold/2019/02/03/domokos_laszlo_asz_mentelmi_jog/).
- 89 Katalin Erdélyi, “Hungarian Government Spent €23 Million of Taxpayers’ Money on Propaganda before the Election,” *Átlátszó*, May 30, 2018, <https://english.atlatszo.hu/2018/05/30/hungarian-government-spent-e23-million-of-taxpayers-money-on-propaganda-before-the-election/>; “2015 óta 100 milliárdot költöttünk propagandára” [100 billion spent on propaganda since 2015], *Index*, January 20, 2020, [https://index.hu/gazdasag/2020/01/20/2015\\_ota\\_100\\_milliardot\\_koltottunk\\_propagandara/](https://index.hu/gazdasag/2020/01/20/2015_ota_100_milliardot_koltottunk_propagandara/); “Tudta? A kormány nem kampányol, hanem társadalmi célból tájékoztat” [Did you know? The government does not campaign, but informs for social purposes], *Átlátszó*, July 9, 2016, <https://vastagbor.atlatszo.hu/2016/08/09/tudta-a-kormany-nem-kampanyol-hanem-tarsadalmi-celbol-tajekoztat/>; József Spirik, “Orbán állami pénzen küldött kampánylevélben kér pénzt a fideszesektől az EP-kampányra,” *24.hu*, December 29, 2018, <https://24.hu/belfold/2018/12/29/orban-allami-penzen-kuldott-kampanylevelben-ke-a-fideszesektol-penzet-a-kampanyra/>; Zoltán Jandó, “Monopolizálódott az állami kommunikáció, 75 milliárd mehet egy emberhez” [Monopolization of state communication, 75 billion can go to one person], *G7*, June 21, 2018, <https://g7.hu/kozelet/20180621/monopolizalodott-az-allami-kommunikacio-75-milliard-mehet-egy-emberhez/>.
- 90 Zoltán Jandó, “A cégcsoport, amely akkorát nőtt, hogy Mészáros Lőrinc is sírva könyöröghet a receptért” [The company group that has grown so big that Lőrinc Mészáros could be crying for a formula], *G7*, June 1, 2019, <https://g7.hu/kozelet/20190601/a-cegcsoport-amely-akkor-at-nott-hogy-meszaros-lorinc-is-sirva-konyoroghet-a-receptert/>; Géza Németh, “Két cég viszi az állami kommunikáció tizennégy milliárdját” [Two companies take fourteen billion in state communications] *napi.hu*, January 30, 2019, [https://www.napi.hu/magyar\\_vallalatok/allami-kommunikacio-balasy-gyula.677609.html](https://www.napi.hu/magyar_vallalatok/allami-kommunikacio-balasy-gyula.677609.html).
- 91 András Bódis, “Norvég alap: Soros György hadserege is beszállt a háborúba” [Norwegian Fund: George Soros’s army has joined the war], *Mandiner*, June 2, 2014, [https://media.mandiner.hu/cikk/20140702\\_bodis\\_andras\\_norveg\\_alap\\_soros\\_gyorgy\\_hadserege\\_is\\_beszallt\\_a\\_haboruba/](https://media.mandiner.hu/cikk/20140702_bodis_andras_norveg_alap_soros_gyorgy_hadserege_is_beszallt_a_haboruba/); “Soros félmilliárdot adott Orbán ellenfeleinek” [Soros gives half a billion to Orbán’s



Partisan advertisement is camouflaged in the government's "Communication expenses." This is a separate item in the government's budget, delegated to the chief of the cabinet, Antal Rogán.

Each year the government spends tens of millions of euros for such communications.<sup>92</sup> The government simultaneously brings decisions against outdoor political advertisements,<sup>93</sup> thereby constraining the opposition's ability to disseminate its political messaging.

In 2013, diffusion of political capture also reached the *National Election Board*. The new law on electoral process<sup>94</sup> increased the number of board members from five to seven, and expanded their mandate from four to nine years. Nomination requires two-thirds of parliament majority. Members are suggested by Orbán and appointed by the president. Current board members and leadership are politically, legally, and businesswise in the Fidesz network. Their mandate expires in 2022. András Patyi, the appointed head, was simultaneously rector of the National Public Service University, a government founded and financed institution. He remained in both offices until August 2018. Changes were carried out owing to other career purposes planned by Orbán (see later).<sup>95</sup> Acting according to the redesigned electoral

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opponents], gondola.hu, August 14, 2013, [https://gondola.hu/cikkek/86430-Soros\\_felmilliar-dot\\_adott\\_Orban\\_ellenfeleinek.html](https://gondola.hu/cikkek/86430-Soros_felmilliar-dot_adott_Orban_ellenfeleinek.html); Ottó Gajdics, "Gajdics: A CEU-n Soros katonái tevékenykednek" [Soros' soldiers are operating at CEU], *Mandiner*, March 30, 2017, [https://mandiner.hu/cikk/20170330\\_gajdics\\_a\\_ceu\\_n\\_soros\\_katonai\\_tevékenykednek](https://mandiner.hu/cikk/20170330_gajdics_a_ceu_n_soros_katonai_tevékenykednek); Szilveszter Szarvas, "Zsíros fizetésekkel, Soros tízmillióiból aggódnak a korrupció miatt" [With fat salaries gained from Soros' tens of billions worry about corruption], *Pesti Srácok*, November 11, 2014, <https://pestisracok.hu/soros-millioibol-aggodnak-korrupcio-miatt-az-atlatszo-k-monitor-transzparency-es-political-capital-munkatarsai/>; "Lázár János: Soros György áll a magyarországot bíráló nyilatkozatok mögött" [János Lázár: George Soros is behind the statements criticising Hungary], *Magyar Idők*, May 19, 2016, <https://www.magyaridok.hu/belfold/lazar-janos-magyarorszag-politikai-szovetsegeseket-gyujt-680410/>.

92 "Hungarian Government Spent €48 Million on Propaganda in First Three Months of 2019," *Átlátszó*, April 4, 2019, <https://english.atlatszo.hu/2019/04/24/hungarian-government-spent-e48-million-on-propaganda-in-first-three-months-of-2019/>.

93 Sean Lambert, "Legislative Amendments on Outdoor Political Advertising," *The Orange Files*, December 19, 2017, <https://theorangefiles.hu/legislative-amendments-on-outdoor-political-advertising/>; "Politikai kommunikáció a magyar választási kampányban" [Political communication in the Hungarian election campaign], *Átlátszó*, March 29, 2018, <https://mertek.atlatszo.hu/politikai-kommunikacio-a-magyar-valasztasi-kampanyban/>.

94 "2013. évi XXXVI. törvény—a választási eljárásról. Hatály: 2016.I.15.–2016.V.31" [Act XXXVI of 2013—on Electoral Procedure in force: 15.I.2016–31.V.2016], *Netjogtár*, April 18, 2013, <https://net.jogtar.hu/getpdf?docid=A1300036.TV&targetdate=20160115&printTitle=2013.+%C3%A9vi+XXXVI.+t%C3%B6rv%C3%A9ny>.

95 "Patyi András lemondott a Nemzeti Közszolgálati Egyetem rektori posztjáról" [András Patyi resigned from his dean position at the National Public Service University], *Index*, June 4, 2018, [https://index.hu/belfold/2018/07/04/paty\\_i\\_andras\\_kozszolgatalati\\_egyetem\\_lemond\\_kozigazgatasi\\_birosag/](https://index.hu/belfold/2018/07/04/paty_i_andras_kozszolgatalati_egyetem_lemond_kozigazgatasi_birosag/); Dávid Sajó, "Lemondott Patyi András az NVB-tagságáról" [András Patyi resigned from his National Election Board membership], *Index*, September 3, 2018, [https://index.hu/belfold/2018/09/03/lemondott\\_paty\\_i\\_andras\\_az\\_nvb-tagsagarol/](https://index.hu/belfold/2018/09/03/lemondott_paty_i_andras_az_nvb-tagsagarol/).

law in the interests of Fidesz,<sup>96</sup> the board rejected reported electoral flaws,<sup>97</sup> civil or opposition complaints against the governing party's actions, and alleged frauds during campaigns and election procedures.<sup>98</sup> It also rejected authenticating the questions for the anticorruption popular ballot, as well as the questions regarding the cancellation of the law stigmatizing civil organizations, and the questions connected to the building of the second block of the Paks nuclear power plant.<sup>99</sup> The lack of unbiased official control also allows evident but unprovable electoral frauds without consequences. For example, broadcasting of the ballot results during the 2018 national elections was interrupted for several hours. It was declared that the counting software system, developed for millions of dollars, collapsed.<sup>100</sup> The election office

- 96 Bence Horváth, "A választási rendszer átalakítása nélkül többsége sem lenne a Fidesznek Budapesten" [Fidesz would even fail to reach majority without the remolding of the electoral system], *444*, October 21, 2014, <https://444.hu/2014/10/21/a-valasztasi-rendszer-atalakitasa-nelkul-tobbsege-sem-lenne-a-fidesznek-budapesten>; Zsolt Kerner, "Ezekkel a trükkökkel éri el a Fidesz, hogy esélye se legyen az ellenzéknek" [These are the tricks Fidesz uses to make sure the opposition has no chance to win], *24.hu*, February 6, 2018, <https://24.hu/belfold/2018/02/06/ezekkel-a-trukkokkal-eri-el-a-fidesz-hogy-eselye-se-legyen-az-ellenzeknek/>.
- 97 Elliott Goat and Zsófia Banuta, "Fresh Evidence of Hungary Vote-Rigging Raises Concerns of Fraud in European Elections," *openDemocracy*, May 17, 2019, <https://www.opendemocracy.net/en/breaking-fresh-evidence-hungary-vote-rigging-raises-concerns-fraud-european-elections/>; "Limited Election Observation Mission: Hungary-Parliamentary Elections," May 8, 2018, <https://www.osce.org/files/f/documents/0/0/377410.pdf>; "Major Malpractices' Marred Hungary 2018 Vote: Rights Group," *France24*, May 18, 2019, <https://www.france24.com/en/20190518-major-malpractices-marred-hungary-2018-vote-rights-group>.
- 98 Csaba Markotay, "Nem vagyunk írásszakértők—a Nemzeti Választási Iroda elnökhelyettese a csalásokról és az eredmények szivárgásáról" [We are not literacy experts—the deputy chairman of the National Electoral Office on fraud and result leaks], *Népszava*, April 15, 2019, [https://nepszava.hu/3032472\\_nem-vagyunk-irasszakertok-a-nemzeti-valasztasi-iroda-elnokhelyettese-a-csalasokrol-es-az-eredmenyek-szivargasarol](https://nepszava.hu/3032472_nem-vagyunk-irasszakertok-a-nemzeti-valasztasi-iroda-elnokhelyettese-a-csalasokrol-es-az-eredmenyek-szivargasarol); "A Kúria is kimondta, nem volt jogsértő a Fidesz-aktivisták aláírásgyűjtése" [The Curia also declared that the collection of signatures by Fidesz activists was no fraud], *Magyar Nemzet*, May 16, 2019, <https://magyarnemzet.hu/belfold/a-kuria-is-kimondta-nem-volt-jogserto-a-fidesz-aktivistak-alairasgyujtese-6933599/>; Marianna Bíró, "19 kampupártnál lélegezhetek fel, a rendőrség futni hagyja őket" [19 fake parties were relieved as the police let them run], *Index*, January 4, 2020, [https://index.hu/belfold/2020/01/04/vaasztas\\_ogy\\_2018\\_ajanloivek\\_csalas\\_masolas\\_eljaras/](https://index.hu/belfold/2020/01/04/vaasztas_ogy_2018_ajanloivek_csalas_masolas_eljaras/).
- 99 "Patyi András újabb fontos küldetése" [Another important mission of András Patyi], *Helsinki Figyelő*, April 14, 2021, <https://helsinkifigyelo.444.hu/2021/04/14/patyi-andras-ujabb-fontos-kuldetese>.
- 100 "Övönökkel írtatták alá a Fidesz Kubatov-listáját" [Daycare nurses were asked to sign the Kubatov list], *Index*, April 29, 2019, [https://index.hu/belfold/2019/04/29/ovonokkal\\_irattak\\_ala\\_a\\_fidesz\\_kubatov-listajat/](https://index.hu/belfold/2019/04/29/ovonokkal_irattak_ala_a_fidesz_kubatov-listajat/); "Elutasította a választási bizottság az óvodai aláírásgyűjtést kifogásoló beadványt" [The election committee rejected the petition challenging the collection of signatures in kindergartens], *Index*, May 5, 2019, [https://index.hu/belfold/2019/05/05/elutasította\\_a\\_valasztasi\\_bizottsag\\_az\\_ovodai\\_alairasgyujtest\\_kifogasolo-beadvanyt/](https://index.hu/belfold/2019/05/05/elutasította_a_valasztasi_bizottsag_az_ovodai_alairasgyujtest_kifogasolo-beadvanyt/); "A választási bizottság elutasította Karácsony Gergelyt és Puzsért is" [The election committee also rejected Gergely Karácsony and Puzsér], *Index*, September 20, 2019, [https://index.hu/belfold/2019/09/20/nvb\\_gulyas\\_karacsony\\_berki\\_tarlos/](https://index.hu/belfold/2019/09/20/nvb_gulyas_karacsony_berki_tarlos/); Zalán Zubor, "Szavatzavásárlás, láncszavazás, voksturizmus – csalások és gyanús esetek az őszi választásokon" [Vote buying,



announced the technical problem through the state-monopolized media. However, neither the opposition nor any institutional checks and balances were allowed to publicly control and confirm the technical failure, making the election outcome suspicious.<sup>101</sup> Suspicion concerning election results was reinforced in 2019, due to an ownership transaction that further diffused political capture. Operation of the electoral system's software was transferred to the management of Orbán's childhood friend, Lőrinc Mészáros. He was the first among the wealthiest businessman in Hungary in 2019 (see Laki, chapter 4 in this book).

More accentuated political capture and its diffusion is evident in the structure and actions of the prosecution. This is revealed in the case of Attorney General Péter Polt. He was appointed by the governing Fidesz coalition and ratified by the president in 2019 for a third nine-year period in office.<sup>102</sup> He selectively rejects corruption complaints or obstructs investigative procedures<sup>103</sup> against members of the government elite and their friends and family. In these situations, Polt considers controversial cases as “noncriminal.” Rejected topics may be domestic

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chain voting, voter tourism—fraud and suspicious cases in the autumn elections], *Átlátszó*, November 1, 2019, <https://atlatzo.hu/2019/11/01/szavazatvasarlas-lancszavazas-voksturizmus-csalasok-es-gyanus-esetek-az-oszi-valasztasokon/>.

- 101 Mónika Varga, “A választási informatikai rendszer ezúttal sem vizsgázott jelesre” [Election IT system fails again this time], *Infostart*, October 14, 2019, <https://infostart.hu/belfold/2019/10/14/a-valasztasi-informatikai-rendszer-ezuttal-sem-vizsgazott-jelesre>; “Előre figyelmeztették az NVI-t, hogy nem fogja bírni a terhelést a választási honlap” [The NVI was warned in advance that the election website would not be able to cope], *24.hu*, April 26, 2018, <https://24.hu/belfold/2018/04/26/elore-figyelmeztettek-az-nvi-t-hogy-nem-fogja-birni-a-terhelest-a-valasztasi-honlap/>; “Választási rendellenességek a 2018-as magyarországi országgyűlési választáson” [Electoral anomalies in the 2018 Hungarian parliamentary elections], February 2020, [https://static1.squarespace.com/static/5af21db445776e329b9c7c66/t/5da066f8e0c308696ffc7857/1570793211108/Valasztasi\\_Rendellenessegek\\_OGYV2018+UnhackDemocracyEurope.pdf](https://static1.squarespace.com/static/5af21db445776e329b9c7c66/t/5da066f8e0c308696ffc7857/1570793211108/Valasztasi_Rendellenessegek_OGYV2018+UnhackDemocracyEurope.pdf).
- 102 “Governing parties support Péter Polt’s re-election for the post of chief prosecutor,” Website of the Hungarian Government, October 29, 2019, <https://2015-2019.kormany.hu/en/prime-minister-s-office/news/governing-parties-support-peter-polt-s-re-election-for-the-post-of-chief-prosecutor>.
- 103 See the bundle of rejections since 2010 onward in Brigitta Csikász and Antónia Rádi, “Gyűlnék a csontvázak Polt Péter szekrényében—így züllött az ügyészség a politika kiszolgálójává” [The skeletons are piling up in Péter Polt’s closet—this is how the prosecutor’s office has become a servant of politics], *Átlátszó*, September 19, 2016, <https://atlatzo.hu/2016/09/19/gyulnek-a-csontvazak-polt-peter-szekrenyeben-igy-zullott-az-ugyeszseg-a-politika-kiszolgalojava/>; András Becker, “Több, mint hiba” [More than a mistake], *Átlátszó*, May 6, 2019, <https://atlatzo.hu/2019/05/06/tobb-mint-hiba/>; Júlia Rádi, “Az Orbán-rendszer legfontosabb pillére—Polt Péter legfőbb ügyész pályáivá” [The most important pillar of the Orbán regime—the career of Péter Polt, Attorney General], *Átlátszó*, June 27, 2016, <https://atlatzo.hu/2016/06/27/az-orban-rendszer-legfontosabb-pillere-polt-peter-legfobb-ugyesz-palyaive/>.

or raised by the EU, complaints against fraudulent enterprises, fraudulent election cases, fake parties,<sup>104</sup> or the corrupt use of EU money.<sup>105</sup>

In more detail, since Polt has assumed office,<sup>106</sup> the number of examined corruption cases has dramatically dropped.<sup>107</sup> Moreover, he did not interpret several controversial issues as criminal cases, such as the accumulated debt and disappearance of two fake enterprises of Fidesz.<sup>108</sup> On the other hand, in the case the beating of an opposition MP by the security staff of the Hungarian national TV channel (MTVA), the prosecutor requested the suspension of the MP's immunity, accusing him of having committed serious assault against the bodyguards (see the video on the event in the footnote).<sup>109</sup> Polt also neglected to act in the corruption case of Orbán's son-in-law as part of the OLAF (European Anti-Fraud Office)<sup>110</sup> report. This case was circumvented and solved by Orbán,

104 Alex Cooper, "Fake Parties, Real Money: Hungary's Bogus Party Problem," *OCCRP*, December 10, 2018, <https://www.occrp.org/en/blog/9019-fake-parties-real-money-hungary-s-bogus-party-problem>; Chris Harris, "Never Mind Fake News, the Hungarian Election Has a Fake Party Problem," *Euronews*, April 4, 2018, <https://www.euronews.com/2018/04/04/bogus-political-parties-are-swindling-hungary-out-of-millions-of-euros->.

105 Kasnyikm, "Mindenki nyugodjon meg: csak négy (4!!!) esetben loptak uniós forrást" [Everyone calm down: only four (4!!!) cases of theft of EU funds], *444*, January 25, 2017, <https://444.hu/2017/01/25/mindenki-nyugodjon-meg-csak-negy-4-esetben-loptak-unios-forrast>; Joana Gill, "Hungary Tops EU Anti-Fraud Investigations," *Euronews*, September 3, 2019, <https://www.euronews.com/2019/09/03/hungary-tops-eu-anti-fraud-investigations>.

106 "Újra Polt Péter lesz a legfőbb ügyész" [Péter Polt to be Attorney General again], *Index*, November 26, 2010, [https://index.hu/belfold/2010/11/26/polt\\_peter/](https://index.hu/belfold/2010/11/26/polt_peter/).

107 Babett Oroszi, "Polt Péter kinevezése óta meredeken zuhan a politikai korrupciós ügyekben indított büntetőeljárások száma" [Since Péter Polt's appointment, the number of prosecutions in political corruption cases has plummeted], *Átlátszó*, February 6, 2015, <https://atlatzo.hu/2015/02/06/polt-peter-kinevezese-ota-meredeken-zuhan-a-politikai-korrupcios-ugyekben-indított-buntetoeljarasok-szama/>.

108 Document on Peter Polt's response to Alajos Dornbach MP's question about the first "unsolved" corruption case of the Fidesz, numbered K/3525/1, December 2000, [www.parlament.hu/irom36/3525/3525-001.htm](http://www.parlament.hu/irom36/3525/3525-001.htm).

109 Csaba László Horváth, "Négy biztonsági őr teperte le a DK parlamenti képviselőjét—video" [DK MP beaten by four security guards—video], *24.hu*, December 17, 2018, <https://24.hu/belfold/2018/12/17/varju-laszlo-dok-mtva-kunigunda-allami-tv-eroszak-dulakodas/>; "Elutasította az ügyészség az MTVA-ban megrángatott ellenzéki képviselők panaszát" [The prosecutor's office rejected the complaint of the opposition MPs who were dragged in the MTVA], *HVG*, February 20, 2019, [https://hvg.hu/itthon/20190220\\_Helyben\\_hagyta\\_a\\_Legfobb\\_Ugyeszseg\\_a\\_TVszekzhazban\\_megrangatott\\_ellenzekiek\\_elmarasztalast](https://hvg.hu/itthon/20190220_Helyben_hagyta_a_Legfobb_Ugyeszseg_a_TVszekzhazban_megrangatott_ellenzekiek_elmarasztalast); Pál Dániel Rényi, "Az ügyészség szerint nem a biztonságiak, hanem Varju László követett el súlyos testi sértést az MTVA-ban" [According to the prosecutor's office, it was not the security guards but László Varju who committed serious bodily harm at MTVA], *444*, October 25, 2019, <https://444.hu/2019/10/25/az-ugyeszseg-szerint-nem-a-biztonsagiak-hanem-varju-laszlo-kovetett-el-sulyos-testi-sertest-az-mtva-ban>; "Párbeszéd: Polt egy normális demokráciában legfeljebb kecskét vezethetne" [Párbeszéd: in a normal democracy, Polt could at most lead a goat], *HVG*, January 21, 2019, [https://hvg.hu/itthon/20190121\\_parbeszed\\_reakcio\\_polt\\_peter\\_ugyeszseg\\_mtva\\_szekhaz\\_ellenzeki\\_kepviselok](https://hvg.hu/itthon/20190121_parbeszed_reakcio_polt_peter_ugyeszseg_mtva_szekhaz_ellenzeki_kepviselok).

110 The agency investigates fraud against the EU budget, corruption, and serious misconduct within the European institutions, and develops antifraud policy for the European Commission.

deleting the procurement costs from the EU funding requests and paying them from the state's budgetary sources.<sup>111</sup> The 1 billion euro punishment by the EU, for the unprofessional supervision over the fairness of public procurement, was covered by the Digital Government Agency supervised by Rogán, minister of the cabinet,<sup>112</sup> likewise paid from government funds. Direct corruption cases with foreign companies colluding with the members of the elite and the apparatus have also not been investigated.<sup>113</sup> No investigation occurred in the suspicious case of a surprisingly early closing of a government public tender on developing tourist accommodations for 20 billion HUF. Circumstances suggest the possibility of leaked information prior to the launching of the public tender by a touristic umbrella agency, also directly managed by Rogán, the chief of the cabinet. Moreover, 17.7 billion HUF from the 20 billion was won by Mészáros, Orbán's childhood friend, a standard winner of public procurement tenders since he surfaced in 2014 (see Laki, chapter 4, and Tóth and Hajdu, chapter 3 in this book). This issue, according to Polt, is out of his discretion.<sup>114</sup>

Political capture and diffusion has reached the judiciary as well. The government also makes constant efforts to subordinate the court to executive power. László Kövér, the speaker of the parliament and a founding Fidesz member, openly formulated this effort of subjugation. At the conference commemorating the 150-year adoption of the law guaranteeing the independence of the Hungarian judiciary, he declared:

- 111 Babet Oroszi, "The Story of How Orban's Son-in-Law Became Rich, Told by Seven Major Atlatszo Investigations," *Átlátszó*, February 16, 2018, <https://english.atlatszo.hu/2018/02/16/the-story-of-how-orbans-son-in-law-became-rich-told-by-seven-major-atlatszo-investigations/>; Pál Dániel Rényi, "Bűncselekmény hiányában megszüntette az Eliossal szembeni nyomozást a rendőrség" [Police terminate investigation against Elios for lack of criminal offence], *444*, November 6, 2018, <https://444.hu/2018/11/06/buncselekmeny-hianyaban-megszuntette-az-eliosszal-szembeni-nyomozast-az-ugyeszseg>; József Spirk, "Sötétség maradt Tiborcz egymilliárdos beruházása után" [Darkness remains after Tiborcz's billion-euro investment], *Index*, December 24, 2015, [https://index.hu/belfold/2015/12/24/sotetseg\\_maradt\\_orban\\_vejenek\\_egymilliardos\\_beruhazasa\\_utan/](https://index.hu/belfold/2015/12/24/sotetseg_maradt_orban_vejenek_egymilliardos_beruhazasa_utan/); "Nem az EU, a magyar adófizetők fogják kifizetni az Elios lámpáit" [Not the EU, Hungarian taxpayers will pay for Elios' lamps], *444*, December 24, 2015, <https://444.hu/2019/02/12/nem-az-eu-a-magyar-adofizetok-fogjak-kifizetni-az-elios-lampait>.
- 112 "Egymilliárd euróra büntették miattuk Magyarországot, de Rogán ügynöksége így is tőlük kér tanácsot" [Hungary has been fined €1 billion because of them, but Rogán's agency is still seeking their advice], *Népszava*, February 24, 2020, [https://nepszava.hu/3068205\\_egymilliard-eurora-buntettek-miattuk-magyarorszagot-de-rogan-ugynoksege-igy-is-toluk-ker-tanacsot](https://nepszava.hu/3068205_egymilliard-eurora-buntettek-miattuk-magyarorszagot-de-rogan-ugynoksege-igy-is-toluk-ker-tanacsot).
- 113 "Orbán Viktorra is utalnak a Microsoft korrupciót beismerő vallomásában" [Viktor Orbán is also referred to in Microsoft's corruption admission], *HVG*, July 26, 2019, [https://hvg.hu/gazdasag/20190726\\_microsoft\\_korrupcio\\_orban\\_usa\\_igazsagugyi\\_miniszterium\\_legjobb\\_ugyeszseg](https://hvg.hu/gazdasag/20190726_microsoft_korrupcio_orban_usa_igazsagugyi_miniszterium_legjobb_ugyeszseg).
- 114 Tamás Botos, "Gyanúsán gyorsan pályáztak 20 milliárdra, Polt Péter mégsem vizsgálja" [Suspiciously fast bidding for 20 billion, yet Péter Polt does not investigate], *444*, June 13, 2020, <https://444.hu/2020/06/13/gyanusan-gyorsan-palyaztak-20-milliardra-polt-peter-megsem-vizsgalja>.

In contrast to all kinds of strained theories of the state, the judiciary is not an external accessory but an internal component of the state, judicial power itself is a manifestation of state power, the fate of which it always shares. (. . .) The judiciary cannot be independent of the state, as it is part of the same, nor of the truth, as it exists to serve it . . . We can state in principle that the courts acting can only render their judgments on behalf of the Hungarian state or the Fundamental Law and in the name of the Holy Crown, which embodies Hungary's constitutional state continuity and the unity of the nation.<sup>115</sup>

Efforts and actions for diffusion of political capture of the judiciary have intensified since 2014. This was the second consecutive term of the Fidesz governing by two-thirds majority. At that time the court was one of the last institutions with relative autonomy. Fidesz started with a radical administrative decision to weaken judicial control. In one direct move, Orbán cut the retirement age for judges from 70 to 62 years. This restructuring practically decimated the court's leadership. The Constitutional Court and the Strasburg court retrospectively judged the executed decision unconstitutional. Their normative judgment was only focused on the required execution time, without considering Orbán's motivation for political capture. They ruled that giving such short notice before retirement harmed judicial independence.<sup>116</sup> The 160 judges also turned to the European Court of Human Rights. However, the court did not find the decision to be unlawful, as long as it was conducted gradually.<sup>117</sup> Fidesz's procedure was

115 "Kövér László: A bírói függetlenség nem abszolút" [László Kövér: Judicial independence is not absolute], *Jogászvilág*, April 24, 2019, <https://jogaszvilag.hu/napi/kover-laszlo-a-biroi-fuggetlenseg-nem-abszolut/>. Translation by Maria Csanádi.

116 "65 év lesz a bírói nyugdíjkorhatár" [Employment age limit of judges reduced to 65], *Index*, September 8, 2012, [https://index.hu/belfold/2012/09/08/65\\_ev\\_lesz\\_a\\_biroi\\_nyugdijkorhatar/](https://index.hu/belfold/2012/09/08/65_ev_lesz_a_biroi_nyugdijkorhatar/). The government modified the age limit to 65, but with the condition that after 62 the judge can decide to continue working or retire, but if they retire they cannot continue in a leadership position. Moreover, it extended the law to attorneys as well. "Bírák nyugdíjazása: az Ab szerint alkotmányellenes a szabályozás" [Forced retirement of judges: the Constitutional Court finds the regulation unconstitutional], *FEOL*, July 16, 2012, <https://www.feol.hu/belfold/birak-nyugdijazasa-az-ab-szerint-alkotmanyellenes-a-szabalyozas-1111100/>; "56 bírát helyeztek vissza a 229-ből" [56 judges were reemployed from the 229 forced to retire], *Index*, May 22, 2013, [https://index.hu/belfold/2013/05/22/navracscis-vezalaszt\\_redingnek/](https://index.hu/belfold/2013/05/22/navracscis-vezalaszt_redingnek/); Gábor Miklósi, "Tovább pereskedhetnek a nyugdíjazott bírók" [Retired judges could further process their case in court], *Index*, October 22, 2012, [https://index.hu/belfold/2012/11/14/tovabb\\_pereskedhetnek\\_a\\_nyugdijazott\\_birok/](https://index.hu/belfold/2012/11/14/tovabb_pereskedhetnek_a_nyugdijazott_birok/).

117 "Bírák nyugdíjazása: november 6-án hirdetnek ítéletet Luxembourgban," *Index*, October 22, 2012, [https://index.hu/belfold/2012/10/22/birak\\_nyugdijazasa\\_november\\_6-an\\_hirdetnek\\_iteletet\\_luxembourgban/](https://index.hu/belfold/2012/10/22/birak_nyugdijazasa_november_6-an_hirdetnek_iteletet_luxembourgban/). In 2019, the European Court of Human Rights did not find the claim of 160 judges unconstitutional. "Nem volt jogsértő a bírák nyugdíjazása" [The forced retirement of judges was not illegal], *Jogászvilág*, January 9, 2019, <https://jogaszvilag.hu/vilag-jogasz/nem-volt-jogserto-a-birak-nyugdijazasa/>.

also emulated in Poland (Bárd and Sledzinska-Simon 2019), leading EU-Polish conflict close to rift.<sup>118</sup>

Lowering the retirement age limit was not the only mode of decreasing the court's autonomy. In December 2011, the government created a powerful, centrally controlled umbrella organization over the courts in the executive apparatus: the National Court's Office (OBH). Its Orbán-appointed president, Tünde Handó, remained in her position from 2012 to 2020. Handó, as the wife of a major Fidesz professional, József Szájer, had been a member of Orbán's circle prior to being established in this powerful position.<sup>119</sup> In her role as president of the National Court's Office, Handó was allowed to personally designate the court for proceeding in any matter. She was entrusted to exercise in one person all the powers of appointment, transfer, replacement, and central management of the courts.<sup>120</sup> The powerful president remained stable in her position for several years, despite open conflicts regarding her unlawful decisions and partisan-biased procedures. The Judicial Council brought the case to the parliament, but it was unsuccessful.<sup>121</sup> Finally, in 2019, owing to international pressure, Handó was "transferred" by parliamentary vote to become a member of the Constitutional Court. Thus, from the highest executive administration, she landed in a position that bears the highest checks and balances, assisted by Fidesz's two-thirds majority vote.<sup>122</sup>

118 Loveday Morris, "Poland Deepens Rifts with European Union after Rebuff over Judicial Rules," *Washington Post*, October 7, 2021, [https://www.washingtonpost.com/world/poland-deepens-rifts-with-european-union-after-rebuff-over-judicial-rules/2021/10/07/12a8a078-2785-11ec-8739-5cb6aba30a30\\_story.html](https://www.washingtonpost.com/world/poland-deepens-rifts-with-european-union-after-rebuff-over-judicial-rules/2021/10/07/12a8a078-2785-11ec-8739-5cb6aba30a30_story.html).

119 Szájer, until his resignation from all his positions in late 2020, was the leader of the Fidesz group in the EPP in the European Parliament. His resignation occurred as a result of controversial personal behavior neglecting COVID regulations unveiled by the police in Brussels. "Videón a rendőri rajtaütés a brüsszeli orgiáról" [Video of police raid on Brussels orgy], *Index*, December 7, 2020, [https://index.hu/belfold/2020/12/07/szajer\\_jozsef\\_botrany\\_orgia\\_video/](https://index.hu/belfold/2020/12/07/szajer_jozsef_botrany_orgia_video/); "From Orbán ally to orgy scandal: Downfall of a Fidesz founder," *Politico*, December 3, 2020, <https://www.politico.eu/article/from-orban-ally-to-orgy-scandal-downfall-of-a-fidesz-founder/>.

120 "2011. évi CLXII. törvény a bírák jogállásáról és javadalmazásáról" [Act CLXII of 2011 on the status and remuneration of judges], *Netjogtár*, in force in 2021, <https://net.jogtar.hu/jogszabaly?docid=a1100162.tv>.

121 "Továbbra is törvénytelen Handó működése az OBT szerint" [Handó's operation remains illegal, according to the National Judicial Council], *Népszava*, February 6, 2019, [https://nepszava.hu/3024555\\_tovabbra-is-torvenytelen-hando-mukodese-az-obt-szerint](https://nepszava.hu/3024555_tovabbra-is-torvenytelen-hando-mukodese-az-obt-szerint); "Handó Tünde eltávolításának érdekében az Országgyűléshez fordul az Országos Bírói Tanács" [The National Council of the Judiciary appeals to Parliament to remove Tünde Handó], *444*, May 8, 2019, <https://444.hu/2019/05/08/hando-tunde-eltavolitasanak-erdekeben-az-orszaggyuleshez-fordul-az-orszagos-biroi-tanacs>; Szilárd Teczár, "Befeszülés: Megvédte Handó Tündét a bíróktól a Fidesz" [Fidesz defended Tünde Handó from the judges], *Magyar Narancs*, July 13, 2019, <https://magyarnarancs.hu/belpol/befeszules-120702>.

122 Illés Szurovecz, "Az igazságügyi bizottság támogatja Handó Tünde alkotmánybírói kinevezését" [The Judicial Committee supports the appointment of Tünde Handó as a constitutional judge], *444*, October 29, 2019, <https://444.hu/2019/10/29/az-igazsagugyi-bizottsag-tamogatja>

Aside from retirement and subordination efforts, the government also initiated the transfer of politically sensitive judicial functions directly into the executive apparatus with the establishment of “public administration courts.”<sup>123</sup> This radical government decision was legalized by a parliamentary vote in December 2018.<sup>124</sup>

The creation of this new court would have allowed the disconnection of all cases raised against the government and its public administration from the judiciary’s legal procedure. This move would have simultaneously offered a mode of diffusion of political capture into judicial institutions and decision-making. Owing to its potential importance, it would have been directly subordinated to Orbán’s cabinet (see figs. 1.3–1.5). It would have created a new jury apparatus, selected by the government, circumventing the control of the National Judicial Council over appointees and court decisions.<sup>125</sup> It would also have relieved the head of the National Court’s Office from manually designating claims to selected courts to solve the “overburden” of certain courts. Similarly, it would have officially recused the attorney general from personally rejecting criminal accusations toward the government elite, the courts, and the Constitutional Court from open political selectivity of decisions. The parliament even appointed the leader of the future public administration court. András Patyi, as I have already mentioned, was the head of the national election committee and the rector<sup>126</sup> of the spatially ever-expanding Fidesz-created and Fidesz-favored National University of Public Administration.<sup>127</sup>

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-hando-tunde-alkotmanybiroi-kinevezeset; Bence Bogatin, “A Fidesz megszavazta: Handó Tünde alkotmánybíró, Polt Péter újra főügyész let” [Fidesz votes in favor of Tünde Handó becoming a constitutional judge, Péter Polt re-appointed as prosecutor general], *Mérce*, November 4, 2019, <https://merce.hu/2019/11/04/a-fidesz-megszavazta-hando-tunde-alkotmanybiroi-polt-peter-ujra-fougyesz-lett/>.

- 123 “New public administration courts will be implemented before January 2020,” *About Hungary*, September 21, 2018, <http://abouthungary.hu/news-in-brief/new-public-administration-courts-will-be-implemented-before-january-2020/>; Amnesty International, “Timeline of Undermining the Judiciary Independence in Hungary: 2012–2019,” *Hungarian Helsinki Committee*, 2019, [https://helsinki.hu/wp-content/uploads/Hungary\\_judiciary\\_timeline\\_AI-HHC\\_2012-2019.pdf](https://helsinki.hu/wp-content/uploads/Hungary_judiciary_timeline_AI-HHC_2012-2019.pdf); Zoltán Kovács, “Administrative Courts Established in Hungary amongst the Sound of Sirens and Whistles,” *Index*, December 12, 2018, [https://index.hu/english/2018/12/12/administrative\\_courts\\_minister\\_of\\_justice\\_unprecedented\\_powers\\_independence\\_separation\\_of\\_power/](https://index.hu/english/2018/12/12/administrative_courts_minister_of_justice_unprecedented_powers_independence_separation_of_power/).
- 124 <https://net.jogtar.hu/jogszabaly?d;ocid=A1800130.TV>. This original act has been removed from the legislations in force.
- 125 Sándor Czinkóczi, “Megszavazta a parlament a különbíróságok bevezetését” [Parliament voted in favor of the introduction of special [administrative] courts], *444*, December 12, 2018, <https://444.hu/2018/12/12/megszavazta-a-parlament-a-kulonbirosagok-bevezeteset>.
- 126 András Kárpáti, “A közigazgatási Bíróságot már rég vissza kellett volna állítani” [The Administrative Court should have been restored a long time ago], *Magyar Idők*, September 17, 2018, <https://www.magyaridok.hu/belfold/paty-i-a-kozigazgatasi-birosagot-mar-reg-vissza-kellett-volna-allitani-3486581/>.
- 127 “University of Public Service,” <https://www.uni-nke.hu/>; Sándor Czinkóczi, “145 fát akarnak kivágni az Orczy kertben a Nemzeti Közszolgálati Egyetem terjeszkedése miatt” [145 trees to be felled in Orczy Garden due to the expansion of the National University of Public Service],

Despite the government's best efforts, this move on the administrative courts failed. Outraged domestic and EU reactions, and evidence of fraudulent aims made Orbán first to suspend its introduction, and somewhat later, he canceled the law altogether.<sup>128</sup> Yet, in 2020 the government submitted a new bill to the parliament. According to it, public authorities, if unsatisfied with a court's decision, may turn to the Constitutional Court.<sup>129</sup> This latter, however, is packed with the political appointees of the government, including the reallocated ex-president of the National Office for the Judiciary.<sup>130</sup> By late October 2020, Orbán finally succeeded in subjugating the court to his power. With several supporting new laws to constrain the power of the judiciary, he managed to "appoint" a Fidesz executor with no court experience to chief judge on the highest court, despite the loud opposition of the National Judiciary Council.<sup>131</sup> Patyi, the appointee of the failed administrative court, became the chief judge's deputy for six years.<sup>132</sup>

In sum, since 2010, the Orbán government managed to politically capture and infiltrate all possible national-level institutions of democratic control and to turn them into executive bodies, thereby subordinating activities, and positions to his actual political, economic, legal, and judicial purposes. Next, I will demonstrate the organization and activity of the centralized government structure under Orbán's rule, uncontrolled by checks and balances. At the same time, I will point to the various modes of central diffusion of political capture into politically selected public and economic subfields.

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444, June 22, 2016; <https://444.hu/2016/04/22/145-fat-akarnak-kivagni-az-orczy-kertben-a-nemzeti-kozszolgalmati-egyetem-terjeszkesede-miatt>.

- 128 "Public Administration Court Rulings Will Be Faster and More Calculable; There Will Be No Separate Public Administration Courts," Website of the Hungarian Government, October 31, 2019, <https://2015-2019.kormany.hu/en/ministry-of-justice/news/public-administration-court-rulings-will-be-faster-and-more-calculable-there-will-be-no-separate-public-administration-courts>.
- 129 "Az emberi jogi/alapjogi bíraskodás módszertani kérdései" [Methodological issues in human rights/basic law adjudication], *alkotmánybirosag.hu*, October 21, 2021, <https://alkotmanybirosag.hu/sulyok-tamas>.
- 130 Erika Domokos, "Megnevezték Handó Tünde utódját" [Successor of Tünde Handó named], *napi.hu*, December 2, 2019, [https://www.napi.hu/magyar\\_gazdasag/senyei-hando-tunde-obh.696135.html](https://www.napi.hu/magyar_gazdasag/senyei-hando-tunde-obh.696135.html).
- 131 "New Chief Judge: Potential Transmission Belt of the Executive," *Helsinki.hu*, October 22, 2020, <https://www.helsinki.hu/en/new-chief-judge-potential-transmission-belt-of-the-executive/>; Zsuzsa Sándor, "Eddig is aggódhattunk a bíróságokért, de ilyen komoly okunk még nem volt rá" [We may have been worried about the courts before, but we have never had such a serious reason to be], *24.hu*, October 17, 2020, <https://24.hu/belfold/2020/10/17/varga-zs-andras-kurai-elnok-orban-polt-biroi-fuggetlenseg-velemeney/>; Szilárd Teczár, "Jobbról előzőtt" [Overtaken from the right], *Magyar Narancs*, November 22, 2020, <https://magyarnarancs.hu/belpol/jobbról-elozott-134208>.
- 132 "Patyi András újabb fontos küldetése" [Another important mission for András Patyi], *444*, April 14, 2021, <https://helsinkifigyelo.444.hu/2021/04/14/patyi-andras-ujabb-fontos-kuldetese>.



### ***Setting up the Executive Network for Uncontrolled Centralized Extraction and Distribution***

We thought that we would either find our path or create one. And as we saw that the paths marked out for us by Brussels and Washington were not viable, we were forced to create a new one. . . . In all modesty, ten years later I can say that we did indeed figure it out, we managed to do it. We took a deep breath, laid the foundations, and finally we had a Christian, national constitution. . . . With an IMF brain one cannot understand that we summoned up the courage to resist, even though we were in the grip of international capital, the banks had a stranglehold on us, we were drowning in debt, and international financial experts in sharp suits were demanding austerity measures from us.<sup>133</sup>

Prime Minister Viktor Orbán's "State of the Nation" address, February, 17, 2020

Nested in diffused political capture, the legislative, control, and judiciary institutions turned into executives, allowing for the unconstrained and selective intervention by national-level executive organizations. Toward that end, Orbán has constructed an extremely centralized and powerful executive apparatus. Its tasks and members are frequently restructured. Few leaders, leadership positions, or organizations remain unchanged during Orbán's governing terms and even within each governing period. Key decisions over social, economic, and administrative issues have been centralized and accumulated in the cabinet. Consequently, they have been subordinated to the discretion of Orbán and his cabinet for manual control (fig. 1.2).

In 2018, Orbán appointed three deputy prime ministers and eight ministries, including those led by two of the deputy prime ministers. From the three deputy prime ministers, one is Zsolt Semjén, the president of the Christian Democratic People's Party, the coalition partner. He supervises national politics, minority politics, and the clergy.<sup>134</sup> Since his hobby is hunting, he also gets several dozen extra billions of forints from the government budget, for example, to organize an international hunting exhibition where the entrance is being constructed from ten tons of deer antlers.<sup>135</sup> He is the regular submitter of controversial laws, or cardinal laws that require two-thirds majority. For example, he submitted

133 "Prime Minister Viktor Orbán's 'State of the Nation' Address," February, 17, 2020, <https://2015-2019.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-state-of-the-nation-address-2020>.

134 "A kormány tagjai a 2018-as választások után" [Members of the government after 2018 elections], 2018, <https://www.kormany.hu/hu/a-kormany-tagjai>.

135 "Million Visitors Expected for 2021 World Hunting Expo, Says Gov't Commissioner," *Hungary Today*, January 29, 2020, <https://hungarytoday.hu/1-million-visitors-2021-world-hunting-expo/>; "Tíz tonna szarvasagancsból készül a vadászati világkiállítás kapuja" [Ten tons of deer antlers to be used for the gate of the World Hunting Expo], *24.hu*, March 31, 2021, <https://24.hu/kultura/2021/03/31/vadaszati-kiallitas-kapu-szarvasagancs/>.



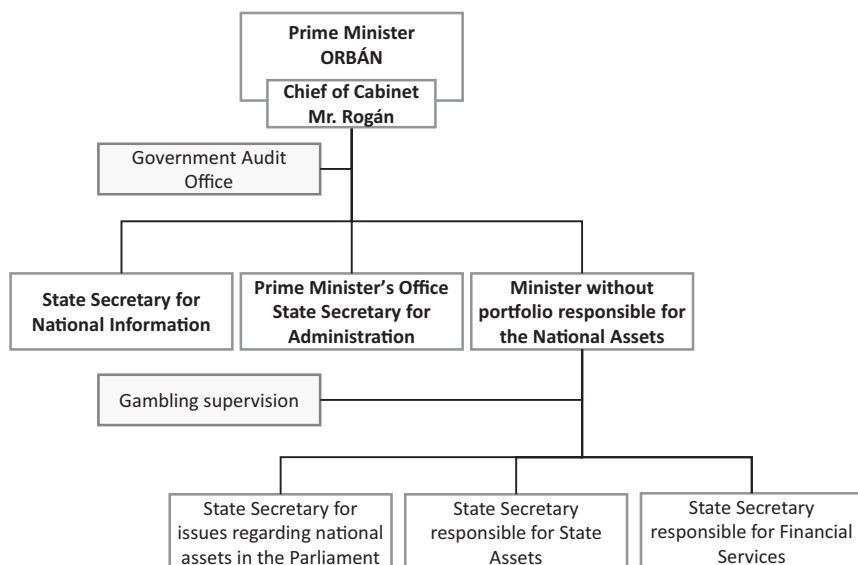
the research and development law destituting the Academy of Sciences of its research institutes, the civil servant law depriving 20,000 civil servants from stable employment status, the cultural law depriving cultural workers and institutions from their autonomy, and the modification of the electoral law to the detriment of opposition parties.<sup>136</sup>

Another deputy prime minister, Sándor Pintér, heads the ministry of the interior. He had a long professional career history in the communist period as a police officer (1978–1991) and chief of the Budapest police (1991) and then chief of the national police (1991–1996). He has also served during all Orbán governments as the minister of internal affairs. He is responsible for wide-ranging strategic issues, with a dynamically widening portfolio since 2010 elections, such as the Constitution Protection Office, domestic criminal-investigative and counterintelligence agency, Counter Terrorism Centre, special weapons and tactics, hostage rescue agency, National Protective Service, crime prevention and detection, lifestyle monitoring, integrity testing, Special Service for National Security, and provider of the technical background needed to clandestine information.<sup>137</sup> The pandemic also brought him the strategic supervision and operative control of healthcare.<sup>138</sup> A further strategic role is acquired in this respect with the possibility of the declaration of a “health emergency situation” that allows him the same legal rights to Orbán and his aides without the need for parliamentary

136 “T/6359 A kutatás, fejlesztés és innovációs rendszer intézményrendszerének és finanszírozásának átalakításához szükséges egyes törvények módosításáról” [T/6359 Amendment of certain laws necessary for the restructuring of the institutional framework and financing of the research, development and innovation system], parlament.hu, June 4, 2018, <https://www.parlament.hu/irom41/06359/06359.pdf>; Réka Molnár, “Semjén Zsolt benyújtotta a törvényjavaslatot, ami 20 ezer embert fosztana meg a közalkalmazotti státuszától” [Zsolt Semjén submits bill that would strip 20,000 people of their civil servant status], *Index*, April 15, 2020, [https://index.hu/kultur/2020/04/15/kozalkalmazotti\\_torveny\\_statusz\\_semjen/](https://index.hu/kultur/2020/04/15/kozalkalmazotti_torveny_statusz_semjen/); Péter Urfi, “A tiltakozások után átírta a kulturális törvény tervezetét a kormány, az NKA egyelőre megmenekül” [After protests, the government rewrites the draft cultural law, the NKA escapes for now], *444*, December 9, 2019, <https://444.hu/2019/12/09/a-tiltakozasok-utan-atirta-a-kulturalis-torveny-tervezetet-a-kormany-az-nka-egyelore-megmenekul/>; <https://24.hu/belfold/2020/11/11/valasztasi-torveny-modositas/>.

137 “Curriculum Vitae of Sándor Pintér [Minister of Interior],” Website of the Hungarian Government, <https://2010-2014.kormany.hu/en/ministry-of-interior/the-minister/>; “Ministry of Interior,” Website of the Hungarian Government, <https://2010-2014.kormany.hu/hu/belugyminiszterium/szervezet/>.

138 “Kormányrendelet: a veszélyhelyzet idején Pintér Sándor irányítja az Országos Kórházi Főigazgatóságot” [Government decree: in times of emergency, Sándor Pintér will run the National Hospital Directorate General], November 25, 2020, <https://koronavirus.gov.hu/cikkek/kormanyrendelet-veszelyhelyzet-idejen-pinter-sandor-iranyitja-az-orszagos-korhazi>; Anna Danó, “Pintér szeme az egészségügyön,” *Népszava*, May 18, 2020, [https://nepszava.hu/3078390\\_pinter-szeme-az-egeszsegugyon/](https://nepszava.hu/3078390_pinter-szeme-az-egeszsegugyon/); András Dezső, “Így lettek szupertitkos katonai bázisok a kórházak Pintér Sándor irányítása alatt” [This is how hospitals became top-secret military bases under Sándor Pintér], *HVG*, March 25, 2021, [https://hvg.hu/360/202112\\_\\_biztonsagi\\_piac\\_\\_pinter\\_es\\_bizalmasai\\_\\_rendpartiak\\_azegeszsegugyben\\_\\_tisztitokura](https://hvg.hu/360/202112__biztonsagi_piac__pinter_es_bizalmasai__rendpartiak_azegeszsegugyben__tisztitokura).



**Figure 1.2** The main units of the prime minister’s cabinet: 2019–2021.

consent, as the rule by decree (Vörös 2021).<sup>139</sup> The third deputy prime is the minister of finance, Mihály Varga, who has no extra responsibilities. Figure 1.2 depicts the cabinet’s organizational structure.<sup>140</sup>

According to the 2019 organizational structure, the cabinet’s leadership was composed of two ministers. One, Antal Rogán, the chief of the cabinet; the other Gergely Gulyás, responsible for the whole government apparatus. Rogán has a large formal portfolio. In addition, he oversees an ever-widening politically selective set of distributive tasks, according to Orbán’s needs (fig. 1.3). There were two more ministers without portfolio directly subordinated to Orbán but integrated into the Cabinet. In December 2020, on the eve of arriving new structural and emergency sources, Orbán transferred the supervision of EU structural and emergency spending to the cabinet from one of his superministries.<sup>141</sup>

139 “Egészségügyi veszélyhelyzet, diktatúra és jogállamiság: Vörös Imrével beszéltem” [Health emergency, dictatorship and the rule of law: my interview with Imre Vörös], YouTube, November 15, 2020, [https://www.youtube.com/watch?v=CcrXgXbwh\\_I](https://www.youtube.com/watch?v=CcrXgXbwh_I).

140 For further details (in Hungarian) about the departments under these units, see “A miniszterelnök 1/2019. (III. 1.) ME utasítása a Miniszterelnöki Kormányiroda Szervezeti és Működési Szabályzatáról szóló 3/2018. (VI. 11.) ME utasítás módosításáról” [The Prime Minister’s instruction on the Organizational and Operational Regulations of the Prime Minister’s Office], <http://www.kozlonyok.hu/kozlonyok/Kozlonyok/12/PDF/2019/11.pdf>.

141 “444: Palkovics decemberben le akart mondani, de Orbán nem engedte” [According to 444, Palkovits wanted to resign but Orbán did not allow him to], *HVG*, January 12, 2021, [https://hvg.hu/itthon/20210112\\_palkovics\\_laszlo\\_orban\\_viktor](https://hvg.hu/itthon/20210112_palkovics_laszlo_orban_viktor).

One of the ministers without portfolio is responsible for the Hungarian Asset Management; and the other is in charge of the administration of a politically, financially and economically critical interstate investment deal. It concerns the expansion of Hungary's major energy source, the second block at the Paks nuclear reactor. In 2014, after Orbán's visit to Putin, a deal was decided, without a public tender, to prioritize Rosatom. Russia provided a 10 billion euro loan (3,000 billion HUF), covering 80 percent of the projected costs. Forty percent of the investments will be provided by Hungarian businessmen.<sup>142</sup>

The cabinet of the *prime minister* reflects Orbán's direct institutional hold on the country's information and state-owned, countrywide media network. Orbán himself also personally disposes of public financial power, public assets, utility infrastructure, and lottery (gambling). Since December 2020, he has directly supervised the spending of EU structural and emergency funds.<sup>143</sup> He also has personal power over institutions holding those functions.

Nested in the institutional context of politically captured checks and balances, this organizational structure makes Orbán practically an all-mighty leader. He is the main supervisor and distributor of information and public wealth. He has direct control over public assets through the minister without portfolio, holding the property rights on public assets. Through his cabinet ministers, or directly, Orbán can personally decide on the privatization, free transfer, or reprivatization of public assets, state developments, and development funds and loans. He can "appoint" those persons whom he wants to be privileged in the system of individualized distribution, or "dismiss" those who no longer fit his calculations. He can designate activities and strategic enterprises, strategic investments and strategic partnerships, personally decide over Russian loans and business participants in Hungary's nuclear energy investment program, and the spending of EU structural and emergency funds.

Consequently, by subjugating political, legal, and institutional control (fig. 1.1), Orbán has direct institutionalized personal and unconstrained power over public wealth and finance reflected in his cabinet's organizational structure (fig. 1.2), and in the responsibilities of Rogán as *cabinet minister*. Figure 1.3 shows the centralized organizational structure of political capture, and its diffusion in the economy represented by Rogán's personal capacities. It reveals the centralized institutional opportunities for politically selective distribution through

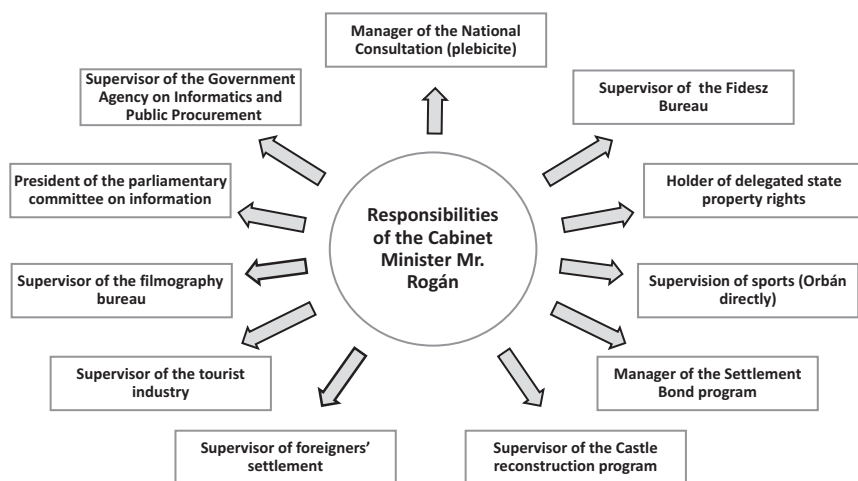
142 "Paks II. bővítés" [Paks II nuclear plant's expansion], *Index*, December 7, 2021, [https://index.hu/aktak/paksi\\_bovites\\_paks\\_2\\_atomeromu\\_orszorszag\\_putyin\\_roszatom\\_eu\\_brusszel\\_ellenek\\_titkositas/](https://index.hu/aktak/paksi_bovites_paks_2_atomeromu_orszorszag_putyin_roszatom_eu_brusszel_ellenek_titkositas/).

143 Péter Magyar, "Átszervezte Orbán az EU-s stábot a nagy brüsszeli pénzeső előtt" [Orbán reorganized EU staff ahead of big Brussels cash grab], *444*, March 22, 2021, <https://444.hu/2021/03/22/atszervezte-orban-az-eu-s-stabot-a-nagy-brusszeli-penzeso-elott/>; "Orbán Viktor üzent Brüsszelnek, itt a Nemzeti Helyreállítási Alap" [Viktor Orbán sends a message to Brussels [delay in sending EU funds]: here is the National Recovery Fund], *MFOR*, August 6, 2021, <https://mfor.hu/cikkek/makro/orban-viktor-uzent-brusszelnek-itt-a-nemzeti-helyreallitasi-alap.html>.

the closed channels of diffused political capture, and consequently, for institutionalized corruption. The potential for institutionalized corruption is set free through the cabinet, nested in the context of politically captured institutions of control and their activity turned executive (fig. 1.1).

Through Rogán’s discretion we can also track the actual channels of the central diffusion of political capture to different socioeconomic subfields. These are reflected in Antal Rogán’s broad and ever-increasing personal management rights and responsibilities, according to Orbán’s actual purposes. These responsibilities penetrate into the political, social, and economic subspheres, be they state-owned or private. The *centrally diffusing* political capture represents the closed channels of the network of dependency and interest promotion relationships. Figure 1.3 depicts Rogán’s actual publicly traceable rights and responsibilities by 2021.

Through those dependency threads Orbán, personally, and through Rogán, directly, influences positions, activities, organizations, and personnel in those subfields. Through those channels centrally managed information and resources flow. Selectivity in allocation is up to Orbán’s political decisions: as Kornai argued (2019), privileged people are appointed,<sup>144</sup> and those who have been disgraced are



**Figure 1.3** The central diffusion of political capture from the cabinet into private and public activities (compiled by the author)

144 “Állami milliárdokból építenek élményparkokat a Balaton köré Mészáros Lőrinc üzlettársai” [Mészáros Lőrinc’s business associates build amusement parks around Lake Balaton with billions of public funds], 444, September 8, 2019, <https://444.hu/2019/09/08/allami-milliardokbol-epitenek-elmeny-parkokat-a-balaton-kore-meszaros-lorinc-uzlettarsai>; Zsolt Sarkadi, “A Mathias Corvinus Collegium elküldi a révfülöpi kikötőt használó hajótulajdonosokat” [Mathias Corvinus Collegium sends shipowners using Révfülöp harbor packing], 444,

deprived. Resources, apart from information, come from public assets, public and private fields, budgetary sources, or foreign sources. With individually controlled legislation and staff of checks and balances, combined with his institutionalized power over selective extraction and distribution, nothing inhibits Orbán to personally extract, appropriate and accumulate, or transfer public or private wealth.

Rogán's institutionalized performance is practically the reflection of Orbán's expanded activity. There are few things Rogán has not experienced and done through the course of his political career. He has been a parliamentary MP since 1998. He was deputy head of the Fidesz parliamentary fraction between 1998 and 2012 and its leader between 2012 and 2015. He was the founding president of the parliamentary committee dealing with information and telecommunications, and also the president of the committee of economics and informatics. From 2010 to 2014, he was mayor of Budapest's downtown district. Since 2015, he has been the head of the prime minister's cabinet office.<sup>145</sup> In addition to the aforementioned formal responsibilities, he is in charge of the national communications office (simply: propaganda), exempted from most laws and regulations<sup>146</sup> regarding public procurement.

Rogán is also in charge of heading and managing national-level programs. For example, the national-level government referendums, tourism, and touristic organizations merged under an umbrella organization (MTÜ). In touristic issues, he closely collaborates with Orbán's oldest daughter Ráhel,<sup>147</sup> married to István Tiborcz, a frequent winner of public procurement and EU funds. (See Laki, Tóth and Hajdu chapters 3 and 4 in this book).<sup>148</sup>

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December 30, 2020, <https://444.hu/2020/12/30/a-mathias-corvinus-collegium-elkuld-i-a-revfulopi-kikotot-hasznalo-hajotulajdonosokat>; "Tízezer Kárpát-medencei diákot képez majd az MCC" [MCC will train ten thousand students from the Carpathian Basin], *Magyar Nemzet*, December 31, 2020, <https://magyarnemzet.hu/belfold/tizezer-karpat-medencei-diakot-kepez-majd-az-mcc-9161690/>.

145 Antal Rogán's curriculum vitae, <https://2015-2019.kormany.hu/hu/miniszterelnoki-kabinetiroda/a-miniszter/eletrajz>.

146 András Domány, "Rogán Antal immár teljesen szabad kezét kapott a pénzköltésben" [Antal Rogán has now been given a completely free hand to spend money], *HVG*, June 7, 2019, [https://hvg.hu/gazdasag/20190607\\_Rogan\\_Antal\\_immar\\_teljesen\\_szabad\\_kezet\\_kapott\\_a\\_penzkoltesben](https://hvg.hu/gazdasag/20190607_Rogan_Antal_immar_teljesen_szabad_kezet_kapott_a_penzkoltesben).

147 Zoltán Batka, "Kétmilliárdot kap egy Tiborcz-közeli cég a turisztikai ügynökségtől, ahol Orbán Ráhel tanácsadó" [A tourism firm close to Tiborcz, where Ráhel Orbán is the consultant, gets 2 billion HUF from the tourism agency], *Népszava*, April 15, 2019, [https://nep-szava.hu/3032739\\_ketmilliardot-kap-egy-tiborcz-kozeli-ceg-a-turisztikai-ugynoksegto-ahol-orban-rahel-tanacsado](https://nep-szava.hu/3032739_ketmilliardot-kap-egy-tiborcz-kozeli-ceg-a-turisztikai-ugynoksegto-ahol-orban-rahel-tanacsado); "Ők adnak tanácsot a magyar turizmus fellendítéséhez" [They give advice to boost Hungarian tourism], *444*, July 23, 2018, <https://444.hu/2018/07/23/ok-adnak-tanacsot-a-magyar-turizmus-fellenditeséhez>.

148 "Report on a proposal calling on the Council to determine, pursuant to Article 7[1] of the Treaty on European Union, the existence of a clear risk of a serious breach by Hungary of the values on which the Union is founded," European Parliament, July 4, 2018, [https://www.europarl.europa.eu/doceo/document/A-8-2018-0250\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-8-2018-0250_EN.html). The controversial business deals of Orbán's son-in-law were cited in the EU's Sargentini report on corruption. Tiborcz continues to be one of the frequent winners of public procurement, privileged by several government

Rogán is also responsible for the Castle Hill reconstruction program, including the preparation of the office residence of Orbán and his close executives who have moved there.<sup>149</sup> Rogán is also supervising the national-level castle and fortress renovation program, from which Tiborcz and Mészáros profit.<sup>150</sup> Rogán was also managing the bonds of the settlement program carried out by offshore companies.<sup>151</sup> As it has already been mentioned, he is also handling the Digital Government Agency,<sup>152</sup> managing the total informatics of public procurement. This agency rules over the several hundred billion forints required by the 1,100 government units. Rogán is also the supervisor and organizer of popular ballots (national consultations) initiated by Orbán. Moreover, through the Prime Minister's Office, Rogán is heading and is personally exerting delegated state's property rights in the case of joint ventures set up by the state asset company (subordinated to Orbán) with foreign companies.<sup>153</sup> Additionally, through the personally supervised touristic umbrella agency (NTÜ), he currently exerts ownership rights over all public shipping companies on the Danube and Lake Balaton.<sup>154</sup> In January 2020, Rogán became the supervisor of the organization (Filmiroda) directing domestic and foreign-owned movie production.

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programs. He is also steadily advancing in the rank of the 100 richest businessmen in Hungary [see Laki, chapter 4, and Tóth and Hajdu, chapter 3 in this book].

- 149 "Az Orbán család új kastélya" [The new castle of the Orbán family], *HVG*, February 2, 2017, [https://hvg.hu/kultura/20170202\\_Az\\_Orbancsalad\\_uj\\_kastelya](https://hvg.hu/kultura/20170202_Az_Orbancsalad_uj_kastelya).
- 150 Marianna Kovács-Angel, "Tiborczék bagóért megvették, a jó ismerősök meg közpénzzel újíthatják fel a bodajki kastélyt" [The Tiborczs bought the Bodajk castle for a song, and their friends can renovate it with public money], *24.hu*, November 25, 2019, <https://24.hu/fn/gazdasag/2019/11/25/tiborcz-bodajk-kastely/>; Kovács M. Dávid, "Tiborcz luxusszállójaként újrainyitott a turai kastély" [The Turai castle reopens as Tiborcz's luxury hotel], *Index*, July 20, 2020, [https://index.hu/kultur/epiteszet/2020/07/20/tura\\_schossberger-kastely\\_nyitas/](https://index.hu/kultur/epiteszet/2020/07/20/tura_schossberger-kastely_nyitas/); Krisztián Sándor, "Kastélyt vett Tiborcz István cége, az eladó Mészáros Lőrinc" [István Tiborcz bought a castle, the seller is Lőrinc Mészáros], *Forbes*, November 22, 2019, <https://forbes.hu/uzlet/kastelyt-vett-tiborcz-istvan-cege-az-elado-meszaros-lorinc/>.
- 151 "Hungarian Settlement Bond Program a 'Serious Corruption Story,' Says Magyar Nemzet," *Budapest Beacon*, April 20, 2017, <https://budapestbeacon.com/hungarian-settlement-bond-program-a-serious-corruption-story-says-magyar-nemzet/>.
- 152 "Az informatikai beszerzések központja" [IT Procurement Center], <https://dkuzrt.hu/bemutakozas/>.
- 153 "Mi a kapcsolat a Viking Cruises, a magyar állam, Rogán Antal és Orbán Ráhel között?" [What is the connection between Viking Cruises, the Hungarian state, Antal Rogán and Ráhel Orbán?], *Városi Kurír*, May 31, 2019, <https://varosikurir.hu/mi-a-kapcsolat-a-viking-cruises-a-magyar-allam-rogan-antal-es-orban-rahel-kozott/>; "2/2019 [III. 6] NVTNM rendelet" [Balatoni Hajózási Zártkörű Részvénytársaság and M A H A R T PassNave Személyhajózási Korlátolt Felelősségű Társaság on the amendment of the 1/2018 (VI. 25.) NVTNM decree on the appointment of the person exercising all the ownership rights and obligations of the state over the state-owned shares of certain state-owned companies], MK 35 sz., *Magyar Közlöny*, March 6, 2019, <https://magyarkozlony.hu/dokumentumok/ddc5db31e99b27c7b0c3c93c67a66c9336dfc56e/megtentintes>.
- 154 "Rogánhoz kerülnek az állami hajózási cégek" [Rogán takes over state-owned shipping companies], *HVG*, March 7, 2019, [https://hvg.hu/gazdasag/20190307\\_Roganhhoz\\_kerulnek\\_az\\_allami\\_hajozasi\\_cegek](https://hvg.hu/gazdasag/20190307_Roganhhoz_kerulnek_az_allami_hajozasi_cegek).

He controls the budget, the necessary government subsidies, tax refunds, and film distribution subsidies.<sup>155</sup>

The personalized and centralized political, financial, legislative, judicial, and distributive power relies on an *administrative apparatus* of Orbán's government that is also highly concentrated and centralized. There are four superministries: foreign affairs and foreign trade in the third Orbán government: innovation and technology, human resources, and the ministry of internal affairs (headed by the other deputy prime minister). The superministries are responsible for an unmanageably large apparatus with an extreme number of undersecretaries with distributed state functions of once-separate ministries and public fields.<sup>156</sup> In addition, a number of government commissioners, appointed and subordinated to the superministers, the prime minister, or his deputies, deal with actual strategic issues, complementing the ministers' portfolios.

There are also three specialized ministries: that of agriculture, defense, and justice. These ministries bear frequently reorganized portfolios. Responsibilities are exchanged between all of them, or centralized into the cabinet's tasks, or given to newly appointed government commissars directly subordinated to Orbán himself. Changes appear in government orders or laws.

Within the superministries' portfolios, centralization, concentration, mergers, transfers, abolition, and setting up of new government organizations and responsibilities, the appointment of new and the dismissal of earlier personnel and persons responsible are incessant, leaving the professional staff in constant uncertainty. In public discourse, these changes are communicated as routine government administrative reorganization issues or administrative reforms. Actions are justified as the optimization of management and the decrease of bureaucratic parallels. The declared goal is to increase oversight and optimize decisions and financing. However, in practice, these are actions

155 "9/2019. [XII. 23.] MK utasítása Miniszterelnöki Kabinetiroda Szervezeti és Működési Szabályzatáról szóló 5/2018. [XI. 30.] MK utasítás módosításáról" [Instruction 9/2019 [XII. 23.] MK,

Amendment of MK Instruction No 5/2018 [XI. 30.] on the Organizational and Operational Rules of the Cabinet Office of the Prime Minister], *Nemzeti Jogszabálytár*, December 23, 2019, [http://njt.hu/cgi\\_bin/njt\\_doc.cgi?docid=217424.377077](http://njt.hu/cgi_bin/njt_doc.cgi?docid=217424.377077); "2019 évi CVI. törvény egyes törvényeknek a Nemzeti Filmintézet Közhasznú Nonprofit Zrt. létrehozásával összefüggő módosításáról" [Act CVI of 2019 on the amendment of some laws connected to the creation of the National Film Institute Non-Profit Co.], *parlament.hu*, December 23, 2019, <https://www.parlament.hu/irom41/08037/08037.pdf>; "Rogán Antal miniszteriuma alá került a filmszakma felügyelete," [Supervision of the film industry under the Ministry of Antal Rogán], *444*, December 27, 2019, <https://444.hu/2019/12/27/rogan-antal-miniszteriuma-ala-kerult-a-filmszakma-felugyelete>.

156 Tamás Botos, "Megduplázódott 2010 óta az államtitkárok és helyetteseik száma" [The number of state secretaries and their deputies has doubled since 2010], *444*, December 23, 2020, <https://444.hu/2020/12/23/megduplazodott-2010-ota-az-allamtitkarok-es-helyetteseik-szama>.



that overwhelmingly involve power restructuring camouflaged as administrative reforms.

Tracking the process, we can detect *repeating phases* of centralized diffusion of *political capture in public subspheres*. First is the creation of *national-level administrative management* in the field, forming umbrella organizations. This move is followed by the subordination of decentralized institutions of the same profile under the umbrella organization. The other option is a direct merger of original public service organizations and the centralization of their decisions on resource distribution. Such *umbrella organizations* are set up in multiple fields of the public administration. They function according to laws approved by the parliament. Their number increases according to the expansion of the diffused network of political capture into public and private spheres. The methods of creation, the number of phases of the process of centralization, and functions vary. In practice, however, these actions similarly result in political, and administrative power redistribution toward the center. As a consequence, the center's discretion over resource extraction and redistribution in the public and private sphere further increases. The "center" might refer to the cabinet, the superministries under the prime minister, themselves containing several strata of umbrella organizations. The prime minister, or those easily controllable by Orbán, such as the deputy prime minister, the superministers or their deputies, supervise these umbrella organizations. If they function as a board, it is the Fidesz government that chooses the board members.<sup>157</sup>

The expansion of the central diffusion of political capture of public fields is reflected by the growing number of government members, state secretaries, deputy state secretaries, ministerial commissioners, and government commissioners who serve Orbán and the superministries. In 2015, their number was 225, while by 2019, it had grown to 272. In 2020, the number reached 295.<sup>158</sup> In 2017, their number was twice as high as in the socialist governing period.<sup>159</sup> Within ten years, compared to 2010, the number of such appointees doubled.<sup>160</sup> The highest number of deputy state secretaries (41) pertain to the Prime

157 "A Fidesz elfoglalta a teljes médiatanácsot" [Fidesz has taken over the entire media council], *Index*, October 11, 2010, [https://index.hu/kultur/media/2010/10/11/a\\_fidesz\\_elfoglalta\\_a\\_teljes\\_mediatanacsot/](https://index.hu/kultur/media/2010/10/11/a_fidesz_elfoglalta_a_teljes_mediatanacsot/); "Megint meghekkelte a Médiatanácsot a Fidesz" [Fidesz has hacked the Media Council again], *Népszava*, December 2, 2019, [https://nepszava.hu/3059155\\_megint-meghekkelte-a-mediatanacsot-a-fidesz](https://nepszava.hu/3059155_megint-meghekkelte-a-mediatanacsot-a-fidesz).

158 "Még a járvány sem állítja meg a számuk növekedését: minek nekünk közel háromszáz állami vezető?" [Even the epidemic can't stop their growing numbers: why do we need nearly 300 state leaders?], *Blikk*, December 23, 2020, <https://www.blikk.hu/allami-fejesek-szama-rekordot-dontott-iden/48bmylx>.

159 Justin Spike, "Number of High-Level Government Officials Twice as High as under Socialists," *Budapest Beacon*, January 9, 2019, <https://budapestbeacon.com/number-high-level-government-officials-twice-high-socialists/>.

160 T. Botos, "Megduplázódott 2010 óta az államtitkárok és helyetteseik száma" [The number of state secretaries and their deputies has doubled since 2010], 444, December 23, 2020, <https://444.hu/2020/12/23/megduplazodott-2010-ota-az-allamtitkarok-es-helyetteseik-szama>.



Minister's Office, followed by the Ministry of Innovation and Technology (40) and the Ministry of Human Resources (35).<sup>161</sup>

The expansion of diffusion of political capture, reflected by the fast-growing number of such bureaucrats and their responsibilities, are institutionalized in the steadily increasing number of umbrella organizations over relative autonomies. Such umbrella organizations have been created over the fields of private pension funds (NyAA); elementary and high schools (KLIK); publication of educational books (NTK); courts and prosecutions (OBH); radio wave distribution (NMHH, MTVA, NKH); state-owned hospitals (GYEMSZI, ÁEEK); the film industry (MNF); arts (NKA); artistic wealth managed earlier by professionals in local governments (MANK); science (NKFH), the detached research centers from the Academy of Sciences (ELKH) and the board of 11 members headed by László Palkovics, superminister of innovation and technology, who designates the main research paths and financing (NTT). There is also the organization for the utilization of state-owned land through renting (NFA) and the selling of state-owned land by the National Land Center (NFK). Tourism (MTÜ) is the responsibility of Rogán, Orbán's chief of cabinet; and sports, development, and sport centers are the responsibility of a government commissioner, directly subordinated to Orbán (NSC). In 2020, the Petőfi Literary Museum's leader, Szilárd Demeter, and his organization became an umbrella organization in charge of all cultural issues.<sup>162</sup> In 2019, another umbrella organization was created within three days despite public and professional opposition<sup>163</sup> to supervise culture, centralizing appointments, abolishing or weakening the National Cultural Fund, and subordinating cultural financing and appointments further centralized.<sup>164</sup> In 2020, another umbrella organization was set up over this latter, merging the National Széchényi Library, the Petőfi Literary Museum, and a number of member organizations as the Petőfi Literature Agency Nonprofit Ltd., the

161 Dóra Annár, "Hungary Reached a Record Number of State Leaders," *Daily News Hungary*, December 24, 2020, <https://dailynewshungary.com/hungary-reached-record-number-of-state-leaders/>.

162 Sándor Czinkóci, "Egy előterjesztés alapján kulturális csúcsintézményt tolnának Demeter Szilárd alá" [A proposal would push a top cultural institution under Szilárd Demeter], *444*, February 4, 2020, <https://444.hu/2020/02/04/egy-eloterjesztes-alapjan-kulturalis-csucsintezmenyt-tolnanak-demeter-szilard-ala>.

163 "Crystal Clear and Predictable Situation and Spheres of Responsibility to be Created in Operation of Theatres," December 10, 2019, <https://2015-2019.kormany.hu/en/ministry-of-human-resources/news/crystal-clear-and-predictable-situation-and-spheres-of-responsibility-to-be-created-in-operation-of-theatres>; István Pion, Dániel Juhász, and Gyula Balogh, "A kultúra nemzeti alap: több ezren tiltakoztak a törvénymódosítás ellen a Madách téren (fotók)" [Culture is a national fund: thousands protested against the law amendment on Madách Square (photos)], *Népszava*, December 9, 2019, [https://nepszava.hu/3059891\\_a-kultura-nemzeti-alap-tobb-ezren-tiltakoztak-a-torvenymodositas-ellen-a-madach-teren-fotok](https://nepszava.hu/3059891_a-kultura-nemzeti-alap-tobb-ezren-tiltakoztak-a-torvenymodositas-ellen-a-madach-teren-fotok).

164 Enikő Darabos, "Gombamódra szaporodnak az ingatlanok, cégek és folyóiratok Demeter Szilárd körül" [Property, companies and magazines spring up like mushrooms around Szilárd Demeter], *Átlátszó*, November 2, 2021, <https://atlatsoz.hu/kozpenz/2021/11/02/gombamodra-szaporodnak-az-ingatlanok-cegek-es-folyoiratok-demeter-szilard-korul/>.

National Talent Support Nonprofit Ltd., and the Hungarian National Culture Center, supervised by Orbán's close fellow politician (Németh).<sup>165</sup>

These examples demonstrate the political capture of state control, the uncontrolled centralized public discretions of the prime minister (fig. 1.2), and the expanding centralized individual responsibilities in selected public and private fields of the cabinet minister (fig. 1.3). I have provided examples of the fast-growing number of administrative positions under the cabinet and superministries. Parallel to these, I have pointed to the accumulating responsibilities and respective umbrella organizations in public and private fields. All these phenomena simultaneously show the wide range and deep institutionalized central diffusion of political capture into both private and public subspheres. Simultaneously they reflect the deeply diffusing closed channels of political capture through which resources are centrally extracted and redistributed in Hungary today. At the same time, they reflect the closed channels of institutionalized corruption where the central extraction and distribution of resources flow uncontrolled. Next, I will demonstrate the central expansion and diffusion of political capture, institutionalized through figure 1.1, figure 1.2, and figure 1.3, into national, local, and grassroots autonomies.

## **Diffusion of Political Capture into Autonomous National, Local, and Grassroots Institutions**

### ***Centralization of Local Government Functions, Responsibilities, and Resources***

We have laid the foundations of the local government system. The constitutional foundations of the local government system are solid, and I see no reason for us to interfere with them. In relation to small settlements, the scare story is being spread that somebody wants to do away with local governments. This is not true. Even in settlements with fewer than two thousand inhabitants we will not be abolishing anything. Hungary will remain a country in which every settlement can have a mayor and can have a local government: even settlements with no more than four inhabitants. And so, no matter what letters the mayors of small settlements may have received recently from Jobbik or the MSZP about a supposed threat of local government downsizing or downgrading looming on the horizon, this danger has simply no basis in reality.<sup>166</sup>

Prime Minister Viktor Orbán, February 11, 2018

165 Péter Hamvai, "Állami ellenőrzés alá vonnák a könyvkiadást is" [Publishing would also be brought under state control], *HVG*, December 6, 2019, [https://hvg.hu/itthon/20191206\\_A\\_konyvkiadast\\_is\\_allami\\_ellenorzes\\_ala\\_vonnak](https://hvg.hu/itthon/20191206_A_konyvkiadast_is_allami_ellenorzes_ala_vonnak).

166 <https://2010-2014.kormany.hu/download/a/1c/11000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf>.

By the time of Orbán's promises in 2018, the centralized responsibility fields of government-created umbrella organizations already partially overlapped with those once in local governments' discretion. Thus, umbrella organizations reversed one of the most important democratic political accomplishments in 1990: the decentralization of centralized state decision-making on public administration and services in 1990 (Kovács et al. 2017). The adoption of the act on local governments in 1990 at the start had as many strengths as weaknesses. Political, economic, and public power was decentralized. Local governments were given prerogatives for primary teaching, water supply and wastewater services, road maintenance, local public transport, local development, environmental protection, land use, firefighting, and protection of minority rights, which are all competences that are vital to citizens' everyday lives. County-level bureaucracies could decide on the maintenance and development of and appointments in the supervised organizations of public social, cultural, healthcare, environmental, educational, infrastructure, local real estates, and public service infrastructure. They were also the organizers of elections at local levels (Kozma 2019).

However, decentralization brought about a high degree of fragmentation and respective inefficiency for smaller governments in fulfilling decentralized tasks. Corrections were postponed for decades (Kovács and Trencsényi 2019; Soós and Kálmán 2002, 97–100, table 2.41).

Local governments struggled with serious budgetary problems, as their discretions and extracting and allocating capacity did not align. Local governance was in principle half-hearted, as central distribution of budgetary and later EU sources were not decentralized.

Consequently, local authorities' debt between 2006 and 2009 doubled, and reached 3.9 percent of the gross domestic product (GDP). Moreover, the central extraction of local revenues constantly increased. Centralization of revenues was justified to decrease regional inequalities through redistribution. Even before the 2010 elections, impoverished local governments were gradually forced to privatize their land wealth. They diminished locally protected areas and designated formerly agricultural land into real estate. Moreover, they engaged in local developments through nonperforming loans. Thus, both developments and daily running costs became dependent on central allocation.

The enactment of the Fundamental Law in 2011 and the centralizing new cardinal Act on Local Government in the same year radically changed the status of local governments and expanded political capture. According to expert reports of a 2012 EU delegation, 65 percent of local governments were in difficult financial straits, and 15–20 percent were in a critical situation. The Act on Local Government drastically decreased local governments' responsibilities and transferred them to the central government. Accordingly, central redistribution of public sources to local governments was reoriented to centralized functions. Financing of public education and healthcare, which had made up 85 percent of local governments' costs according to the Audit Office's report, were centralized under an umbrella organization. Also the dual mandate—parliamentary and

local—of mayors allowed since 1994, was canceled by 2014, and local representatives reduced (Kovách et al. 2016).

During its governing periods, Fidesz bailed out local governments' debts through centralization and budgetary solutions. Meanwhile, Fidesz eliminated municipal governments' autonomy from the act of fundamental rights. Simultaneously, in the name of institutional reforms, the Fidesz government has gradually centralized most of the former local government functions into umbrella organizations subordinated to superministries. Kozma (2019) compiled the volume of originally locally spent budgetary sources that were radically centralized to centrally cover originally local government functions. According to him, the value of centralized functions financed by the state budget in 2013 was 6.4 billion HUF; in 2014, 11.6 billion HUF; and in 2015, 41.0 billion HUF (Kozma 2019, attachment 5/a). He also identified the centralized functions and the budgetary items with the name of the responsible government organization. In 2013, the social and child protection institutional system, specialized institutions of curative and preventive care, and management tasks and institutions of public education were transferred to the superministry of Human Resources. In addition, in 2014, the financing of the capital (Budapest), counties, and district offices was delegated to the Prime Minister's Office (fig. 1.2). In 2015, no new local frameworks of function were centralized; instead within those frameworks, a growing number of remaining local responsibilities were centralized. The centralization of functions and costs to umbrella institutions or to the cabinet resulted in decreased autonomy of those fields that became centrally financed and higher exposure of local governments to the center.

Aggregated data on the yearly share of local and central incomes, as the result of local, shared, and central taxes is not published, nor are the original local treasury reports that would allow them to be summed. With the transfer of investment costs and debts, local governments cannot influence local investments nor halt them. They are also unable to supervise the management of centralized local tasks. Orbán nicknamed this process the “rescue of local governments from debt-slavery.”<sup>167</sup>

Local dependence on centralized redistribution and centralized discretion over local responsibilities set the basis for the central diffusion of political capture in local governance. It also solidifies the long-term foundations for Fidesz to win local elections. Moreover, central distribution of EU structural funds and budgetary sources through expansive investment set the foundations for politically selective distribution along the diffused channels of political capture. As a result, differences among local governments increased rather than decreased, owing to centralization and selective redistribution of resources. Those privileged

167 “A kormány az önkormányzatok minden adósságát átvállalja” [Government to take over all local government debts], *Kormányportál*, December 2, 2013, <https://2010-2014.kormany.hu/hu/belugyminiszterium/hirek/a-kormany-az-onkormanyzatok-minden-adossag-at-vallalja>.

were the more developed regions of the country with less underdeveloped local economies (Balogh et al. 2019).

Closed central distribution channels, and the financial dependence on, and persistent Fidesz monopoly of, local political power dramatically increased corruption risks and the institutionalization of corruption. During the 2019 local elections, the electoral committee has confirmed that open blackmail with central distributional power in case the opposition leader won was legal.<sup>168</sup> In addition, the government selectively and officially tolerated legally forbidden campaign actions, such as exerting indirect political pressure on local government-lead public institutions' staff to join the Fidesz electorate list.<sup>169</sup> Repeatedly inaugurating handing over already functioning or unfinished local sites was another tactic deemed to be legal,<sup>170</sup> as was buying of votes of poor and/or old-aged electors by distributing government-provided money vouchers,<sup>171</sup> and potato campaigns at reduced prices before elections.<sup>172</sup> Fidesz representatives also visit

168 Zsolt Sarkadi, "A Választási Bizottság szerint nem gond, hogy Gulyás Gergely azt mondta, ha Karácsony lesz a főpolgármester, Budapest nem kap fejlesztési" [The Election Committee says it's OK that Gergely Gulyás said that if Karácsony becomes mayor, Budapest will not get any development support], *444*, September 19, 2019, <https://444.hu/2019/09/19/a-valasztasi-bizottsag-szerint-gulyas-gergely-nem-befolyasolta-a-kampanyt-amikor-azt-mondta-ha-karacsony-lesz-a-fopolgarmester-budapest-nem-kap-fejlesztési-penz>; Ábrahám Vass, "Election Office Rejects Karácsony's Complaint over PMO Head's Controversial Statement," *Hungary Today*, September 20, 2019, <https://hungarytoday.hu/election-office-rejects-karacsony-complaint-pmo-head-statement/>.

169 "Állásukat féltő óvónőkkel írárták alá a Fidesz Kubatov-listáját" [Kindergarten teachers who fear for their jobs sign Fidesz's Kubatov list], *HVG*, April 29, 2019, [https://hvg.hu/itthon/20190429-Ovonokkal\\_irattak\\_ala\\_a\\_Fidesz\\_Kubatovlistajat](https://hvg.hu/itthon/20190429-Ovonokkal_irattak_ala_a_Fidesz_Kubatovlistajat).

170 "Egy játszótér amit háromszor adtak már át" [A playground that has been inaugurated three times], *Lőrinci Magazin*, May 1, 2015, [https://lorincimagazin.blog.hu/2019/08/02/egy\\_jatszoter\\_amit\\_haromszor\\_adtak\\_mar\\_at](https://lorincimagazin.blog.hu/2019/08/02/egy_jatszoter_amit_haromszor_adtak_mar_at); Tamás Botos, "Hiába adták át háromszor, nem bírja a Lánchíd utca útburkolata" [In vain it has been three times inaugurated, the pavement of Lánchíd street can't take it], *444*, October 1, 2015, <https://kepek.444.hu/2015/10/01/hiaba-adtak-at-haromszor-nem-birja-a-lanchid-utca-utburkolata>; András Földes, "Szeptember végén készül el harmadszor a Várkert" [The Várkert will be completed for the third time in September], *Index*, September 3, 2014, [https://index.hu/belfold/2014/09/03/szeptember\\_vegen\\_adjak\\_at\\_harmadszor\\_a\\_varkertet/](https://index.hu/belfold/2014/09/03/szeptember_vegen_adjak_at_harmadszor_a_varkertet/).

171 Bence Bogatin, "Nem 6, nem 8, nem is 10, hanem akár 25 ezer forintot is kaphat egy terézvárosi nyugdíjas a választás előtt" [Not 6, not 8, not even 10, but up to 25 thousand forints a pensioner will get in Terézváros before the election], *Mérce*, October 3, 2019, <https://merce.hu/2019/10/03/nem-6-nem-8-nem-is-10-hanem-akar-25-ezer-forintot-is-kaphat-egy-terezvarosi-nyugdijas-a-valasztas-elott/>; "Indul a kampány, a nyugdíjasok rezsitalványt, a közfoglalkoztatottak nettó 54 ezer forint pluszpénzt kapnak az Orbán-kormánytól" [The campaign is on, pensioners will receive a pensioner's allowance and public employees will receive an extra 54 thousand forints net from the Orbán government], *168 Óra*, August 23, 2019, <https://168ora.hu/itthon/gulyas-gergely-nyugdijasok-utalvány-kormanyinfo-erzsebet-utalvány-onkormanyzati-valasztasok-2019-172991>.

172 Dániel Kiss, "Olcsobban osztja a fideszes önkormányzat a krumplit Budapest Belvárosában, mint Miskolcon" [The Fidesz mayors distribute potatoes cheaper in Budapest than in Miskolc], *Azonnali*, October 4, 2019, [https://azonnali.hu/cikk/20191004\\_olcsobban-osztja-a-fidesz-a](https://azonnali.hu/cikk/20191004_olcsobban-osztja-a-fidesz-a)

kindergartens and local elementary schools, where they encourage children to collectively assist the local campaign without their parents' consent.<sup>173</sup> Ordering local Fidesz government staff to distribute campaign leaflets or posters,<sup>174</sup> and visiting homes to collect personal data and supporting signatures to campaigns are also practiced.<sup>175</sup> Campaign organizers instruct local Fidesz activists to tear down opposition posters and replace them during the cover of night.<sup>176</sup>

In conclusion, since 2011 new laws have legalized the centralization of local government tasks and the diversion of resources from local autonomies. The central bailout of local governments from nonperforming loans partially solved local governments' indebtedness. At the same time, this move increased their dependence on, and exposure to, centralized investment decisions by umbrella organizations, supervised by ministries or directly by the cabinet. Exposure to the center further increased with the abolishment of local interest representation in the parliament. Exposure enhanced the political capture of local governments and accelerated the centralized diffusion of political capture to local governments' functions, activities, and resources. This process radically constrained local governments' autonomy, and at the same time it set the basis for Fidesz dominance in local-level elections for the sake of central distributions.

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-krumplit-budapest-belvarosaban-mint-miskolcon; [https://azonnali.hu/cikk/20191014\\_magyarorszagon-megbukott-a-krumplikracia](https://azonnali.hu/cikk/20191014_magyarorszagon-megbukott-a-krumplikracia).

- 173 Zoltán Haszán, "Hiába a figyelmeztetés, a fideszes politikusok képtelenek megállni, hogy gyerekeket használjanak a népszerűsítésükre" [Warning in vain, Fidesz politicians can't stop using children to promote their cause], 444, April 19, 2019, <https://444.hu/2019/04/19/hiaba-a-figyelmeztetes-a-fideszes-politikusok-keptelenek-megallni-hogy-gyerekeket-hasznaljanak-a-nepszerusitesukre>.
- 174 Nóra Diószeghi-Horváth, "Önkormányzati sofőrrel letépkedett plakátok és szarral összekent kampányközpont: Budán is zajlik a kampány" [Posters ripped up by a municipality driver and a campaign headquarters covered in shit: the campaign is on in Buda], *Mérce*, September 30, 2019, <https://merce.hu/2019/09/30/onkormanyzati-soforrel-letepkedett-plakatok-es-szarral-osszekent-kampanykozpont-budan-is-zajlik-a-kampany/>.
- 175 "Önkormányzati intézményben gyűjtik a 'Stop Gyurcsány!' aláírásokat" ['Stop Gyurcsány!' signatures collected in a municipal institution], *HVG*, November 30, 2021, [https://hvg.hu/itthon/20211030\\_Onkormanyzati\\_intezmenyben\\_gyujtik\\_a\\_Stop\\_Gyurcsany\\_alairasokat](https://hvg.hu/itthon/20211030_Onkormanyzati_intezmenyben_gyujtik_a_Stop_Gyurcsany_alairasokat); Ágnes Sudár, "Az MSZP egy rejtett kamerás felvételre hivatkozva azt állítja, a Fidesz hirdetésben keres embereket, hogy tabletes adatbázissal csöngessék végig a házakat Stop Gyurcsány petíciót aláírni" [The MSZP, citing a hidden camera recording, claims Fidesz is looking for people to ring houses with a tabular database to sign Stop Gyurcsány petitions], *Telex*, October 21, 2021, [Telex, October 30, 2021, <https://telex.hu/belfold/2021/10/30/hadhazy-akos-stop-gyurcsany-alairasgyujtes-mihalyi-onkormanyzat>.](https://telex.hu/belfold/2021/10/21/mszp-s-aktivista-jelentkezett-stop-gyurcsanyt-penzert-gyujteni-le-is-videoztak; Ágnes Bozsó, )
- 176 "A II. kerületben önkormányzati autóval és sofőrrel szedik le az ellenzéki plakátokat, az önkormányzat cáfol" [In the II. district of Budapest, opposition posters are ripped down with the municipality's car and driver, the municipality denies], 168, September 30, 2019, <https://168ora.hu/itthon/kampany-ellenzek-ii-kerulet-plakatok-onkormanyzati-valasztas-2019-174905>.

### ***The Methods of Diffusion of Political Capture to the Grassroots Level: Instrumentalizing Christianity and Hungarian Ethnicity***

We did what was a faint hope eight years ago: we Hungarians are thinking today in a unified, cross-border nation, planning a common future in the spirit of a nationwide paradigm. There is a huge work behind us, but we still have a lot to do. I trust that by reviewing the journey we have taken, strengthened and united, we will continue to work together for the service of our Hungarian nation!<sup>177</sup>

The largest national-level “umbrella organization” through which political capture may be revealed is evident in the double function of Fidesz’s coalition with the Christian Democratic Peoples’ Party (CDPP). One function was to expand its constituency and win elections. The other was stabilizing power through the centralized diffusion of political capture, politicizing (instrumentalizing) Christianity.<sup>178</sup> This strategy has included appointing the head of the CDPP to a deputy prime ministership, directly under Orbán’s personal control. Political capture’s diffusion also includes the declaration of Christian hegemony in the Hungarian society by the Fundamental Law,<sup>179</sup> although the Fundamental Law prohibits discrimination and declares state neutrality in religious issues (Schanda 2019). In practical terms, however, the politically selective recognition and financial support of religious communities takes place and privileges the Catholic Church.<sup>180</sup> Simultaneously, positive discrimination allows for the diffusion of political capture in religious communities and organizations. Such politically selective support includes the funding of Catholic Church renovations in the guise of government development programs.<sup>181</sup> Within those programs, Orbán’s religious community, the Reformists, are exceptionally supported. Between 2017 and 2020, the Reformist community received extra support from

177 Introductory home page of Bethlen Gábor foundation, the government organization for helping Hungarians abroad, November 15, 2021 (translation by Maria Csanádi), <https://bgazrt.hu/magunkrol/szervezet/>.

178 Geraldine Fagan, “Political Christianity in Orbán’s Hungary,” *Budapest Beacon*, April 3, 2018, <https://budapestbeacon.com/political-christianity-in-orbans-hungary/>, original report requiring subscription in <https://www.eastwestreport.org/subscribe>.

179 “The Fundamental Law of Hungary,” p. 2.

180 US Department of State, “2018 Report on International Religious Freedom: Hungary,” <https://www.state.gov/reports/2018-report-on-international-religious-freedom/hungary/>; “A NAV közel 250 milliót inkasszált Iványi Gáborék számlájáról” [The Tax Office (NAV) has deducted close to 250 million HUF from the Gábor Iványi’s social institution’s account], *HVG*, February 22, 2021, [https://hvg.hu/gazdasag/20210222\\_nav\\_terheles\\_ivanyi\\_gabor\\_jarulek](https://hvg.hu/gazdasag/20210222_nav_terheles_ivanyi_gabor_jarulek).

181 “Minden új templom bástya a nemzet szabadságáért és nagyságáért folyó küzdelemben” [Every new church is a bastion in the struggle for national freedom and greatness], Magyarország Kormány, September 26, 2021, <https://kormany.hu/hirek/minden-uj-templom-bastya-a-nemzet-szabadsagaert-es-nagysagaert-folyo-kuzdelemben>; US Department of State, “2019 Report on International Religious Freedom: Hungary,” <https://www.state.gov/reports/2019-report-on-international-religious-freedom/hungary/>.



the government based on 100 decisions, besides the regular support to recognized churches. With the 29 billion HUF received between 2018 and 2020, Reformists have outstripped the per capita amount of the Catholics.<sup>182</sup> Between 2010 and 2016, half of the public schools were transferred to the ownership of the Catholic Church.<sup>183</sup> Transfers were for free and accelerated during Fidesz's third consecutive term. By 2019, the number of church-run schools doubled since 2010.<sup>184</sup> Once transferred, new owners receive four times higher per student capita support than public schools.<sup>185</sup> In addition, the Catholic Church gained state-sanctioned access to children through the introduction of compulsory elective faith-based or moral teaching in public schools, as a church function without state supervision.<sup>186</sup> We can also add an enormously increased role of the church in child protection care, from 7 to 60 percent.<sup>187</sup> The preferred political status of the Catholic Church over other religions was personally reinforced by Orbán in 2021, when a chapel was inaugurated in the building of the prime ministry and consecrated by Hungary's bishop Péter Erdő.<sup>188</sup>

Orbán and his government also began to look beyond Hungary in making links between the state and Christian churches and individuals worldwide. For example, the Hungarian government provided Hungarian taxpayers' money to fund the reconstruction of Russian Orthodox Churches.<sup>189</sup> Orbán supervised and participated in two conferences organized by the government on the persecution of Christianity in the world.<sup>190</sup> The government also provides

182 "Aranyeső Orbán felekezetére: tovább ömlik az állami pénz a reformátusoknak" [Orbán's denomination in a shower of gold: state money continues to flow to the Reformed Church], *HVG*, January 9, 2020, [https://hvg.hu/360/202002\\_\\_tamogatas\\_areformatusoknak\\_\\_makovecztemplom\\_\\_karoli\\_\\_maga\\_fele\\_hajlik](https://hvg.hu/360/202002__tamogatas_areformatusoknak__makovecztemplom__karoli__maga_fele_hajlik).

183 "The Hungarian Catholic Church and Education," *Hungarian Spectrum*, April 1, 2016, <https://hungarianspectrum.org/2016/04/01/the-hungarian-catholic-church-and-education/>.

184 "Deputy PM Semjén: Number of Church-Run Schools Has Doubled since 2010," *Hungary Today*, December 3, 2019, <https://hungarytoday.hu/deputy-pm-semjen-number-of-church-run-schools-has-doubled-since-2010/>.

185 "Report: Church Schools Receive Three Times More Funding than State Schools," *Budapest Beacon*, June 9, 2017, <https://budapestbeacon.com/report-church-schools-receive-three-times-funding-state-schools/>.

186 "Introducing Religion as Part of the Curriculum in Hungarian Public Schools," *Hungarian Spectrum*, April 2, 2013, <https://hungarianspectrum.org/2013/04/02/introducing-religion-as-part-of-the-curriculum-in-hungarian-public-schools/>.

187 "Churches Will Have 60 Percent of Specialist Child Protection Care by the End of the Year," *Tek Deeps*, July 22, 2020, <https://tekdeeps.com/churches-will-have-60-percent-of-specialist-child-protection-care-by-the-end-of-the-year/>.

188 "Aranyeső Orbán felekezetére" [Gold shower on Orbán's religious community], January 1, 2020, [hvg.hu/360/202002\\_\\_tamogatas\\_areformatusoknak\\_\\_makovecztemplom\\_\\_karoli\\_\\_maga\\_fele\\_hajlik](https://hvg.hu/360/202002__tamogatas_areformatusoknak__makovecztemplom__karoli__maga_fele_hajlik).

189 "Hungarian Government Gives a Grant for Restoration and Construction of Orthodox Churches" [in Moscow], *The Russian Orthodox Church*, February 1, 2017, <https://mospat.ru/en/news/the-far-abroad/48733/>.

190 "Conference on Christian Persecution," Reformed Church of Hungary, December 11, 2019, <http://regi.reformatus.hu/mutat/16901/>.



funds for young Christians from developing countries to study in Hungary.<sup>191</sup> The Hungarian government symbolically recognized Central Europe's Coptic Christians centered in Hungary,<sup>192</sup> and brought persecuted Christian families from different countries to Hungary and helped their settlement.<sup>193</sup> Hungary also supported ravaged Christian communities abroad in the framework of the "Hungary Helps" government program.<sup>194</sup> At the same time, the government discriminates among religious communities domestically. Despite an international court's ruling, it does not recognize one of the domestic Methodist communities, whose leader, Gábor Iványi, is critical of the Orbán government. The government denies financial support, otherwise legally provided to recognized religious communities, acknowledging but not transferring its billion forint commitment; instead it bankrupts their social and educational activities, and hinders taxpayers' support. In 2020, only public uproar and physical resistance of supporters against turning off the heating system, public emergency donations, and money transfer by the leadership of the Jewish community saved Iványi's institution from prompt closure.<sup>195</sup> However, the community that fulfills wide-ranging social functions for those cumulatively exposed, without due legal per capita government support, has accumulated large utility debts and is continuously on the verge of collapse. The government owed the community 12 billion HUF as legal support for religious communities, the church accumulated 3 billion HUF debts. In February 2022, tax authorities, along with police, entered the main building, seizing computers and other assets.<sup>196</sup> In March 2022,

191 227/2018 [XII. 5] korm. rendelet, MK 192, "Az üldözött keresztények megsegítésével kapcsolatos szakhatósági feladatok ellátása érdekében szükséges és az Ösztöndíjprogram Keresztény Fiataloknak elnevezésű ösztöndíjprogram megvalósításával kapcsolatos egyes kormányrendeletek módosításáról" [Amendment of certain government decrees necessary for the performance of the tasks of the specialized authorities for the assistance of persecuted Christians and for the implementation of the Scholarship Programme for Christian Youth], Magyar Közlöny, December 5, 2018, <http://www.kozlonyok.hu/nkonline/index.php?menuindex=200&pageindex=kozltart&ev=2018&szam=192>.

192 "Ambassador Met the Head of the Coptic Orthodox Church," <https://london.mfa.gov.hu/en/news/a-londoni-kopt-egyhazi-fejevel-talalkozott-a-nagykoevet>; <https://www.csce.gov/international-impact/minority-faiths-under-hungarian-religion-law>.

193 227/2018 [XII. 5] korm. rendelet, MK 192.

194 Gabi Gál, "Wonderbisquit for People Suffering from Hunger," *Hungary Helps*, April 30, 2021, <http://hungaryhelps.gov.hu/scyp/>.

195 Bence Horváth, "Sátrat emelve, éjjel-nappali őrsgelgel akadályozná meg, hogy kikapcsolják a gázt az Iványi Gábor vezette MET intézményközpontjában" [Individual supporters erected a tent and kept a round-the-clock guard to prevent the gas from being turned off at the MET headquarters led by Gábor Iványi], *444*, September 19, 2020, <https://444.hu/2020/09/19/satrat-emelve-ejjel-nappali-orseggel-akadalyoznak-meg-hogy-kikapcsoljak-a-gaszt-az-ivanyi-gabor-vezette-met-intezmenykozpontjaban>.

196 "Tax Authority Raids Offices of Oltalom Evangelical Charity," *Hungary Today*, February 2, 2022, <https://hungarytoday.hu/hungarian-evangelical-fellowship-gabor-ivanyi-tax-authority-investigation-taxes-churches-hungary/>.

tax authorities seized 10 million HUF from the community as punishment for not paying taxes due.<sup>197</sup>

Centrally diffusing channels of political capture into the Catholic Church's functions, activities, and resources creates their expected adaptive responses. In exchange for all of these state-provided perks and selective recognition, Fidesz expected supportive political campaign functions from the church to increase constituency. The Fidesz government openly requires priests to convince their religious communities to vote for the governing coalition. László Kövér, the speaker of the National Assembly since 2010 to date, declared that it is the "priests' patriotic duty" to motivate the religious community during its campaigns to vote for Fidesz.<sup>198</sup>

Nonetheless, economic interests may occasionally override political tools regarding Christian constituency. For example, Hungary has joined Iran and Israel in supporting the Muslim Azeri government over the Christian Karabakh and Armenia. The Hungarian government declared its intention to participate in the reconstruction of the war-ravaged territory seized by the Azeris from Armenia, supported by Putin.<sup>199</sup> In exchange, Hungary's foreign trade minister, Péter Szijjártó, announced that Hungary would receive gas.<sup>200</sup> Orbán recently discovered the Hungarians' "Kipchak" blood (so was the empire of Turkish Batu-Khan called)<sup>201</sup> when visiting a session of the *Cooperation Council of Turkic-Speaking States*, whose members are Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkey, with Hungary holding the status of observer.<sup>202</sup> Orbán made a personal decision<sup>203</sup> at the request of the Azeri government

197 "Iványi Gábor: A múlt havi razzia után a NAV lefoglalta 10 millió forintunkat" [Gábor Iványi: After last month's raid, NAV seized 10 million forints], *HVG*, March 24, 2022, [https://hvg.hu/itthon/20220324\\_Ivanyi\\_sajtotajkoztato\\_NAV\\_egyhazi](https://hvg.hu/itthon/20220324_Ivanyi_sajtotajkoztato_NAV_egyhazi).

198 Franko Provolone, "Így lett az egyház a Fidesz egyik legnagyobb szekerítője" [How the church became one of Fidesz's biggest proponents], April 20, 2016, [https://tenytar.blog.hu/2016/04/20/igy lett\\_az\\_egyhazi\\_a\\_fidesz\\_egyik\\_legnagyobb\\_szekertoloja\\_809](https://tenytar.blog.hu/2016/04/20/igy lett_az_egyhazi_a_fidesz_egyik_legnagyobb_szekertoloja_809).

199 "FM Szijjártó: Hungary to Assist in Rebuilding War-Torn Nagorno-Karabakh," *Hungary Today*, January 15, 2021, <https://hungarytoday.hu/szijasarto-hungary-rebuild-nagorno-karabakh-azerbaijan-war-conflict/>.

200 "Szijjártó: Magyarország segíti az azeri újjáépítést" [Hungary helps to rebuild Azerbaijan], January 14, 2021, <https://kormany.hu/hirek/szijasarto-magyarorszag-segiti-az-azeri-ujjaepitest>; "Hungary to Complete Pipeline for Azeri Gas by October," *Daily News Hungary*, February 11, 2021, <https://dailynewshungary.com/hungary-to-complete-pipeline-for-azeri-gas-by-october/>; "MOL Signs Deal to Purchase 9.57 pc Stake in Azeri Oil Field," *Daily News Hungary*, November 4, 2019, <https://dailynewshungary.com/mol-signs-deal-to-purchase-9-57-pc-stake-in-azeri-oil-field/>.

201 On the origin of the term "kipchak," see James Cowles Prichard, *Researches into the Physical History of Mankind*, vol. IV [London, 1844], 342.

202 "Orbán már el is repült Azerbajdzsánba" [Orbán has already flown to Azerbaijan], *Magyar Narancs*, October 14, 2019, <https://magyarnarancs.hu/belpol/orban-elrepuul-azerbajdzsanza-123772>.

203 "Orbán Viktor számolt a botrányral" [Viktor Orbán reckons with scandal], *Origo*, September 11, 2012, <https://www.origo.hu/itthon/20120911-orban-viktor-szamolt-a-botrannyal.html>.

in 2012<sup>204</sup> about the extradition of an Azeri murderer tried and imprisoned for life in Hungary for butchering an Armenian fellow soldier. The Azeri president received the killer as a hero, who was immediately released and promoted.<sup>205</sup> The European Court relieved Orbán's decision from a purposed political charge act.<sup>206</sup> Suspicious offshore Azeri money movement to Hungary followed the extradition.<sup>207</sup> Neither the bank surveillance, headed by György Matolcsy, the head of the National Bank, nor Peter Polt, the attorney general, conducted any investigation in that matter. The Azeri ambassador, Mr. Guliyev, who was the mediator in the extradition, in 2021, before leaving his position, was awarded by Hungary's president at the request of Orbán with the Middle Cross of the Hungarian Order of Merit for promoting economic and cultural ties between the two countries.<sup>208</sup>

Diffusion of political capture also targets *minority Hungarians* residing in neighboring countries, in detached regions historically Hungarian. The Hungarian government has provided financial aid for Hungarian minorities living in neighboring countries.<sup>209</sup> These are public sources offered and invested as a personal gift by Orbán, in the name of the Hungarian government, underlining his care. Personally provided public sources originate either from state foundations directly supervised by the prime ministry's office, or through state-owned enterprises, ministries, or other foundations. Sources are allocated based on

204 "Az azeri kormány nagyra értékeli a magyar közreműködést" [The Azeri government greatly appreciates Hungary's mediation], *Mandiner*, September 1, 2012, [https://mandiner.hu/cikk/20120901\\_az\\_azeri\\_kormany\\_nagyra\\_ertekeli\\_a\\_magyar\\_kozremukodest](https://mandiner.hu/cikk/20120901_az_azeri_kormany_nagyra_ertekeli_a_magyar_kozremukodest).

205 "Az azeri elnök nagyobb hős, mint a baltás gyilkos" [The Azeri president is bigger hero than the axed murderer], *Index*, September 1, 2012, [https://index.hu/kulfold/2012/09/01/az\\_azeri\\_elnok\\_nagyobb\\_hos\\_mint\\_a\\_baltas\\_gyilkos/](https://index.hu/kulfold/2012/09/01/az_azeri_elnok_nagyobb_hos_mint_a_baltas_gyilkos/).

206 The European Court of Human Rights, after a long-lasting procedure at the request of the relatives of the Armenian soldier, in 2020 relieved the government from charges of law offense as it could not prove purposeful, in other words that Orbán knew that the prisoner would be released by the Azeri president. "European Court Says Azerbaijan Wrong to Release Man Who Killed Armenian," RFE/RE, May 26, 2020, <https://www.rferl.org/a/european-court-says-azerbaijan-wrong-to-release-man-who-killed-armenian/30635414.html>.

207 "Azeri guruló dollárok Budapesten a baltás gyilkos kiadása idején" [Azeri dollars rolling in Budapest during the release of the axed murderer], *Átlátszó*, September 5, 2017, <https://atlatzo.hu/2017/09/05/azeri-gurulo-dollarok-budapest-en-a-baltas-gyilkos-kiadasa-idejen/>.

208 "A köztársasági elnök 410/2021. [VIII. 9.] KE határozata kitüntetés adományozásáról" [Decision of the President of the Republic 410/2021. [VIII. 9.] on the awarding of a medal], TMK 21.151, August 9, 2021, <http://www.kozlonyok.hu/nkonline/index.php?menuindex=200&pageindex=kozltart&ev=2021&szam=151>.

209 "Óvatosabban szórja a pénzt határon túlra az Orbán-kormány" [The Orbán government is more cautious in the way it disburses money across the border], *Index*, September 26, 2020, [https://index.hu/belfold/2020/09/26/ovatosabban\\_onti\\_a\\_penzt\\_hataron\\_tulra\\_a\\_kormany/](https://index.hu/belfold/2020/09/26/ovatosabban_onti_a_penzt_hataron_tulra_a_kormany/); "Ezekkel a programokkal támogatja a kormány határon túli magyar közösségeket" [The government supports Hungarian communities beyond the borders with these programs], *infostart.hu*, January 13, 2020, <https://infostart.hu/belfold/2020/01/13/ezekkel-a-programokkal-tamogatja-a-kormany-hataron-tuli-magyar-kozossegeket>.

domestic public tenders, networking, and individual decisions.<sup>210</sup> Also, different investment support programs were announced<sup>211</sup> for Hungarian enterprises to invest in neighboring countries where Hungarian minorities live. Here too, Fidesz-close business circles emerge to cash in, as in the case of other development projects. For example, large sports investments<sup>212</sup> are in close connection with Orbán's circle. By 2021, Lőrinc Mészáros, Orbán's closest business friend, and his circle own 20 football teams in Hungary and in neighboring countries.<sup>213</sup> The football network is complemented by church renovations and donations.<sup>214</sup> This is reinforced by political support for political parties representing minority Hungarians, including advocating for minorities in the EU.<sup>215</sup>

The Hungarian government has also politically reached out to individual ethnic Hungarian minorities, enabling them to go through a strongly facilitated

- 210 Zoltán Sipos, "Foci, templom, iskola: 84 milliárd forint állami támogatás ment tavalay a határon túlra" [Football, churches, schools: 84 billion forints in state aid went across the border last year], *Átlátszó*, February 8, 2019, <https://atlatso.hu/2019/02/08/foci-templom-iskola-84-milliard-forint-allami-tamogat-as-ment-tavalay-a-hataron-tulra/>.
- 211 "25 milliárd forintos pályázat indul Magyar vállalatoknak határon túli beruházások támogatására" [25 billion HUF tender for Hungarian companies to support cross-border investments], [csikszereda.mfa.gov.hu](https://csikszereda.mfa.gov.hu), n.d., [https://csikszereda.mfa.gov.hu/news/25-milliard-forintos-palyaz-at-indul-magyar-vallalatoknak-hataron-tuli-beruhazasok-tamogat-asara](https://csikszereda.mfa.gov.hu/news/25-milliard-forintos-palyaz-at-indul-magyar-vallalatoknak-hataron-tuli-beruhazasok-tamogat-asara;); "Anyországi támogatás: 50 milliárd forint értékű gazdaságfejlesztési program indul Vajdaságban" [Support from Motherland: HUF 50 billion economic development program to be launched in Vojvodina], [vajma.info](http://vajma.info), November 18, 2015, <https://www.vajma.info/cikk/vajdasag/19370/Anyorszag-i-tamogat-as-50-milliard-forint-erteku-gazdasagfejleszt-esi-program-indul-Vajdasagban.html>; "Bejelentették: tovább növeli 100 milliárdos vajdasági fejlesztési programját a magyar kormány" [The Hungarian government announced to further increase its 100 billion euro development program in Vojvodina], *Portfolio*, November 22, 2019, <https://www.portfolio.hu/gazdasag/20191122/bejelentettek-tovabb-noveli-100-milliardos-vajdasagi-fejleszt-esi-programjat-a-magyar-kormany-407963>; "Újabb 155 milliárd forintot kaphatnak beruházásokra a vállalkozások" [Another 150 billion HUF to businesses for investment support], *trans.INFO*, November 6, 2020, <https://trans.info/hu/ujabb-155-milliard-forintot-kaphatnak-beruhazasokra-a-vallalkozasok-207714>.
- 212 Bence Jávör, "Két év alatt 20 milliárd forint ment el határon túli futballra" [20 billion forints spent on cross-border football in two years], *Index*, September 20, 2018, [https://index.hu/sport/futball/2018/01/09/20\\_milliard\\_felett\\_hataron\\_tuli\\_labdarugas\\_magyar\\_allami\\_tamogat-as/](https://index.hu/sport/futball/2018/01/09/20_milliard_felett_hataron_tuli_labdarugas_magyar_allami_tamogat-as/).
- 213 "Szombathelytől Csíkszeredáig: közel 20 focicsapat van már Mészáros Lőrinc köreiben" [From Szombathely to Csíkszereda: nearly 20 football teams have already been acquired by Lőrinc Mészáros], *HVG*, January 23, 2021, [https://hvg.hu/gazdasag/20210123\\_meszaros\\_futballhalozat\\_foci](https://hvg.hu/gazdasag/20210123_meszaros_futballhalozat_foci).
- 214 "Felújítják a csíkszentmihályi templomot, az Orbán-kormány pedig készségesen támogatja 80 millióval a 100 millió munkát" [The church in Csíkszentmihály is to be renovated, and the Orbán government is willingly supporting the 100 million HUF project with \$80 million], *168.hu*, May 4, 2020, <https://168.hu/kulfold/csikszentmihaly-templom-felujitas-magyar-kormany-tamogat-as-hataron-tuli-magyarsag-romania-erdely-szekelyfold-184967>.
- 215 Péter Tamás Cseke, "Illyés Gergely: a határon túli szavazatok ezúttal nem hoztak mandátumot a Fidesznek" [Gergely Illyés: votes from abroad did not bring Fidesz a mandate this time], *MASZOL*, April 14, 2018, <https://www.maszol.ro/index.php/hatter/95057-illyes-gergely-a-hataron-tuli-szavazatok-ezuttal-nem-hoztak-mandat-umot-a-fidesznek>.

naturalization procedure in Hungary. This positive discrimination has direct political purposes. Since 2013, acquiring dual citizenship provides them with eligibility to register and vote via postal ballot in Hungarian national elections.<sup>216</sup> Expectations have been justified. In 2014, Fidesz-KNDP won 95.6 percent of the registered minority voters with no registered Hungarian residence (128,429 votes).<sup>217</sup> In 2018, 402,305 Hungarians acquired dual citizenship. Of the over 266,000 dual citizens who registered to vote, 216,561 returned valid postal ballots, and 96.24 percent of them voted for the Fidesz-KNDP coalition.<sup>218</sup> In 2019, for the first time, Hungarian minorities were allowed to vote as dual citizens in the European Parliamentary elections. From those registered to vote in letters in 2019 (115,325), 57,608 returned valid votes, of which 95.97 percent had been won by the Fidesz-KNDP.<sup>219</sup> That was enough for one extra seat in the European People's Party. Similar results have been confirmed in the 2022 national elections in April, where Fidesz won over two-thirds of parliamentary seats for the fourth time: 94 percent of the valid letter votes was won by Fidesz.<sup>220</sup>

Direct political purposes of positive discrimination are reinforced by the fact that Fidesz negatively discriminates the opposition's potential constituency in voting abroad. Those Hungarian citizens who leave Hungary due to political or economic reasons, or who are working or studying abroad but maintain their permanent residence in Hungary are constrained in their ability to vote.<sup>221</sup> Their official registration has to be renewed yearly, compared to those with dual

216 Hungarian Consulate in Vienna, "Magyarországon bejelentett lakhellyel nem rendelkezőkre vonatkozó szabályok" [Rules for people officially non-resident in Hungary], valid in 2022, <https://becs.mfa.gov.hu/page/magyarorszagon-bejelentett-lakohellyel-nem-rendelkezőkre-vonatkozó-szabályok>.

217 "Országgyűlési képviselők választása: a levélben leadott listás szavazatok megszámlálása" [Election of members of Parliament: counting of votes cast by postal vote], [valasztas.hu](https://static.valasztas.hu/dyn/pv14/szavossz/hu/levjvkv.html), August 28, 2014, <https://static.valasztas.hu/dyn/pv14/szavossz/hu/levjvkv.html>; Ákos Albert, "A vajdasági magyarok szinte mind a Fideszre szavaztak" [Almost all Hungarians in Vojvodina voted for Fidesz], 444, May 27, 2019, <https://444.hu/2019/05/27/a-vajdasagi-magyarok-szinte-mind-a-fideszre-szavaztak>.

218 "Országgyűlési képviselők választása 2018—országos listás szavazás eredménye" [Election of Members of Parliament in 2018—national list voting results], [https://www.valasztas.hu/orszagos-listak-eredmenye?p\\_p\\_id=ogykiemelteredmenyek\\_WAR\\_nvinvrportlet&p\\_p\\_lifecycle=0&p\\_p\\_state=normal&p\\_p\\_mode=view&p\\_p\\_col\\_id=column-1&p\\_p\\_col\\_pos=1&p\\_p\\_col\\_count=3](https://www.valasztas.hu/orszagos-listak-eredmenye?p_p_id=ogykiemelteredmenyek_WAR_nvinvrportlet&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_pos=1&p_p_col_count=3).

219 "Európai parlamenti képviselők választása 2019—levélszavazás eredménye" [Election of MEPs 2019—result of postal votes], July 21, 2019, [https://www.valasztas.hu/levelszavazas-eredmenye\\_ep2019](https://www.valasztas.hu/levelszavazas-eredmenye_ep2019).

220 "Kiderült, hany levélszavazatot kaptak a pártok" [The number of postal votes parties received was published], *Portfolio*, April 9, 2022, <https://www.portfolio.hu/gazdasag/20220409/kiderult-hany-levélszavazatot-kaptak-a-partok-538609>

221 "Magyarországon bejelentett lakóhellyel rendelkezőkre vonatkozó szabályok" [Rules for official residents registered in Hungary], valid in 2022, <https://losangeles.mfa.gov.hu/page/magyarorszagon-bejelentett-lakohellyel-rendelkezőkre-vonatkozó-szabályok>; Elliot Goat and Zsófia Banuta, "Fresh Evidence of Hungary Vote-Rigging Raises Concerns of Fraud in European Election," *OpenDemocracy*, May 17, 2019, <https://www.opendemocracy.net/en/breaking-fresh-evidence-hungary-vote-rigging-raises-concerns-fraud-european-elections/>.

citizenship who, once registered, remain so for ten years. In addition, rather than postal voting, Hungarian citizens residing abroad to study or work have to deliver their votes personally to the Hungarian embassy in their country of residence. Distance from their actual residence does not matter. The number of people in this category is hard to define but appears to range from the officially declared 300,000 to an estimated 600,000 (Hárs and Simon 2015). In 2018 national elections only 45,398 persons voted. As opposed to the letter votes, in this case, the statistics are not disaggregated officially according to partisan votes.<sup>222</sup>

Orbán's economic and political ambitions openly override the defense of national interests, or being a homeland for Hungarian minority and a protector of persecuted Christians of the world who suffer human rights abuses. Orbán has been paying lip-service to politically and economically resourceful authoritarian leaders all over the world, visiting or inviting them, or being the first to congratulate them for their victory. According to a document summarizing the frequency of Orbán's quarterly meetings with the leadership of different countries between 2010 and 2020. The highest frequency was with dictators and right-wingers (Bolsonaro, Duterte, Putin, Xi Jinping, Trump, Erdogan, Aliyev, Aung San Suu Kyi).<sup>223</sup> These actions generally run parallel or are followed by interstate economic agreements, without regard for leaders' direct or indirect personal role in mass killings,<sup>224</sup> or mass imprisonment, or the security risks to the EU and Hungary.<sup>225</sup> In exchange for potential favors, Hungary was the only

222 "Országgyűlési képviselők választása 2018—külképviseleti szavazás" [Election of Members of Parliament 2018—voting at foreign representations], May 3, 2018, <https://www.valasztas.hu/kulkepviseleti-reszveteli-adatok>.

223 Bátorfy, Galambosi, and Mikola, "A miniszterelnök találkozói" [The Prime Minister's meetings], *Átátszó* <https://atlo.team/a-miniszterelnok-talalkozasai/>.

224 Márk Herczeg, "Erdogannal tárgyalt Orbán Azerbajdzsánban" [Orbán in talks with Erdogan in Azerbaijan], *444*, October 14, 2019, <https://444.hu/2019/10/14/erdogannal-targyalt-orban-azerbajdzsaban>; Pál Dániel Rényi, "Szijjártó: A szíriai offenzíva magyar nemzeti érdek" [Szijjártó: The offensive in Syria is in Hungary's national interest], *444*, October 15, 2019, <https://444.hu/2019/10/15/szijjarto-a-sziriai-offenziva-magyar-nemzeti-erdek>; "Populism and corruption," Transparency.org, January 14, 2019, <https://knowledgehub.transparency.org/assets/uploads/helpdesk/populism-and-corruption-2019-final.pdf>; Alicia Prager, "Budapest-Belgrade railway: Orbán flirts with China," *Euractiv*, September 23, 2019, <https://www.euractiv.com/section/eu-china/interview/budapest-belgrade-railway-orban-flirts-with-china/>; "Trump-Orbán: migráció és fegyverüzlet" [Trump-Orbán: migration and arms business], YouTube, May 14, 2019, <https://www.youtube.com/watch?v=fAuVkbseRpQ>;

"További lehetőségek vannak a magyar-azeri gazdasági együttműködésben" [There is further potential in Hungarian-Azeri economic cooperation], [miniszterelnok.hu](http://miniszterelnok.hu), October 14, 2019, <https://miniszterelnok.hu/tovabbi-lehetosegek-vannak-a-magyar-azeri-gazdasagi-egyuttmukodesben/>.

225 Szilárd István Pap, "Orbán Sides with Erdoğan against the Thousands of Hungarians Protesting in Solidarity with Rojava," *Political Critique*, November 12, 2019, <http://politicalcritique.org/cee/hungary/2019/orban-sides-with-erdogan-against-the-thousands-of-hungarians-protesting-in-solidarity-with-rojava/>; "Életfogytiglanok és felmentések a 2016-os török puccskísérletér" [Life sentences and acquittals for the 2016 Turkish coup attempt], [kitekinto.hu](http://kitekinto.hu), June 26, 2019, <https://kitekinto.hu/2019/06/26/europai-ugyek/életfogytiglanok>

EU member country to vote against the EU's condemnation of Turkish aggression in Syria, declaring that their obstruction is in the interest of the Hungarian nation.<sup>226</sup> Hungary also vetoed the EU declaration condemning the Israeli government for its support for Israeli settlements on Palestinian territory and for killing Palestinian demonstrators.<sup>227</sup> Orbán was the only one who did not sign the statement criticizing China for introducing the new security law in Hong Kong in April 2021<sup>228</sup> and the one in October that condemned China for torturing Uyghurs.<sup>229</sup> And recently, Orbán is the only one, risking complete segregation within the EU, who did not take sides in the Russian military aggression and mass murder of civilians in Ukraine.<sup>230</sup>

### ***The Methods of Diffusion of Political Capture to the Grassroots Level: Instrumentalizing Umbrella Organizations in Centralization, Starving Out, Suffocation, and Replacement***

The list: the domestic servants of the Soros-network. There exists in Hungary a very loud activist and civil human rights network, whose media representation and ideological influence is much more expanded

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-es-felmentesek-a-2016-os-torok-puccskiserletert/172868/; Zsolt Sarkadi, "403 oldalnyi, az ujjur átnevelőtáborokat leleplező, titkos kínai dokumentum került a New York Timeshoz" [403-page secret Chinese document exposing Uyghur re-education camps leaked to the New York Times], 444, November 17, 2019, <https://444.hu/2019/11/17/403-oldalnyi-az-ujgur-atn-velotaborokat-leleplezo-titkos-kinai-dokumentum-kerult-a-new-york-timeshoz>.

- 226 Gergő Lovas, "Spiegel: Hungarian Veto Delays EU Warning to Turkey against Invading Syria," *Index*, October 9, 2019, [https://index.hu/english/2019/10/09/hungary\\_eu\\_council\\_declaration\\_veto\\_turkey\\_invasion\\_syria/](https://index.hu/english/2019/10/09/hungary_eu_council_declaration_veto_turkey_invasion_syria/).
- 227 "Magyarország az utolsó pillanatban megvétózta az Izraelt elítélő nyilatkozatot, de az EU nem törődött vele" [Hungary vetoes last-minute statement condemning Israel, but EU ignores it], *Index*, May 1, 2019, [https://index.hu/kulfold/2019/05/01/magyarorszag\\_az\\_utolso\\_pillanatan\\_megvetozta\\_az\\_izraelt\\_elitelo\\_nyilatkozatot\\_de\\_az\\_eu\\_nem\\_torodott\\_vele/](https://index.hu/kulfold/2019/05/01/magyarorszag_az_utolso_pillanatan_megvetozta_az_izraelt_elitelo_nyilatkozatot_de_az_eu_nem_torodott_vele/).
- 228 Hans von der Burchard and Jacoppo Barigazzi, "Germany Slams Hungary for Blocking EU Criticism of China on Hong Kong," *Politico*, May 10, 2021, <https://www.politico.eu/article/german-foreign-minister-slams-hungary-for-blocking-hong-kong-conclusions/>.
- 229 Szabolcs Pany, "Hungary Could Turn China's Trojan Horse in Europe," *Balkan Insight*, April 9, 2021, <https://balkaninsight.com/2021/04/09/hungary-could-turn-into-chinas-trojan-horse-in-europe/>.
- 230 "We Shouldn't Get Involved': Ukraine a Key Issue as Hungary Heads to Polls," *The Guardian*, April 1, 2022, <https://www.theguardian.com/world/2022/apr/01/hungary-election-ukraine-a-key-issue-viktor-orban>; "Decide Who You Are With', Ukrainian Leader Tells Viktor Orbán," *The Guardian*, March 22, 2022, <https://www.theguardian.com/world/2022/mar/25/ukraine-leader-volodymyr-zelenskiy-hungary-viktor-orban>; Victor Jack, "Poland's Kaczyński Slams Orbán for Refusing to Condemn Bucha Killings," *Politico*, April 8, 2022, <https://www.politico.eu/article/poland-kaczynski-slams-hungary-orban-for-refusing-to-condemn-bucha-killings/>.



than its social support. Get to know the Hungarian members of the Soros-network, who are financed by the international oligarch named George Soros.<sup>231</sup>

888.hu, May 25, 2016 (translation by Csanádi)

Further expansion of the central diffusion of political capture takes place through “*central redeployments*” under umbrella organizations. The growing number of these government-created alternatives since 2010 serve to compete with starved-out local and *grassroots autonomous organizations and processes*. During redeployment, institutions and processes of democracy are centralized and emptied also at grassroots. Meanwhile, alternative organizations and processes bound by the diffused network are being created and dominated by the center. For example, *plebiscites* in Hungary since 1990 originally needed 50% participation to be considered valid. Before 2010, few met that criteria. Positive results with low participation persisted even when the validity threshold was decreased to one-quarter of the eligible population by the socialists in 1997.<sup>232</sup>

After Fidesz came to power in 2010, the Fidesz government introduced a special alternative tool of apparent direct democracy (Batory 2010; CRCB 2015) called *national consultation*.<sup>233</sup> Between 2010 and 2015, the office of the prime minister deployed these national consultation actions that allowed direct control of the results. The questionnaire was analyzed by the Central Office of Public and Electronic Management, subordinated to the Minister of Internal Affairs, Deputy Prime Minister. Orbán’s personal letter accompanied each questionnaire, suggesting the importance of citizen’s opinions to the prime minister. Since 2015, the reorganized cabinet of the prime minister, headed by Antal Rogán, has taken over the consultation management (see fig. 1.3).<sup>234</sup>

These alternative “plebiscites,” circumvent the legal decision-makers. They channel public opinion directly to the office of the prime minister, as opposed to the official plebiscites, which are controlled by the election board. They leave significant room for manipulation. Conditions to get favorable results are well prepared. The popular mood for national consultations are preorchestrated and preempted by Orbán’s populist declarations, speeches, and goal-oriented articles

231 “A lista: a Soros-hálózat hazai kitarottjai” [The list: domestic servants of the Soros network], 888.hu, May 25, 2016, <https://888.hu/ketharmad/a-lista-a-soros-halozat-hazai-kitartottjai-4054506/>.

232 “History of Referenda in Hungary Shows That Voter Turnout Rarely Meets the Threshold,” *About Hungary*, October 2, 2016, <http://abouthungary.hu/news-in-brief/history-of-referenda-in-hungary-shows-that-voter-turnout-rarely-meets-the-threshold/>.

233 Krisztina Kincses, “Nemzeti konzultáció: tíz éve sikeresen használt eszköz” [National consultations: a tool used successfully for ten years], *Magyar Nemzet*, June 6, 2019, <https://magyarnemzet.hu/belfold/nemzeti-konzultacio-tiz-eve-sikeresen-hasznalt-eszkoz-8208419/>.

234 Babett Oroszi, “Csaknem 100 milliárdot költhetett Rogán Antal tárcája kormánypropagandára” [Almost 100 billion HUF spent by Antal Rogán’s ministry on government propaganda], *HVG*, January 20, 2020, [https://hvg.hu/gazdasag/20200120\\_miniszterelnoki\\_kabinetiroda\\_zarszamas\\_kormanyzati\\_kommunikacio](https://hvg.hu/gazdasag/20200120_miniszterelnoki_kabinetiroda_zarszamas_kormanyzati_kommunikacio).



with distorted information through government-dominated media (Bajomi-Lázár 2013; Polyák 2019). The cabinet secures preconditioned results of ballots with self-fulfilling functions. Questionnaires are manipulated<sup>235</sup> and fabricated scapegoats determine answers, despite rational rebuttal and court decisions against them.<sup>236</sup> For example, the Hungarian Helsinki Committee (HHC 2018) quoted the following question from the 2017 consultation's questionnaire<sup>237</sup> sent to 8 million adults, the eligible voters:

By now, it has become clear that in addition to the smugglers, certain international organizations encourage illegal immigrants to commit illegal acts. What do you think Hungary should do? (a) Activities assisting illegal immigration such as human trafficking and the popularization of illegal immigration must be punished. (b) Let us accept that there are international organizations, which, without any consequences, urge the circumvention of Hungarian laws.

Such popular ballots give the sense of centrally invited participation in solving national-level problems. It publicly suggests that the central government and the parliament does not bring a powerful decision without consulting the Hungarian people individually. Announced but publicly unverified results are used to justify the government's decisions through legislative bodies (fig. 1.1 and fig. 1.2).

Usually, actual political purposes are reflected in the launching of "consultations" along all governing periods of the Fidesz. For example, in September 2010, before the government stripped the alternative pension system from its resources worth 3,000 billion HUF, 2.8 million questionnaires were sent involving pensioners and those who engaged in parallel alternative pension funds. Only 200,000 responses were returned and valid.<sup>238</sup> The divestment was still carried out. In February 2011, a consultation was organized on the Fundamental Law.<sup>239</sup> As I have already mentioned, the latter was enacted before the processing

235 See the questionnaire of 2018 on family protection: "Here's the English Version of Hungary's National Consultation on the Protection of the Family," *About Hungary*, November 13, 2018, <http://abouthungary.hu/news-in-brief/heres-the-english-version-of-hungarys-national-consultation-on-the-protection-of-the-family/>.

236 "Jogsértő volt a 'Nemzeti Konzultáció': a propagandaminisztérium megsértette a Helsinki Bizottság jó hírnevét" [The "National Consultation" was unlawful: the Ministry of Propaganda damaged the reputation of the Helsinki Committee], *Magyar Helsinki Bizottság*, February 28, 2018, <https://helsinki.hu/jogserto-volt-a-nemzeti-konzultacio/>.

237 "Itt a teljes Nemzeti Konzultációs kérdőív" [Here is the full questionnaire of the National Consultation], 444, September 28, 2017, <https://444.hu/2017/09/28/itt-a-teljesen-nemzeti-konzultacios-kerdoiv>.

238 "Nationalization of private pension funds," *The Orange Files*, June 11, 2016, <https://theorange-files.hu/nationalization-of-private-pension-funds/>.

239 "National Consultation on the Fundamental Law," *The Orange Files*, 2011, <https://theorange-files.hu/orban-government-national-consultation-on-the-fundamental-law/>; "The Fundamental

of the questionnaires and about 11 percent of the adult population completed and returned the questionnaire. In 2015, managed by Rogán, a consultation was disseminated on immigrations and terrorism; in 2017, “Stop Brussels!” and in the same year against the “Soros plan.”

In early 2020, at Orbán’s initiative, court decisions were challenged as new scapegoats were pointed out. The government planned a new consultation using the population to question and annul valid local court rulings. Two court decisions were in Orbán’s focus. One was the compulsory compensation for deplorable conditions in jails (nicknamed “jail business” by Orbán).<sup>240</sup> The other was a compensation for persistent schooling segregation of Roma children in a village called Gyöngyöspata.<sup>241</sup> Orbán had suspended local court’s decision with a parliamentary decision. He opposed it even after the Curia reinforced the local court’s decision.

Are we living in a world in Hungary where a minority is able to create a system that is capable of forcing its will on the majority? Or do we want to live in a country where naturally there are minorities and a majority that have to take each other into account, but, still, the majority is the majority. The majority also has to feel at home. It cannot occur that in order for the minority to feel at home, the majority should feel itself alien in its own city, village, or homeland. This is unacceptable. While I am the prime minister, that will not happen. For this is still the homeland of the natives, it is our country. I see that George Soros’s organizations initiated these actions; this issue did not fall from the sky. This was initiated by organizations financed by Soros: well educated lawyers working for high fees.<sup>242</sup>

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Law of Hungary,” Nemzeti Jogszabálytár [April 25, 2011], December 23, 2020, [https://njt.hu/translated/doc/TheFundamentalLawofHungary\\_20190101\\_FIN.pdf](https://njt.hu/translated/doc/TheFundamentalLawofHungary_20190101_FIN.pdf).

240 <https://www.youtube.com/watch?v=vahTYO4Ealw>.

241 “According to the explanation of the spokesman of the government information center they expect that government decisions on to this issue will face serious international attacks, however people’s views may provide a confident point of reference for the government. They are even more likely to be attacked because problems raised by the government were actually generated by organizations financed from abroad ho abuse of legal opportunities—he added.” “Egyetértési pontok kialakítása a nemzeti konzultáció célja” [Developing points of agreement is the aim of the national consultation], [kormany.hu](https://www.origo.hu/itthon/20200225-farkasors-nemzetikonzultacio-tarsadalmiigazsagerzet.html), February 25, 2020, <https://www.origo.hu/itthon/20200225-farkasors-nemzetikonzultacio-tarsadalmiigazsagerzet.html>.

242 “Orbán Viktor a Kossuth Rádió ‘Jó reggelt, Magyarország!’ című műsorában” [Viktor Orbán on Kossuth Radio’s “Good Morning, Hungary!”], [kormany.hu](https://2015-2019.kormany.hu/hu/a-miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-a-kossuth-radio-jo-reggelt-magyarorszag-cimu-musoraban-20200515), May 15, 2020, <https://2015-2019.kormany.hu/hu/a-miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-a-kossuth-radio-jo-reggelt-magyarorszag-cimu-musoraban-20200515>.

Orbán questioned the Hungarian origin of Roma minorities and promised the modification of the law that appeared to benefit them.<sup>243</sup> And so it happened soon with a bill passed in mid-2020, on “immediate measures to eliminate abuses of compensation referring to overcrowded prisons.”<sup>244</sup>

The latest consultation, to justify the shift to rule by decree, was launched after the first wave of the COVID-19 virus in mid-2020.<sup>245</sup> The questionnaire contained the government’s usual anti-Soros, anti-Brussels, antiforeign enterprise, and antimigrant questions. However, the essential purpose was hidden in the following question: “epidemiological alert should be maintained in health-care as long as there is a risk of epidemics.” Thus, the national consultation likely confirmed the government decision on a new constitutional amendment. This amendment enables Orbán to declare a “health emergency situation” any time, with the same rights as the rule by decree, without parliamentary consent (Vörös 2021).

These populist devices have several functions: political capture diffuses to individuals. Questionnaires function as instruments to mobilize and engage the constituency on government decisions in the name of democracy. At the same time, they serve to demobilize civil and political opponents, referring to the nation’s expressed will, no matter the number of respondents, the valid responses, and the number of effective confirmations of the government’s purpose.

Even if results were not supportive, a monopoly on information and the media by the Fidesz government allows to proclaim it so. Public control over such surveys is denied by the cabinet. The number of mailed questionnaires, the number of respondents, the number of evaluable responses, and statistical results are usually unpublished. If published, empirical data remain uncontrollable.<sup>246</sup> The cabinet denied the request for public and professional control, despite such denial being contrary to court rule.<sup>247</sup>

243 András Király, “Orbán szerint ‘az ötödik kerületi’ Kúria nem tudja, mi folyik az országban” [Orbán says “the Fifth District” Curia does not know what is going on in the country], 444, May 15, 2020. <https://444.hu/2020/05/15/orban-szerint-az-otodik-keruleti-kuria-nem-tudja-mi-folyik-az-orszagban>.

244 “Börtönzsúfoltsági kártalanításokkal kapcsolatos visszaélések megszüntetése érdekében szükséges haladéktalan intézkedések” [Immediate actions necessary to eliminate abuses regarding overcrowding compensations in prisons], June 15, 2020, [http://njt.hu/cgi\\_bin/njt\\_doc.cgi?docid=218412.384261](http://njt.hu/cgi_bin/njt_doc.cgi?docid=218412.384261).

245 “A koronavírusról szóló konzultáció eredményei” [Results of the national consultation on the coronavirus], [koronavirus.gov.hu](https://koronavirus.gov.hu/cikkek/koronavirusrol-szolo-konzultacio-eredmenyei), October 9, 2020, <https://koronavirus.gov.hu/cikkek/koronavirusrol-szolo-konzultacio-eredmenyei>.

246 “Akkor is hazudnak, amikor kérdeznek” [Even their questions are lies], *Index*, April 13, 2017, [https://index.hu/gazdasag/2017/04/13/2017\\_nemzeti\\_konzultacios\\_kerdoiv\\_brusszel/](https://index.hu/gazdasag/2017/04/13/2017_nemzeti_konzultacios_kerdoiv_brusszel/).

247 “Totális kamunak tűnik a nemzeti konzultáció a konzultációs íveket megtekintő LMP-s képviselők szerint” [The national consultation looks like a total sham, according to LMP MPs who viewed the consultation forms], 444, November 23, 2017, <https://444.hu/2017/11/23/totalis-kamunak-tunik-a-nemzeti-konzultacio-a-konzultacios-iveket-megtekinto-lmp-s-kepviselek-szerint>.

While these national consultations, with their loose and shifting criteria for legitimacy, have been developed to empower the government that controls them, the criteria for official referenda have been tightened. First, the participation rate for validity has been raised back to 50 percent<sup>248</sup> from the 25 percent valid since 1997. Despite this increased constraint, even just initiating a referendum has become very difficult. The politically captured National Election Board (Commission) responsible for giving final permission to hold a referendum (Marczewska-Ritko 2018) reacts biased to the government's political interests. It regularly rejects the referendum queries of opposition parties, reinforcing the efficiency of the government's centralization and replacement strategy. A further regulation on priority acceptance of submitted queries with the same subject if handed in first and rejected if second provoked physical standoffs at submission.<sup>249</sup> In order to hinder the opposition's submission, even government-financed private security guards, some with a criminal record,<sup>250</sup> have been deployed.<sup>251</sup> The government uses these guards managed by Kubatov, a Fidesz MP since 2006 as a private "militia." Kubatov's activists are allowed to exert not only physical but also psychological pressure to convince supporters to provide their personal data. These "Kubatov lists" serve to mobilize the population before elections or for other purposes also currently in action.<sup>252</sup>

Centralization and replacement is taking place in the context of *civil organizations* as well. A large government and state-enterprise-financed civil leadership group has been developed centrally. It plays the role of a governmental "NGO" (GNGO). It functions practically as a pro-government alternative to any potential grassroots mobilization. The *Civil Unity Forum* (CÖF) has been

248 Krisztián Gáva, *Jogesetgyűjtemény a választások és a népszavazások köréből* [Collection of legal cases on elections and referendums] (Budapest: Dialóg Campus Kiadó, 2018), <https://kti.uni-nke.hu/document/vtkk-uni-nke-hu/G%C3%A1va%20Kriszti%C3%A1n%20-%20Jogesetgy%C5%B1jtem%C3%A9ny.pdf>.

249 "Büntetett előéletűek a választási irodánál balhéző kopaszok" [Bald men exerting pressure at the election office had a criminal record], *Alfahír*, January 19, 2017, [https://alfahir.hu/2017/01/19/nvi\\_nyako\\_istvan\\_fradi\\_security](https://alfahir.hu/2017/01/19/nvi_nyako_istvan_fradi_security).

250 Antónia Rádi, "Gyermekbántalmazás, súlyos testi sértés, rablás, garázdaság—a titkosszolgálat azonosította a Nyakót akadályozó kopaszokat" [Child abuse, aggravated assault, robbery, hooliganism—the secret service has identified the bald men who obstructed István Nyakó], *Átlátszó*, April 24, 2017, <https://atlatzo.hu/2017/04/24/gyermekbantalmaszas-sulyos-testi-sertes-rablas-garazdasag/>.

251 Brigitta Csikász and Antónia Rádi, "Kubatov kopaszai akcióztak az NVI-nél, felülről állíthatták le a nyomozást" [Kubatov's bald men took action at the National Election Office [NVI], the investigation was presumably halted from above], *Átlátszó*, May 4, 2017, <https://atlatzo.hu/2017/05/04/kubatov-kopaszai-akcioztak-az-nvi-nel-felulrol-allithattak-le-a-nyomozast/>.

252 Norbert Kustánci, "Így működik a Kubatov lista" [This is how the Kubatov list works], *24.hu*, December 16, 2012, <https://24.hu/belfold/2012/12/16/igy-mukodik-a-kubatov-lista/>; József Spirk, "Kubatov Gábor is meglátogatta a Fidesz titokzatos szegedi telefonközpontját" [Gábor Kubatov also visited Fidesz's mysterious Szeged call center], *24.hu*, September 16, 2019, <https://24.hu/belfold/2019/09/16/kubatov-gabor-is-meglatogatta-fidesz-titokzatos-szegedi-telefonkozpontjat/>.

regularly mobilizing the Fidesz electorate. The GNGO CÖF organizes pro-government, nationwide mass demonstrations called “peace marches” (Békemenet) mostly in Budapest.<sup>253</sup> They activate whenever they are called upon by Orbán, Rogán, and Kubatov. These peace marches are deployed for the mass support of the government’s populist campaigns as they are deemed to enhance the social cohesion of the Fidesz electorate and lay the groundwork for pro-Fidesz election results.<sup>254</sup> In fact, pro-Fidesz demonstrations are organized any time it is deemed strategically useful to reinforce the government’s nationwide policy, and have been successfully deployed many times. They are partially activated based on the Kubatov lists.<sup>255</sup>

The officially and informally estimated number of attendants at the demonstrations between the first in 2012 and the last documented in 2021, oscillated between 30,000 and 450,000.<sup>256</sup> Masses demonstrated against actual or combined scapegoats, responding to government calls. Mentally tuning threat campaigns are disseminated through nationwide and local echo chambers of government-controlled social media, clergy, schools, and private agencies, and so forth. The management of government propaganda and the financing of Fidesz-close private propaganda agencies is the discretion of the cabinet, personally of Rogán (fig. 1.2 and fig. 1.3). Costs of Fidesz campaigns are covered as government campaigns, financed by the national budget as “government communication costs.” Propaganda serves to condition the popular mood against Orbán-appointed actual enemies (Bíró-Nagy 2019). For example, the content of leading banners

253 Katalin Erdélyi, “Megkaptuk az MVM-től a CÖF-támogatás iratait, a “közgondolkodás javítására” utaltak 508 milliót” [We received the documents of the CÖF subsidy from MVM, 508 million were transferred to “improve public thinking”], *Átlátszó*, May 17, 2018, <https://atlatzso.hu/kozpenz/2018/05/17/megkaptuk-az-mvm-tol-a-cof-tamogatas-iratait-a-kozgondolkodas-javitasara-utaltak-508-milliot/>.

254 Márk Herczeg, “Az összes identitásunkért vonult a Békemenet Orbán elé 508 milliót” [For all our identities, 508 million march for peace in front of Orbán], *444*, March 15, 2018, <https://444.hu/2018/03/15/bekemenet-2018>.

255 “A Békemenet mentette meg Orbánt” [The peace march saved Orbán], *Origo*, October 18, 2012, <https://www.origo.hu/itthon/20121018-orban-viktor-szerint-bekemenet-nelkul-a-kormany-nem-elte-volna.html>; “Békemenet, CÖF, CÖKA, Pestisrácok—mi fán terem, kinek szolgál a magyar gongó?” [Peace march, CÖF, CÖKA, Pestisrácok—what is the Hungarian gongo (government-supported NGO) for?], *Átlátszó*, February 12, 2015, <https://atlatzso.hu/2015/02/12/bekemenet-cof-coka-pestisracok-mi-fan-terem-kinek-szolgalt-a-magyar-gongo/>; “Békemenet Magyarországért” [Peace march for Hungary], YouTube, January 22, 2012, [https://www.youtube.com/watch?v=048JqUL7\\_j0](https://www.youtube.com/watch?v=048JqUL7_j0); <https://civilosszefogas.hu/emlekezunk-az-ot-ekkel-ezelotti-bekemenetre-3/>; “Budapest-Békemenet” [Budapest peace march], YouTube, March 29, 2014, <https://www.youtube.com/watch?v=2sG3NRZtPPs>; Bálint Bordács, “A Békemenet jött, látott, történelmet írt, és ma újra útnak indul” [The peace march has come, seen, made history, and today it’s back on the road again], *Origo*, March 13, 2018, <https://www.origo.hu/itthon/20180313-bekemenet-marcius-15-lelegzetelallito-tomeg.html>.

256 Botond Bötös, “Nem félmillióan, legfeljebb hetvenezen vehettek részt a 2021-es Békemeneten” [Not half a million, at most 70,000 people could take part in the 2021 peace march], *Átlátszó*, October 25, 2021, <https://dotoho.atlatzso.hu/2021/10/25/nem-felmillioan-legfeljebb-hetvenezen-vehettek-reszt-a-2021-es-bekemeneten/>.

was generally nationalist, directed against the EU, “The Homeland Before All Else”; and the IMF “We Will Not Remain Debtors—The Homeland Is One!” and “We Will Not Be a Colony!” Occasionally, catchwords were setting the ground for the elections, “The Country Is One – April, 2014; partnership with Poland, “With United Force!”; or against the opposition, “Those Who Are Aggressive Are Frightened. We Are Not Frightened!” and “Bajnai-Gyurcsány: Together They Destroyed the Country!”

Generally, a populist campaign scheme integrates the following *scapegoats*: economic migrants blurred (Szabolcsi 2017) with refugees, who take our jobs and money; refugees blurred with terrorists; and sexual violators of our women, who also would like to dominate our religion and dispossess us from our Christianity (Bíró-Nagy 2019; Gerő and Sik 2020). Thus, the EU (Brussels), Soros, or chief EU politicians are considered accomplices of pro-migration who are pressuring Orbán to accept compulsory quotas.<sup>257</sup> But according to the disseminated propaganda, Orbán resists these foreign pressures in order to defend the nation, and he needs the mass support of his people: “Not a single migrant should be allowed to enter,” he declared in 2018.<sup>258</sup> Populist racist campaigns, instrumentalizing Christianity, however, are mere political devices rather than reflections of a Fidesz ideology and elite behavior. This is supported by the fact that such nationwide campaigns do not hinder the political elite from integrating into their close circle Asian, Arab, and Turkish billionaires, heads of states, and leaders of mass killings;<sup>259</sup> CIA-wanted Arab business partners; and individuals who did not pass the Hungarian national security investigations but embraced by Orbán’s family-business circle.<sup>260</sup> Campaigns did not hinder the launching of the controversial offshore intermediated settlement project by Orbán called “settlement bonds” managed by Rogán. Sources referring to government documents list almost 20,000 financially well-equipped foreigners (6,543 purchasers and 13,300 family members) from 59 countries receiving permission to settle, 81% of them Chinese.<sup>261</sup>

257 Pál Dániel Rényi, “Akartok terrorizmust? NEEEEEM!”—Soros ellen tüntet Brüsszelben a CÖF” [“Do you want terrorism? NO!”—CÖF protests against Soros in Brussels], 444, April 27, 2017, <https://444.hu/2017/04/27/akartok-terrorizmust-neeem-soros-ellen-tuntet-brusszelben-a-cof>.

258 “Hungary: ‘We Do Not Need a Single Migrant’ Says PM Orbán,” YouTube, July 26, 2016, <https://www.youtube.com/watch?v=hNFmlzMecco>.

259 Zoltán Haszán, “Nem nagyon van rá magyarázat, hogy Magyarországnak miért éri meg az Orbán-Erdogan barátság” [No explanation for why the Orbán-Erdogan friendship is worth it for Hungary], 444, October 22, 2019, <https://444.hu/2019/10/22/nem-nagyon-van-ra-magyarazat-hogy-magyarorszag-nak-miert-eri-meg-az-orban-erdogan-baratsag>.

260 András Dezső, “Megbukott a terrorátvilágításon Orbán kedvenc arab üzletembere” [Orbán’s favorite Arab businessman fails terror screening], [https://index.hu/belfold/2017/10/13/megbukott\\_a\\_terroratvilagitason\\_orban\\_kedvenc\\_arab\\_uzletembere/](https://index.hu/belfold/2017/10/13/megbukott_a_terroratvilagitason_orban_kedvenc_arab_uzletembere/).

261 Tamás Wiedemann, “59 országból jött Magyarországra a húszezer letelepedési kötvényes” [Those 20 thousand buying settlement bonds came from 59 countries], *g7.hu*, January 16, 2019,

The leading government media and its representative media figures serve to push the campaigns to a crooked extreme. They name and morally undermine opposition politicians, NGOs, and critical researchers, or, if necessary, even degrade the Pope's mental capacity, presenting him as an enemy of the nation.<sup>262</sup> Such ever-escalating and widened centrally managed political campaigns in practice also serve the moral desensitization of the society. In other words, CÖF populist mobilization on nationalistic and populist issues replaces social mobilization on social issues. Campaigns emotionally justify the border fence erected against refugees, and the request for EU money to voluntarily save the nation and the EU from the migrant flow. They also make morally acceptable the cruelty against refugees<sup>263</sup> in the transit zone, concerning their living and healthcare conditions, and even denying them food.<sup>264</sup> The Fidesz constituency also remains desensitized to the numerous intimidation, vexation, and taxation of NGOs and their leaders, including personalized pressure on leading protesters by ordering the police to imprison or fine them under false charges.<sup>265</sup> The Orbán government uses these centrally managed "civil" campaigns to justify oppressive laws against civil organizations, such as that which allows for the

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<https://g7.hu/kozelet/20190116/59-orszagbol-jott-magyarorszagra-a-huszezer-letelepedesi-kotvenyes/>.

- 262 Zsolt Bayer, "A pápa esze" [The Pope's brain], *Mandiner*, August 2, 2016, [https://keresztény.mandiner.hu/cikk/20160802\\_bayer\\_zsolt\\_a\\_papa\\_esze](https://keresztény.mandiner.hu/cikk/20160802_bayer_zsolt_a_papa_esze;);  
 Kristóf Trombitás, "A Ferenc pápa elleni hisztériáról" [On the hysteria against Pope Francis], *Mandiner*, May 21, 2019, [https://mandiner.hu/cikk/20190602\\_trombitas\\_kristof\\_a\\_ferenc\\_papa\\_elleni\\_hisztieriarol](https://mandiner.hu/cikk/20190602_trombitas_kristof_a_ferenc_papa_elleni_hisztieriarol); "Bayer Zsolt, a keresztény lovag és az 'argentín libsi'" [Zsolt Bayer, the Christian knight and the "Argentinean libsi"], *Civil Hetes*, December 10, 2019, <https://civilhetes.net/bayer-zsolt-a-keresztény-lovag-es-az-argentín-libsi>. "Libsi" is slang for liberal Jews.
- 263 Tara John, "Hungary Has Created a Cruel System to Deter Migrants, Says Amnesty," *Time*, September 27, 2016, <https://time.com/4508120/hungary-refugees-amnesty-report/>.
- 264 "EU Court: Hungary Unlawfully Detains People in the Transit Zone and Deprives Them of a Fair Asylum Procedure," May 14, 2020, <https://www.helsinki.hu/en/hungary-unlawfully-detains-people-in-the-transit-zone/>; András Földes, "Kamu a migrációs válsághelyzet, a kormány maga szállítja a migránsokat, állítja az ENSZ" [Fake migration crisis, government itself transporting migrants, says UN], *Index*, July 18, 2019, [https://index.hu/belfold/2019/07/18/ensz-jelentesevo\\_felipe\\_gonzales\\_morales\\_migracios\\_valshelyzet\\_migracio\\_tranzitzona\\_magyar\\_kormany\\_idegenellenesseg/](https://index.hu/belfold/2019/07/18/ensz-jelentesevo_felipe_gonzales_morales_migracios_valshelyzet_migracio_tranzitzona_magyar_kormany_idegenellenesseg/); "Magyarország megint menedékkérőket éheztetett a tranzitónában" [Hungary starves asylum seekers in transit zone again], *Index*, March 22, 2019, [https://index.hu/belfold/2019/03/22/magyarorszag-megint-menedekkeroket-ehezett\\_a-tranzitonaban/](https://index.hu/belfold/2019/03/22/magyarorszag-megint-menedekkeroket-ehezett_a-tranzitonaban/); "Úgy tűnik szándékosan éhezetik a menekülteket" [Refugees seem to be deliberately starved], *Esti Újság*, June 20, 2019, <https://estiujsg.hu/gazdasag/ugy-tunik-szandekosan-ehezetik-a-menekulteket>; <https://index.hu/belfold/2019/02/14/tompa-tranzitzona-eheztetes/>.
- 265 "Éppen a bíróságra ment be a körözött G Ras, hogy tisztázza magát, amikor elvitték a rendőrök" [Wanted man G Ras was entering court to clear himself when he was arrested by police], *Index*, September 12, 2019, [https://index.hu/belfold/2019/09/12/eppen\\_a\\_birosagra\\_ment\\_be\\_a\\_korozott\\_g\\_ras\\_amikor\\_igazoltattak\\_es\\_rabositottak/](https://index.hu/belfold/2019/09/12/eppen_a_birosagra_ment_be_a_korozott_g_ras_amikor_igazoltattak_es_rabositottak/).



one-year imprisonment of those individuals who engage in the humanitarian activity, blurring their humanitarian aid with human trafficking.<sup>266</sup>

Diffusion of political capture and forced redeployment reaches out to lower levels of public autonomies. Methods of redeployment are legalized and complex, and instruments are adapted to the given issue. For example, higher education. Without any chance for prior consultation, universities' autonomous decision-making capacity over assets, resources, developments, leadership, departments, curricula, and so on are forcedly "extracted." Discretions are reallocated to politically packed foundations, where Fidesz-appointed members of the committee stay until their death, and public assets and financing lose their public nature, according to the ninth amendment of the Fundamental Law, declaring it as cardinal law.<sup>267</sup> The process is advancing with uncontrollable speed and administrative force, and resistance is punished. For example, at the university of arts (SZFE), where joint resistance of professors and students lasted for several weeks and was supported by civil solidarity, buildings and colleges were closed, alternative buildings scattered in different districts were designated, alternative teachers were appointed without professional background, and resisting students were denied their credits for the semester. At the same time, a new cultural law centralized financing. A new public service law degraded public service status for all labor force members in public organizations, be they researchers, teachers, artists, or museologists, exposing and allowing for the forced replacement of the whole intelligentsia.

Redeployments centralize and monopolize tasks, and simultaneously discredit, constrain, abolish, or impair any non-Fidesz alternatives by law. Such was the forced detachment and centralization by a modified constitutional law of the Hungarian Academy of Sciences' research institute network, in the name of optimizing research efficiency. Researchers, research financing, result evaluation, administrative staff, and buildings were subordinated to the Ministry of Innovation and Technology. The minister, Palkovics, a member of the academy, who has carried out the forced destitution and subordination at the orders of

266 "018. évi VI. törvényegyes törvényeknek a jogellenes bevándorlás elleni intézkedésekkel kapcsolatos módosításáról" [Act VI of 018 amending certain laws relating to measures against illegal immigration], June 28, 2018, <https://mkogy.jogtar.hu/jogszabaly?docid=A1800006>. TV <https://net.jogtar.hu/jogszabaly?docid=a1200100.tv> 2012. évi C. törvény, 353/A.

267 Szilárd István Pap, "Itt a kilencedik alkotmánymódosítás: az anya nő, az apa férfi, ja, és a közpénz nem mind közpénz" [Here is the Ninth Amendment to the Constitution: the mother is a woman, the father is a man, oh, and public money is not all public money], *Mérce*, November 20, 2020, <https://merce.hu/2020/11/10/itt-a-kilencedik-alkotmanymodositas-az-anya-no-az-apa-ferfi-ja-es-nem-minden-kozpenz-lesz-kozpenz/>; Mihály Bálints, "Kétharmados úthenger: így 'magánosítja' az ország legnagyobb egyetemeit a kormány" [Two-thirds roadblock: this is how the government is "privatizing" the country's biggest universities], *Noizz.hu*, January 25, 2021, <https://noizz.hu/most/ketharmados-uthenger-igy-maganositana-az-orszag-legnagyobb-egyetemeit-a-kormany/hn810hf>.



Orbán, was also the main player in the ousting process of the Central European University (CEU) from Hungary.<sup>268</sup>

If the government has no direct power over it, it may force the institution by bended law to leave the country, another instrument of forced redeployment. Such was the case of the CEU, forced out from Hungary by a law in 2017 that has retrospectively built stricter acceptance criteria. When the CEU still succeeded to fulfill those requirements, the government rejected coordination and acknowledgment, and consequently the CEU moved to Vienna.<sup>269</sup> The loss is final, despite the European Court's judgment, three years later.<sup>270</sup> CEU will not regress to Hungary.<sup>271</sup>

On the other hand, replacements are also legally built throughout the cultural and scientific fields. Ideological (identity) information is reinforced through several newly established research institutes set up by the government. For example, the Institute of Hungarian Origin (Magyarság) Research, in which motivations are to find new origins of Hungarians, and that of the Hungarian language, supporting the political elite's current geopolitical and economic interests;<sup>272</sup> the institute for "true" reinterpreted Hungarian history according to government ideology, represented by the Veritas;<sup>273</sup> the Institute of National Strategy, a centrally managed government organization whose task it is to redefine the Hungarian heritage, develop cultural, social, and economic space in the Carpathian Basin, and strengthen national "togetherness" and the

268 "Palkovics szerint nincs CEU-ügy, az egyetem csak álságos" [Palkovics says there is no CEU case, the university is just a sham], *Magyar Narancs*, October 29, 2018, <https://magyarnarancs.hu/belpol/palkovics-szerint-nincs-ceu-ugy-az-egyetem-csak-alsagos-114653>; "EUA denounces dismantling of university autonomy in Hungary," European University Association, October 18, 2018, <https://eua.eu/news/182:eua-denounces-dismantling-of-university-autonomy-in-hungary.html>.

269 "Állítólag a héten tényleg elkezd tárgyalni a kormány a CEU-val" [The government is supposed to start negotiations with the CEU this week], *Portfolio*, May 15, 2017, <https://www.portfolio.hu/gazdasag/20170515/allitolag-a-heten-tenyleg-elkezd-targyalni-a-kormany-a-ceu-val-250467>.

270 "Landmark Judgment'—Lex CEU Struck Down by European Court of Justice," CEU, October 6, 2020, <https://www.ceu.edu/article/2020-10-06/landmark-judgment-lex-ceu-struck-down-european-court-justice>.

271 "CEU to Stay in Vienna Despite Favorable ECJ Ruling," *Hungary Today*, October 7, 2020, <https://hungarytoday.hu/ecj-ceu-plans-hungary-budapest-vienna/>.

272 "Kásler duplázna a Magyarságkutató Intézet forrásait, ahol havi 650 ezerért írnák újra a magyar őstörténetet" [Kásler would double the resources of the Institute for Hungarian Studies, where Hungarian ancestral history would be rewritten for 650,000 a month], *Népszava*, June 24, 2019, [https://nepszava.hu/3040619\\_kasler-duplazna-a-magyarsagkutato-intezet-forrasait-ahol-havi-650-ezerert-irnak-ujra-a-magyar-ostortenetet](https://nepszava.hu/3040619_kasler-duplazna-a-magyarsagkutato-intezet-forrasait-ahol-havi-650-ezerert-irnak-ujra-a-magyar-ostortenetet); "Kulturtaj program, 2018, Bugac, Hungary," August 10–12, 2018, <http://kurultaj.hu/english/>.

273 "A holokauszt eltorzítása és a történelem tisztára mosása" [The distortion of Hungarian Holocaust and the history laundering], *Szombat*, July 13, 2019, <https://www.szombat.org/hirek-lapszemle/a-holokauszt-eltorzitasa-es-a-tortenelem-tisztara-mosasa>.

support of the new generation;<sup>274</sup> the Communism Research Institute, with the aim of revealing the operation of the longest totalitarian system in the twentieth century;<sup>275</sup> the public management and public service university for the education of future government and service manpower; the National Memory Board;<sup>276</sup> the PAGEO Geopolitical Institute created by the National Bank;<sup>277</sup> the Research Institute and Archive to study the transition history; and a new cultural center to manage Hungarian culture, arts, and artists, and lead the “cultural fight.” Recently, a new institute’s plan was announced, the Institute and Museum for Anthropology, that apart from genetic research on the possible link between the settling Hungarian tribes and the first Hungarian kings (ethnogenesis) should fortify the national consciousness and national self-knowledge.<sup>278</sup> Leadership appointments in these research institutes have circumvented the Academy of Sciences, which was physically and scientifically damaged due to the destitution of its research institutes and fixed assets.<sup>279</sup>

Political capture and redeployment not only attained institutions and individuals in them, but also information sources on which research results are based. Political capture also allows for forcedly monopolizing historical data

- 274 Bea Bakó and Árpád Kulcsár, “Kétszázmillióért szervezi ki a kutatást a Szász Jenőnek gründolt kutatóintézet” [The research institute founded for Jenő Szász is outsourcing research for two hundred million HUF], *Azonnali*, August 2, 2019, [https://azonnali.hu/cikk/20190802\\_ketszazmillioert-szervezi-ki-a-kutatast-a-szasz-jenonek-grundolt-kutatointezet](https://azonnali.hu/cikk/20190802_ketszazmillioert-szervezi-ki-a-kutatast-a-szasz-jenonek-grundolt-kutatointezet).
- 275 “Megalakult a Kommunizmuskutató Intézet” [The Communism Research Institute was founded], *Múlt-kor*, October 23, 2011, [https://mult-kor.hu/20111023\\_megalakult\\_a\\_kommunizmuskutato\\_intezet](https://mult-kor.hu/20111023_megalakult_a_kommunizmuskutato_intezet).
- 276 “Ma feláll a Nemzeti Emlékezet Bizottsága” [The National Memory Commission is set up today], *444*, February 3, 2014, <https://444.hu/2014/02/03/ma-fellall-a-nemzeti-emlekezet-bizottsaga>; Márk Herczeg, “A Nemzeti Emlékezet Bizottságának nem feladata megnevezni a kommunista ügynököket” [It is not the task of the National Memory Commission to name communist agents], *444*, June 25, 2014, <https://444.hu/2014/06/25/a-nemzeti-emlekezet-bizottsaganak-nem-feladata-megnevezni-a-kommunista-ugynokokat>.
- 277 See the website of PAGEO, <http://www.geopolitika.hu/en/about/pallas-athene-geopolitical-institute/>.
- 278 “A jelenlegi vezetés alkalmatlan”—győztes pályázatában elődeit ekézi a Természettudományi Múzeum új vezetője” [“The current management is incompetent”—the new head of the Natural History Museum excoriates his predecessors in his winning bid], *HVG*, July 15, 2019, [https://hvg.hu/itthon/20190715\\_Termeszettudomanyi\\_Muzeum\\_Bernert\\_Zsolt\\_foigazgatoi\\_palyazata?fbclid=IwAR3HPcf\\_rH54wm4mYNNBQ9k2EDDemrBHmt7ZAax8CwXBucPcS00bmzoUA-I](https://hvg.hu/itthon/20190715_Termeszettudomanyi_Muzeum_Bernert_Zsolt_foigazgatoi_palyazata?fbclid=IwAR3HPcf_rH54wm4mYNNBQ9k2EDDemrBHmt7ZAax8CwXBucPcS00bmzoUA-I); “A Természettudományi Múzeum új igazgatója elsősorban azt vizsgálná, hogy kimutatható-e a hunok, a honfoglaló magyarok és az Árpád-ház közötti genetikai kapcsolat” [The new director of the Museum of Natural History would focus on whether there is a genetic link between the Huns, the conquering Hungarians and the House of Árpád], *Magyar Narancs*, July 15, 2019, <https://magyarnarancs.hu/belpol/a-termesztudomanyi-muzeum-uj-igazgatoja-elsosorban-azt-vizsgalna-hogy-kimutathato-e-a-hunok-a-honfoglalo-magyarok-es-az-arpad-haz-kozott-genetikai-kapcsolat-121398>.
- 279 Dániel Juhász, “A kormány által létrehozott kutatóhálózat készen áll az akadémiai kutatóintézetek helyére lépni” [Government-created research network ready to replace academic research institutes], *Népszava*, February 15, 2019, [https://nepszava.hu/3025731\\_a-kormany-altal-letrehozott-kutatohalozat-keszen-all-az-akademiai-kutatointezetek-helyere-lepni](https://nepszava.hu/3025731_a-kormany-altal-letrehozott-kutatohalozat-keszen-all-az-akademiai-kutatointezetek-helyere-lepni).

and documents in public collections (be it in the form of archive photos or documents) in case they do not confirm the government's actual populist historical or ideological explanations. In case documents contain sensitive alternative information, the government may encrypt them through institutional redeployment or through purchase. Such was the fate of the compulsory merger of the 1956 Institute, initially independent but later working in the framework of the Széchenyi Library and subsequently merged in the Fidesz-established ideological history institute called Veritas. The 1956 Institute comprised public historical document collections and real-life interviews of key actors of the 1950s' dictatorship in Hungary, and who played a role in the popular uprising in 1956.<sup>280</sup>

To conclude this section, the central diffusion of political capture to grassroots autonomies is carried out through politically captured and integrated larger or smaller organizations used as umbrella institutions. This role may be fulfilled by multiple "entities" ranging from the Catholic Church to the cabinet, government-created NGOs, or new institutions (e.g., foundations, institutes). Their role is the diffusion of political capture into the public sphere's autonomies and the forced redeployment of their functions (by law or by decree), autonomous decisions, mobilizing capacities, resources, and data into directly government-managed institutions. Institutional redeployment prepares the ground for politically selective resource extraction and redistribution and institutionalized corruption.

So far not only has the development of a centralized government structure been demonstrated, but also the evolution of an institutional context based on the political capture of its potential control. I have pointed to the process and modes of uncontrolled infiltration and expansion of political capture into central, local, and grassroots autonomies, forming a power network in all social subspheres, be they public or private. I have demonstrated forced redeployment as the specific instrument of expansion and infiltration during evolution, characteristic to centralized distributions of power. Next, I will reveal the diffusion of centralized political capture into the economy that allows the forced resource redeployment in public and private spheres.

## **Expansion of Forced Resource Redeployment Through the Diffusing Channels of Political Capture**

### ***Diffusion of the Network and Forced Redeployment by Instrumentalizing Reforms in the Public Sphere***

1. THE TIME HAS COME TO REVITALISE THE HUNGARIAN ECONOMY!
2. THE TIME HAS COME TO RESTORE ORDER IN THE COUNTRY!

280 Péter Magyar, "Az 56-os Intézet vezetője az újságból tudta meg, hogy a Veritashoz csapják a kutatókat" [The head of the Institute of 56 learned from the newspaper that researchers are being lured to Veritas], 444, May 31, 2019, <https://444.hu/2019/05/31/az-56-os-intezet-vezetoje-az-ujsgbol-tudta-meg-hogy-a-veritashoz-csapijak-a-kutatoakat>.

3. THE TIME HAS COME TO RESCUE THE HEALTH CARE SYSTEM!
4. THE TIME HAS COME TO INSTITUTE SOCIAL SAFETY!
5. THE TIME HAS COME TO RESTORE DEMOCRATIC NORMS!<sup>281</sup>

Program of National Cooperation, May 22, 2010,  
Office of the National Assembly,  
Document Number: H/47

The centralized diffusion of political capture in all subspheres has evolved parallel to its characteristic instrument of systemic self-reproduction: the advancement of forced resource redeployment. In the public and private fields, forced redeployment is dressed in the functions of a developmental state. According to the literature, these are the characteristics of later industrialized capitalist countries, for example, Germany, Japan, and Taiwan. In these countries, compared to early industrializations, the functions of the state in enhancing economic growth and industrialization through both reforms and developments in private and public spheres were outstanding (Onis 1991; Thompson 1996; Woo-Cumings 1999; Kim 1999; Weiss 2000; Minns 2001; Caldentey 2008; Maman and Sosenhak 2011; Chibber 2014; Sallai and Schnyder 2018). In the process of centralized diffusion of political capture, the outstanding role of the state in reforms and developments persists. However, reforms and developments are deployed separately in separate fields, though both serve the same purpose: forced redeployment. Reforms, alternatively called modernization or model shifts, are oriented to the public sphere. They serve for politically selective extraction and redistribution of activities, organizations, entrepreneurs, and individuals within the “reformed” field. In turn, developments and development strategies are principally redistribution mechanisms to transfer public assets, budgetary and foreign resources by the government to cronies backed by regulations and laws. Nonetheless, they occasionally are interrelated as instruments jointly serving forced resource redeployment: diffusion allows for politically selective extraction through reforms, for the sake of politically selective redistribution through developments.

Under the pretext of reforms, a forced redeployment and, thereby, the advancement of the diffusion of political capture occur within the chosen public field, be it in public infrastructure, education, culture, public finance, and so on. This process has several stages. Decisions over public resources are institutionally centralized from local government discretions to ministries or umbrella organizations supervising the field. This executive apparatus fulfills a complex mission. In addition to politically capturing the activity and positional structure and certain state functions, they serve as an institutional framework to mobilize state budgetary resources through the formal functions of a developmental state. With centralized and monopolized power distribution, they mediate proclaimed

281 [https://www.parlament.hu/irom39/00047/00047\\_e.pdf](https://www.parlament.hu/irom39/00047/00047_e.pdf).

reforms that legally camouflage centralized extraction and politically selective redistribution of resources, transferring public property to a privileged few.

Such reforms allow for the redistribution of mobilized resources to Orbán's cronies in the name of the state's long-term social responsibilities and respective structural reforms. In practice, reform programs in a network of diffused political capture serve to centralize and monopolize tasks, and simultaneously legally discredit, constrain, abolish, or impair and replace any politically unpreferred alternatives by the force of law and enable the further diffusion of political capture.

For example, critical education (CEU, gender studies programs),<sup>282</sup> arts,<sup>283</sup> culture,<sup>284</sup> science,<sup>285</sup> media,<sup>286</sup> and civil organizations<sup>287</sup> have all seen the effect of these government actions. But political capture and its diffusion and expansion shake all social-cultural dimensions. Under the guise of "reform," the Hungarian government makes decisions about financing, as well as creates alternative state-supported institutions promulgating a pro-Fidesz ideology and history, or redeploys functions, activities, and personnel.<sup>288</sup> It selects, rewards, finances, and expands its "own" staff, intelligentsia (Kristóf 2015, 2017a, 2017b), and institutions with the same speed as the originals are deprived (Bajomi-Lázár

282 Dániel Juhász, "Orbán azt akarja, hogy kussoljatok!" ["Orbán wants you to shut up"], *Népszava*, October 6, 2018, [https://nepszava.hu/3013347\\_orban-azt-akarja-hogy-kussoljatok](https://nepszava.hu/3013347_orban-azt-akarja-hogy-kussoljatok); "Bírósági eljárás lett a lex CEU-ből" [The lex CEU became a court case], *Eduline*, December 7, 2017, [https://eduline.hu/felsooktatasi/kotelezettszeges\\_felsooktatasi\\_torveny\\_5QEL4A](https://eduline.hu/felsooktatasi/kotelezettszeges_felsooktatasi_torveny_5QEL4A).

283 Péter Hamvai, "Budai villát kapott az MMA" [The MMA got a hillside villa in Buda], *Népszava*, October 7, 2013, [https://nepszava.hu/1000020\\_budai-villat-kapott-az-mma](https://nepszava.hu/1000020_budai-villat-kapott-az-mma).

284 "Megszavasták a kulturális törvény módosítását" [Amendment of the cultural law has been passed], *24.hu*, December 11, 2019, <https://24.hu/kultura/2019/12/11/megszavastak-a-kulturális-torveny-modositását/>

285 "Nyílt levélben tiltakoznak a 'tudományos élet elleni támadások ellen' az ELTE TK doktoranduszai" [ELTE TK doctoral students protest in open letter "against attacks on academic life"], *Qubit*, October 17, 2018, <https://qubit.hu/2018/10/17/nyilt-levelben-tiltakoznak-a-tudomanos-elet-elleni-tamadasok-ellen-az-elte-tk-doktoranduszai>.

286 "Életbe lép az új médiatörvény" [The new media law enters into force], *Media1*, July 31, 2019, <https://media1.hu/2019/07/31/eletbe-lep-az-uj-mediatorveny/>.

287 "Tizennégy civil szervezet fordult Strasbourghoz a civilek ellen hozott törvény miatt" [Fourteen NGOs have appealed to Strasbourg against the law against NGOs], *444*, January 29, 2018, <https://444.hu/2018/01/29/tizennegy-civil-szervezet-fordult-strasbourghoz-a-civilek-ellen-hozott-torveny-miatt>.

288 See, for example, the government-financed NGOs instead of civil organizations, the government funded and financed national consultations instead of public ballots, and the government funded ideology-driven institutes instead of academic research institutes. Sándor Komócsin, "Titokzatos háló szövődik a kormány körül" [A mysterious web is weaving around the government], *napi.hu*, October 13, 2020, [https://www.napi.hu/magyar\\_gazdasag/titokzatos\\_halo\\_szovodik\\_a\\_kormany\\_korul.715454.html](https://www.napi.hu/magyar_gazdasag/titokzatos_halo_szovodik_a_kormany_korul.715454.html).

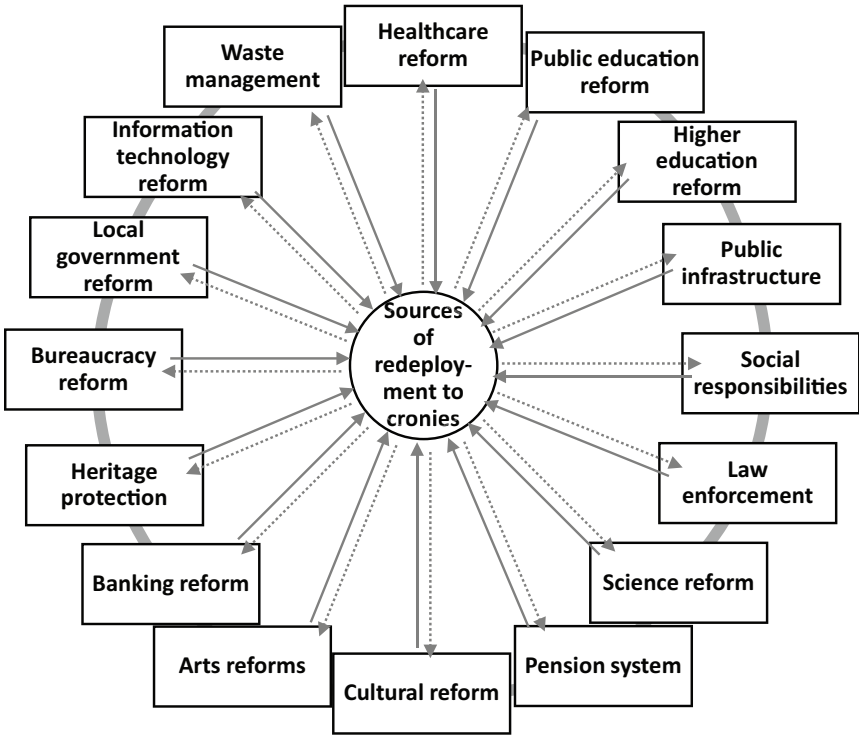
2019). The parliament legalizes the reform programs, but the concrete decisions are found in the process of execution.<sup>289</sup>

Figure 1.4 depicts several structural “reforms” in different social subfields.<sup>290</sup> According to my interpretation, all of these programs are sources of forced resource extraction, centralization, and redistribution in the social field. Double arrows show the routes and sequence of forced redeployment in each field. Arrows pointing to the center show the politically selective extraction, while those pointing to the opposite direction show redistribution to those privileged in the “reformed” public field.

These reform programs have been conceptualized, processed, and carried out since 2010, combined with institutional centralization of discretion over public fields. The fact of politically biased redeployment is occasionally clear-cut, but at other times harder to decipher. There are different techniques, implemented at different times but for the same purpose, focusing directly on public

289 “Magyarország: “Reformok és szakpolitikai fejlemények a szakképzésben és felnőttképzésben” [Hungary: Reforms and policy developments in vocational and adult education], September 13, 2021, [https://eacea.ec.europa.eu/national-policies/eurydice/content/national-reforms-vocational-education-and-training-and-adult-learning-29\\_hu](https://eacea.ec.europa.eu/national-policies/eurydice/content/national-reforms-vocational-education-and-training-and-adult-learning-29_hu).

290 In figure 1.4 arrows toward the center represent the forced resource extraction and dotted ones represent its redeployment to cronies through reforms in the given area. (*Education*: [https://eacea.ec.europa.eu/national-policies/eurydice/content/ongoing-reforms-and-policy-developments-29\\_hu](https://eacea.ec.europa.eu/national-policies/eurydice/content/ongoing-reforms-and-policy-developments-29_hu); *bank reform*: <https://eng.polgariiszemle.hu/current-publication/151-economic-policy/941-more-than-30-years-of-the-hungarian-banking-system>; *public administration*: [https://2010-2014.kormany.hu/download/4/07/a0000/Magyary\\_120903.pdf](https://2010-2014.kormany.hu/download/4/07/a0000/Magyary_120903.pdf); *pensions*: <https://2010-2014.kormany.hu/en/ministry-of-public-administration-and-justice/news/hungary-wins-lawsuit-regarding-private-pension-funds>; *healthcare*: <https://www.direkt36.hu/en/gyurcsany-es-orban-is-felforgatta-a-jarvanyugyet-igy-meggyengult-allapotban-talalta-telibe-a-koronavirus>; *waste management*: <https://transpack.hu/2020/11/26/hulladek-gazdalkodas-reformja/>; *reform achievements*: [https://2010-2014.kormany.hu/download/0/60/80000/NagyReformkonyv-teljes\\_HU.pdf](https://2010-2014.kormany.hu/download/0/60/80000/NagyReformkonyv-teljes_HU.pdf); [https://eacea.ec.europa.eu/national-policies/eurydice/content/ongoing-reforms-and-policy-developments-29\\_hu](https://eacea.ec.europa.eu/national-policies/eurydice/content/ongoing-reforms-and-policy-developments-29_hu); *public education reform*: <https://www.redalyc.org/pdf/4475/447546543003.pdf>; <https://ofi.oh.gov.hu/studies-articles-090617/strategies-for-reform>; *higher education*: [https://2015-2019.kormany.hu/download/c/9c/e0000/Fokozatvaltas\\_Felsookatasban\\_HONLAPRA.PDF#!DocumentBrowse](https://2015-2019.kormany.hu/download/c/9c/e0000/Fokozatvaltas_Felsookatasban_HONLAPRA.PDF#!DocumentBrowse); *public administration*: [https://2010-2014.kormany.hu/download/4/07/a0000/Magyary\\_120903.pdf](https://2010-2014.kormany.hu/download/4/07/a0000/Magyary_120903.pdf); *science reform*: <http://abouthungary.hu/news-in-brief/heres-what-you-need-to-know-about-the-reform-of-the-hungarian-academy-of-sciences/>; *waste management reform*: [https://ec.europa.eu/environment/eir/pdf/report\\_hu\\_en.pdf](https://ec.europa.eu/environment/eir/pdf/report_hu_en.pdf); *pension system reforms*: <https://www.etui.org/covid-social-impact/hungary/pensions-reforms-in-hungary-background-summary-updated-march-2019>; *cultural reform*: <https://en.unesco.org/creativity/policy-monitoring-platform/reform-tbe-national-cultural-fund>; *heritage protection*: <https://english.atlatszo.hu/2019/04/08/government-keeps-report-on-world-heritage-sites-secret-unesco-sending-inspectors-to-hungary/>; <https://www.coe.int/en/web/herein-system/hungary>; *arts*: <https://www.dw.com/en/hungary-governments-theater-control-plan-triggers-actor-protests/a-51602470>; <https://variety.com/2013/film/news/hungarian-film-org-protests-funding-reforms-1118065578/>; <https://2015-2019.kormany.hu/hu/emberi-eroforrasok-miniszteriuma/kulturaert-felelos-allamtitkarsag>; *self-governance reform*: [https://2010-2014.kormany.hu/hu/belugyminiszterium/onkormanyzati-allamtitkarsag/szervezet.\)](https://2010-2014.kormany.hu/hu/belugyminiszterium/onkormanyzati-allamtitkarsag/szervezet.))



**Figure 1.4** Reforms as instruments of politically selective extraction and redistribution and diffusion of political capture (compiled by the author)

sources, public activities, or public units and public servants. The detailed figures involved in this extraction and redistribution are not available, neither individually or collectively. The budgetary connotations of individual decisions are practically impossible to detect and separately judge. The same is true of the financial consequences (costs and benefits) of reforms in different fields, and the beneficiaries of these reforms.

Reforms might result in direct resource redeployment from the population. For example, this was carried out in the case of the decrease of the country's debts through the deliberate transfer of 3 trillion HUF from citizens' mandatory private pension funds.<sup>291</sup> The ground was set by the government, blackmailing the citizens to transfer their mandatory private fund savings to the state's

291 Dénes Csurgó, "Így tapsolt el a kormány 3000 milliárd forintot" [This is how the government consumed 3,000 billion HUF], *Index*, October 8, 2015, [https://index.hu/gazdasag/2015/10/08/nyugdijreform\\_es\\_adossagsokkento\\_alap/](https://index.hu/gazdasag/2015/10/08/nyugdijreform_es_adossagsokkento_alap/).



pension fund.<sup>292</sup> The forced redeployment was called the “Pension Reform and Debt-Reduction Fund” (Freundenberg et al. 2016). Meanwhile, the government propaganda created distrust in pension funds, morally besmirching both the alternative funds themselves and those citizens keeping their pensions in them.<sup>293</sup> The coercively transferred funds, practically expropriation (nationalization without compensation), were never returned to the public as pension funds.<sup>294</sup> Instead, the funds were transferred into a fund formed by the Hungarian National Treasury (later Hungarian National Asset Management Inc.) in 2010. By 2013, 90 percent of the 3 trillion HUF were used to decrease public debts, and complement the state budget and state funds. In 2018, the taxed income and accumulated reserves of the company founded in 2015 to manage the remaining requisite funds were transferred to the National Asset Management Inc.,<sup>295</sup> managed by the minister without a portfolio subordinated to Orbán.<sup>296</sup>

Another way of virtual redistribution of resources from the population to the government is keeping otherwise declining public energy prices high. Government propaganda manipulates citizens with the government’s “generous” offer of a price decrease. This is, however, a fraction of the gain, while benefiting state-owned providers and private clients with the remaining extra profit.<sup>297</sup>

Selective resource redeployment through reforms in different public fields were facilitated by a law passed in 2020.<sup>298</sup> This law radically degraded the public

292 “Így államosították a magánnyugdíjpénztárakat – kronológia” [So were private pension funds nationalized [expropriated]—a chronology], *Origo*, August 8, 2011, <https://www.origo.hu/gazdasag/20110818-a-magannyugdijpenztarak-allamositasanak-kronologiaja.html>.

293 “Nagyot bukik, aki nem az állami nyugdíjat választja” [Those who opt for a non-public pension stand to lose big], *Origo*, November 14, 2010, <https://www.origo.hu/gazdasag/20101124-a-kormany-elfogadta-a-nyugdijrendszer-atalakitasarol-szolo-csomagot.html459010>.

294 “Nyugdíjpénztár: sokan egyetlen fillére sem számíthatnak” [Pension funds: many people can’t count on a penny], *Bama*, June 17, 2011, <https://www.bama.hu/gazdasag/nyugdijpenztar-sokan-egyetlen-fillere-sem-szamithatnak-384013>.

295 Gergely K. Kiss, “Kiderült: most nyeli el az állam, ami maradt a nyugdíjvagyonból” [Verified: the state is now swallowing up what’s left of pension assets], *napi.hu*, July 2, 2019, [https://www.napi.hu/magyar\\_vallalatok/nyugdij-magannyugdij-nyugdijvagyon.687220.html](https://www.napi.hu/magyar_vallalatok/nyugdij-magannyugdij-nyugdijvagyon.687220.html).

296 Hungarian National Asset Management Inc. (MNV) [https://www.mnv.hu/en/top\\_menu/company](https://www.mnv.hu/en/top_menu/company).

297 Krisztián Magyar, “Hatalmas átverés a Fidesz nagy választási csodafegyvere, sokan mégis beveszik” [Fidesz’s big electoral panacea is a huge scam, but many people still buy it], *Magyar Narancs*, June 10, 2017, <https://magyarnarancs.hu/belpol/hatalmas-atveres-a-fidesz-nagy-valasztasi-csodafegyvere-sokan-megis-beveszik-104655>.

298 “T/10098 A kulturális intézményekben foglalkoztatottak közalkalmazotti jogviszonyának átalakulásáról, valamint egyes kulturális tárgyú törvények módosításáról” [T/10098: Transformation of the legal status of civil servants employed in cultural institutions and amendment of certain laws relating to culture], April 14, 2020, <https://www.parlament.hu/irom41/10098/10098.pdf>; Pál Dániel Rényi, “Megszavazta a Fidesz: megszüntették a kulturális szférában dolgozók közalkalmazotti státuszát” [Fidesz voted in favor of abolishing the status of civil servants in the cultural sector], 444, May 5, 2020, <https://444.hu/2020/05/19/megszavazta-a-fidesz-megszuntettek-a-kulturalis-szferaban-dolgozok-kozalkalmazotti-statuszat>.



servant status of 20,000 cultural workers (theatre actors, artists, museologists, librarians, heritage workers, archivists, researchers, professors, etc.).<sup>299</sup> This legal move allows the government to decrease wages and support and carry out layoffs, mergers, restructurings and deprive institutions of their remaining autonomies without justification, while radically decreasing collective resisting capacities through constrained strike rights since 2010,<sup>300</sup> and community disaggregation.

Here is a more detailed example from higher education, showing all the aforementioned characteristics. In 2019, along with vocational schools, Orbán transferred higher education from the Ministry of National Human Resources to the Ministry of Innovation and Technology.<sup>301</sup> With this move, he gave full power to its minister, László Palkovics, who earlier carried out several “institutional reforms” in higher education at the government’s request. Not only has the management responsibility been changed, but also the autonomy of higher education has been increasingly curtailed since 2010 in the framework of reforms (Bajomi and Bozóki 2020). The law on higher education was modified at least six times—in 2011, 2015, 2016, 2017, 2018, and 2019—without prior consultations and retrospectively.<sup>302</sup> Along those “reform” modifications, the government selectively cut back the number of possible admissions to universities.<sup>303</sup> Selectively increased university fees, deliberately deprived potential applicants coming from poorer social conditions (Bajomi et al. 2019). The ministry merged universities<sup>304</sup> and

299 Ábrahám Vass, “Gov’t to Terminate Public Employee Status of Cultural Employees, Unions Say It Is an Execution,” <https://hungarytoday.hu/govt-terminate-public-employee-status-cultural-unions/>.

300 Edit Kajtár, “Magyar sztrájkjog a nemzetközi és az európai szabályozás fényében” [Hungarian strike law in the light of international and European regulations], PhD thesis, University of Pécs, Faculty of Law, 2011, <https://ajk.pte.hu/files/file/doktori-iskola/kajtar-edit/kajtar-edit-vedes-tezisek.pdf>; Mónika Varga, “A sztrájk törvény módosítását sürgetik a szakszervezetek” [Trade unions call for an amendment to the strike law], *infostart.hu*, January 12, 2021, <https://infostart.hu/belfold/2021/01/12/210112-bel1-1115-pert-nyertek-a-szakszervezetek-int-borosne-vm>.

301 Márk Herczeg, “Káslerrel átkerül a felsőoktatás Palkovicshoz” [Higher education transferred from Kásler to Palkovics], *444*, August 21, 2019, <https://444.hu/2019/08/21/kaslertol-atkerul-a-felsooktatás-palkovicshoz>.

302 Ádám Uzonyi, Ádám Öri, “Visszamenőleg változtatta meg a képzés feltételei a nemzeti felsőoktatási törvény” [The National Law on Higher Education has retroactively changed the conditions for completing a course], *Átlátszó*, November 7, 2019, <https://oktatás.atlatszo.hu/2019/11/07/visszamenőleg-valtoztatta-meg-a-kepzes-teljesitesenek-felteteleit-a-nemzeti-felsooktatási-törvény/>.

303 Sándor Joób and József Pirk, “Felsőoktatás: Orbán nem fog visszatáncolni” [Higher education: Orbán will not back down], *Index*, December 14, 2012, [https://index.hu/belfold/2012/12/14/felsooktatási\\_reform/](https://index.hu/belfold/2012/12/14/felsooktatási_reform/).

304 Attila Kálmán, “Előkerült Orbán régi terve: Palkovics gyűrja össze a budapesti egyetemeket” [Orbán’s old plan has reemerged: Palkovics to consolidate [merge] Budapest universities], *24.hu*, September 2, 2019, <https://24.hu/belfold/2019/09/02/budapest-university-egyetem-osszevonas-palkovics-orban-elte-bme-sote/>.

appointed budgetary officials into universities with dominant portfolios.<sup>305</sup> It also centrally defined and forbade the teaching of government-disliked social subjects at universities, for example, gender studies.<sup>306</sup>

Also the stripping the state from its public values may be interpreted as forced redeployment. Beginning in 2021, in the name of further reforms, universities were being deprived of their remaining autonomy and academic freedom. This process is combined with disaggregation, mergers, and subordinations. The redeployment process has been called a “model shift.” Foundations ruling over universities are being set up centrally, without prior consultation with the universities’ leadership. Based on laws accepted by the parliament, public money and assets are being transferred from central sources and state-owned companies’ shares to those foundations. The ninth amendment of the Fundamental Law requalified transferred public money and assets to foundations as private.<sup>307</sup> Thus, curators, appointed by Orbán, have no public accountability over decisions and spending. They exert ownership rights delegated by the government. They have total discretion in the appointment of the rector, his/her deputy, the members of the senate, department heads, and curricula, as well as the settlement of the operational and organizational rules. They also decide the budget, payments, stipends, and development and resources.<sup>308</sup> Curators’ positions are lifelong, filled by Fidesz appointees.<sup>309</sup> So far, no matter the intensity, form, and size of opposition, these decisions are carried out, and students and professors who have collectively opposed them are punished. University leadership teams are without instruments. The weakened Rectors’ Conference does not appeal, neither does it protest, for good reason. The legally degraded status of professors, formerly public servants, exposes them to loss of their job and institutional revenge. The clearest example for such forced resource redeployment in

305 Gergely Kováts, “A kancellári rendszer bevezetése magyar felsőoktatásban” [The introduction of the chancellor system in the Hungarian higher education], NFKK, 2016. [http://unipub.lib.uni-corvinus.hu/2205/1/NFKK\\_201601.pdf](http://unipub.lib.uni-corvinus.hu/2205/1/NFKK_201601.pdf).

306 Zsuzsanna Balázs, “A magyar kormány eltörölte a gender szakot a hazai egyetemeken” [The Hungarian government abolished gender studies in Hungarian universities], *Qubit*, October 16, 2018, <https://qubit.hu/2018/10/16/a-magyar-kormany-eltorolte-a-gender-szakot-a-hazai-egyetemeken>.

307 “Magyarország Alaptörvényének kilencedik módosítása” [Ninth amendment of Hungary’s Fundamental Law] MK 2020, No. 285, p. 10128, December 22, 2020, MK\_20\_285.pdf.

308 Erika Domokos, “Itt az idő a színész-rendező képzés kiszervezésére is a kormány szerint” [Time to outsource actor-director training, government says], *napi.hu*, May 27, 2020, [https://www.napi.hu/magyar\\_gazdasag/szinhas-es-filmmuveszeti-egyetem-alapitvany-itm-miniszter.707025.html](https://www.napi.hu/magyar_gazdasag/szinhas-es-filmmuveszeti-egyetem-alapitvany-itm-miniszter.707025.html); Erika Domokos, “Váratlanul lépett a kormány, mi lesz ebből?” [Unexpected government move, what will happen?], *napi.hu*, May 27, 2020, [https://www.napi.hu/magyar\\_gazdasag/varatlanul\\_lepett\\_a\\_kormany\\_mi\\_lesz\\_ebol.710973.html](https://www.napi.hu/magyar_gazdasag/varatlanul_lepett_a_kormany_mi_lesz_ebol.710973.html).

309 “Hungarian Press Roundup: Debate over University of Theater and Film Rages On,” *Hungary Today*, August 17, 2020, <https://hungarytoday.hu/theater-film-university-debate-press/>; “One Year as a Foundation-Controlled Institution,” June 1, 2020, <https://www.uni-corvinus.hu/hir/one-year-as-a-foundation-controlled-institution/?lang=en>; <https://dailynewshungary.com/six-more-hungarian-universities-to-be-run-by-foundations/>.

the name of educational reforms is that of the already mentioned case of SZFE (University of Theatre and Film Arts). This was the rare case when the community of students and professors, backed by international and domestic public support, openly resisted intervention. Three months of open resistance did not force the government to compromise. Instead, step by step, it brought to the open the otherwise unpublished measures of forced redeployment. All forms of peaceful resistance provoked coercive administrative reactions to the detriment of the community, occasionally unconstitutional, from the side of the fully empowered replacement elite backed by the government.<sup>310</sup> Another mode of administrative authority transferred by the government with redistributive consequences is the reassignment of ownership rights over public schools, earlier centralized from the discretion of local governments, to the clergy.<sup>311</sup>

The redeployment of activities overlaps with the direct redeployment of companies in the given market, for example, by reducing the asset values and pressuring owners to sell their properties and exit the market (Voszka 1995, 2001, 2018). These activities are subsequently redistributed to cronies upon government order. For example, this happened with the occupation and reassignment of the public school textbook market by the government.<sup>312</sup> Financial organizations were also directly subject to redeployment when the banking system was renationalized and reprivatized (Várhegyi 2013, 2014, 2015).<sup>313</sup> The privatization of banks in cooperative ownership was “allowed” to Orbán’s closest friend, Lőrinc Mészáros.<sup>314</sup> Also state functions may be forcedly redeployed in numerous public fields through market distortion. For example, transferring the city of Budapest’s rat killing business from the established expert to politically favored clients;<sup>315</sup> and concentrating, merging, and privatizing the energy

310 Fanni Czeglédi and Hanna Csatlós, “Elkészült a mesterterv: így menekítik ki az SZFE diákjait külföldi egyetemekre” [The master plan is ready: this is how SZFE students will be evacuated to foreign universities], *HVG*, March 17, 2021, [https://hvg.hu/elet/20210317\\_SZFE\\_kulfoldi\\_egyetemek\\_emergency\\_exit](https://hvg.hu/elet/20210317_SZFE_kulfoldi_egyetemek_emergency_exit).

311 Franko Provolone, “Így lett az egyház a Fidesz egyik legnagyobb szekerítője” [This is how the church became one of Fidesz’s biggest supporters], *Népszava*, April 21, 2016, [https://tenytar.blog.hu/2016/04/20/igy lett\\_az\\_egyhaz\\_a\\_fidesz\\_egyik\\_legnagyobb\\_szekertoloja\\_809](https://tenytar.blog.hu/2016/04/20/igy lett_az_egyhaz_a_fidesz_egyik_legnagyobb_szekertoloja_809).

312 “A strasbourgi elmarasztalás ellenére kitart a kormány a tankönyvpiac államosítása mellett” [Despite the Strasbourg censure, the government insists on nationalizing the textbook market], *Index*, March 19, 2019, [https://index.hu/kulfold/2019/03/19/a\\_strasbourgi\\_elmarasztalás\\_ellenere\\_kitart\\_a\\_kormany\\_a\\_tankonyvpiac\\_allamositasa\\_mellett/](https://index.hu/kulfold/2019/03/19/a_strasbourgi_elmarasztalás_ellenere_kitart_a_kormany_a_tankonyvpiac_allamositasa_mellett/); Szilárd Teczár, “Tankönyv csak az államtól!” [Textbooks only from the state!], *Magyar Narancs*, February 24, 2019, <https://magyarnarancs.hu/belpol/tankonyv-csak-az-allamtol-116723>.

313 Karoly Csabai, “BB, MKB, Takarékbank: jön az új szuperbank?” [BB, MKB, Takarékbank, here comes the new superbank?], *MFOR*, January 23, 2019, <https://mfor.hu/cikkek/vallalatok/bb-mkb-takarekbank-jon-az-uj-szuperbank.html>.

314 “Novemberben indul az új magyar gigabank” [The new Hungarian superbank starts in November], September 3, 2019, <https://www.azenzem.hu/cikkek/novemberben-indul-az-uj-magyar-gigabank/6131/>.

315 “Karácsony: Fideszes mutyi a fővárosi patkányos közbeszerzés” [The public procurement concerning rat killing is a Fidesz-business], *ezalenyeg.hu*, September 17, 2019, <https://ezalenyeg.hu>

network,<sup>316</sup> a coal plant,<sup>317</sup> the water infrastructure,<sup>318</sup> and the mobile network.<sup>319</sup> Another way of redeployment through market distortion is creating a market for Fidesz-close businesses connected to public ownership and strategic investments. For example, choosing them to build the security facilities of the new block of Hungary's nuclear plant, the infrastructure leading to it,<sup>320</sup> managing its insurance policy,<sup>321</sup> and entrusting it with the operation of the electoral software systems management.<sup>322</sup> Redeployment can also happen by directly transferring state monopoly (concessions) to cronies, elevating them to dominant positions in waste management,<sup>323</sup> gas and electricity infrastructure (Tóth and Ungár 2018),<sup>324</sup> the communication industry (Tóth and Hajdu 2017a), tobacco distribution (Laki 2015a, 2015b) or motorway concession for 35 years (Botos 2022).

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- .hu/helyi-problema/fideszes-mutyi-a-fovarosi-patkanyos-kozbeszerzes-115; Katalin Erdélyi, "Furcsa tenderrel került új kézbe a fővárosi patkányirtás" [A suspicious tender helped a new business take over the capital's rat killing], *Átlátszó*, August 22, 2018, <https://blog.atlatszo.hu/2018/08/furcsa-tenderrel-kerult-uj-kezbe-a-fovarosi-patkanyirtas/>.
- 316 "Mészáros cége látja majd el árammal a Tiszántúlt" [Mészáros' company will supply electricity to the Tiszántúl region], *Index*, October 4, 2019, [https://index.hu/gazdasag/energia/2019/10/04/opus\\_global\\_eon\\_mvm\\_meszaros\\_lorinc/](https://index.hu/gazdasag/energia/2019/10/04/opus_global_eon_mvm_meszaros_lorinc/).
- 317 Ibolya F. Vitéz, "Mészáros Lőrinc már szabadulna az erőművétől" [Lőrinc Mészáros would rather get rid of his power plant], *24.hu*, October 7, 2019, <https://24.hu/kozelet/2019/10/07/matrai-eromu-meszaros-lorinc-veszteseg-bezaras/>; "17 milliárdért vette meg az állam a Mátrai Erőművet" [The state bought the Mátra Power Plant for 17 billion], *444*, March 26, 2020, <https://444.hu/2020/03/26/17-milliardert-vette-meg-az-allam-a-matrai-eromvet>.
- 318 Tamás Bodoky, "Vízháború Magyarországon" [War on water in Hungary I.], February 9, 2010, [https://index.hu/gazdasag/magyar/2010/02/09/vizhaboru\\_magyarorszagon\\_i/](https://index.hu/gazdasag/magyar/2010/02/09/vizhaboru_magyarorszagon_i/); Jogszerűen rúgták ki a franciákat a vízműből" [The French were legally pushed out from the waterworks], *Index*, March 18, 2010, [https://index.hu/belfold/2010/03/18/jogszeruen\\_rugtak\\_ki\\_a-franciakat\\_a\\_vizmubol/](https://index.hu/belfold/2010/03/18/jogszeruen_rugtak_ki_a-franciakat_a_vizmubol/).
- 319 "Fideszes államosítások: orthodox lenyúlás" [Fidesz-made nationalizations: orthodox theft], *Népszabadság*, March 6, 2014, <http://nol.hu/gazdasag/ortodox-lenyulas-1448685>.
- 320 "A Paksi Atomerőműtől nyert el projektet a Mészáros és Mészáros Kft" [Meszaros and Mészáros Ltd. won the tender from Paks Nuclear Plant], *Portfolio*, December 15, 2020, <https://www.portfolio.hu/uzlet/20201215/a-paksi-atomeromutol-nyert-el-projektet-a-meszaros-es-meszaros-kft-461918>.
- 321 "Mészáros Lőrinc cége lett a Paks II. biztosítási alkusza" [Lőrinc Mészáros's company appointed insurance broker for Paks II], *Index*, November 1, 2020, [https://index.hu/belfold/2020/11/01/meszaros\\_lorinc\\_biztositas\\_alkusz\\_ceg\\_vallalat\\_tender\\_unios\\_kozbeszerzes\\_hungarikum\\_biztositasi\\_alkusz\\_paks\\_ii/](https://index.hu/belfold/2020/11/01/meszaros_lorinc_biztositas_alkusz_ceg_vallalat_tender_unios_kozbeszerzes_hungarikum_biztositasi_alkusz_paks_ii/).
- 322 "A választási rendszer üzemeltetése is a Mészáros-Jászai tulajdonhoz került a T-Systems megvásárlásával" [With the acquisition of T-Systems, the operation of the election system also became the property of Mészáros-Jászai], *168 Óra*, July 11, 2019, <https://168ora.hu/itthon/4ig-valasztasi-rendszer-informatika-jaszai-gellert-meszaros-lorinc-170995>.
- 323 Ákos Keller-Alánt, "A nagy biznisz" [The big business], *Magyar Narancs*, July 9, 2016, <https://magyarnarancs.hu/riport/a-nagy-biznisz-99630>.
- 324 "Ultimately, this regulation was clearly favorable to a private company [the MET Hungary AG and its successor the METI AG] originally owned by the Hungarian oil, gas and petrochemical group, the MOL Group that traded in the Budapest Stock Exchange. The ownership structure of the MET Hungary and its successors was changed several times from 2007 to 2016; first Russian companies owned by Russian private persons and then Hungarian private persons became the

The characteristics of the process and technique of redeployment instrumentalizing structural “reforms” smoothly fit into the forced nature of resource redeployments: centralized decisions, high speed, no prior consultations, no prior impact study, no professionals used in implementation, and uncompromising execution. Continuous and repeated interventions serve resource extraction in the public field and politically selective redistribution to those connected to Fidesz, expanding diffusion of political capture. Interventions have no intention nor result of enhancing social well-being.

We can conclude that the public sphere is contemplated as a domain for resource extraction for redistribution through reforms and model changes, rather than a government task to increase well-being. This is reflected in the decreased ratio of welfare expenditures (healthcare, pensions, education, environment protection, etc.) in the state budget for 2020 compared to 2010. These items together declined from 30.9 percent to 24.5 percent. So did the ratio of all individual items within it. For example, compared to the 7 percent of EU average spent on healthcare, the Hungarian government spends 4 percent of the GDP.<sup>325</sup> Though living standards increased, in 2017, one-third of the population lived below the subsistence level.<sup>326</sup>

Consequences of such decline in public service are manifested in neglected public buildings, poor working conditions, lack or low quality of equipment, unit shutdowns, neglected staff, low wages, loss of professionals, labor shortage, grievances, demonstrations, and labor outflow from public to private fields.

Indirect signs of this phenomena are the increasing number of students dropping out of higher education following the government’s repeatedly failing educational reforms (Köllő and Sebők 2020), the growing percentage of emigrations to Western countries by intellectuals and skilled labor (Hárs and Simon 2015; Varga 2017), and the growing number of outward migrating youth (Hárs and Simon 2020). In 2019, the number of those settled abroad within the year was 100,000.<sup>327</sup> To this number should be added the 13,000 students in 2018 who

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owners. Finally, the network of owner companies of MET shows a special pattern. The dominance of Cypriot offshore companies in the ownership network of the MET Holding is well-marked: the five owners owned indirectly the MET Holding in 2016 using ten other companies as intermediate owners, including five offshore companies.” <http://www.crcb.eu/?p=1387>.

325 “A központi költségvetés kiadásai [3.7.4.]” [Expenditures in the state budget table 3.7.4.], KSH, 2018, [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qse007a.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qse007a.html); Zsolt Papp, “Jóléti megszorításokkal operálnak Orbánék” [The Orbán government manipulate with welfare cuts], *Népszava*, July 29, 2019, [https://nepszava.hu/3044757\\_joleti-megszoritasokkal-operalnak-orbanek](https://nepszava.hu/3044757_joleti-megszoritasokkal-operalnak-orbanek).

326 Gergely K. Kiss, “Kiderült, mekkora a létminimum - ennyien élnek ennél is kevesebből” [The amount of living wage and the number of people living under it], *napi.hu*, July 31, 2018, [https://www.napi.hu/magyar\\_gazdasag/kiderult\\_mekkora\\_a LETminimum\\_ennyien\\_elneg\\_ennel\\_is\\_kevesebbol.663483.html](https://www.napi.hu/magyar_gazdasag/kiderult_mekkora_a LETminimum_ennyien_elneg_ennel_is_kevesebbol.663483.html).

327 “Újra több magyar dolgozik külföldön” [More Hungarians working abroad again], *Portfolio*, January 2, 2019, <https://www.portfolio.hu/gazdasag/20190102/ujra-tobb-magyar-dolgozik-kulfoldon-309159>.

left for Western higher education.<sup>328</sup> Further evidence is the fleeing of professionals in the low-paying public sector to unskilled jobs in private fields.<sup>329</sup> The worst situation is in the healthcare and social work sector, where job vacancy is the highest, followed by the education sector.<sup>330</sup> All these figures, together with the steadily declining unemployment rate, indirectly suggest labor shortage in both public and private sector in the context of overheated economic growth. Officially, job vacancies in the private sphere increased from over 18,000 in 2010 to close 90,000 in 2018 (Bakó and Lakatos 2018, 28, figure 3). According to expert estimations, about 300,000 skilled workers would have been required in 2018.<sup>331</sup> The steeply growing labor shortage hinders production increases in the manufacturing industry more dramatically than in services. This is shown in figures from the Organization for Economic Cooperation and Development (OECD 2019, figure 9; Köllő and Sebők 2020, 27).

In sum, reforms mean the starving out, centralizing, crushing, erasing, occupying, replacing, disaggregating, and merging of public activities and intellectual autonomies and values into government-appointed replacements. Similar reforms (model shift) and radical interventions shocked public services, public administration, and public government infrastructure. They occur in all fields of government duty: elementary and higher education, public kindergartens, nursery schools, public healthcare, public transportation, emergency services, firefighting, waste management, insect and rat killing, ambulance, medical duty services, house doctors, police, dental services, hospitals (poor conditions, lack of instruments, ran down buildings, hospital virus killing patients, long waiting lists) postal services, public culture, arts, literature, archives, libraries, museums, theatres, publishing, printing, world heritage, architecture, buildings, history, elementary and vocational curricula, science and its public management, laws regarding minorities, sexual orientation, family composition (same-sex

328 “Egyre több érettségiző megy külföldre—Ezek a legnépszerűbb célországok” [More and more school leavers go abroad—These are the most popular destinations], *Forbes*, May 10, 2018, <https://forbes.hu/uzlet/egyre-tobb-erettsegizo-megy-kulfoldre-a-legnepszerubb-celorszagok/>.

329 “A kórházakból szép lassan eltűnnek az ápolók” [Nurses are slowly disappearing from hospitals], *Index*, June 22, 2017, [https://index.hu/belfold/2017/06/22/korhaz\\_jahn\\_ferenc\\_korhaz\\_ikea\\_apolok\\_fizetes/](https://index.hu/belfold/2017/06/22/korhaz_jahn_ferenc_korhaz_ikea_apolok_fizetes/); Nóra Diószeghi-Horváth, “Az egészségügy totális kudarca az, amikor a dolgozók inkább elmennek bútor árulni” [It is a total failure of the health service when workers prefer to leave to sell furniture instead], *Kettős Mérce*, June 23, 2017, [https://kettosmerce.blog.hu/2017/06/23/az\\_egeszsegugy\\_totalis\\_kudarca\\_az\\_amikor\\_a\\_dolgozok\\_inkabb\\_elmennek\\_butort\\_arulni](https://kettosmerce.blog.hu/2017/06/23/az_egeszsegugy_totalis_kudarca_az_amikor_a_dolgozok_inkabb_elmennek_butort_arulni).

330 “Hihetetlen, hogy mennyi ember hiányzik Magyarországról—A helyzet csak rosszabb lesz” [It’s unbelievable how many people are missing from Hungary—The situation is only getting worse], *Portfolio*, December 8, 2018, <https://www.portfolio.hu/gazdasag/20181208/hihetetlen-hogy-mennyi-ember-hianyzik-magyarorszagrol-a-helyzet-csak-rosszabb-lesz-307165>.

331 József Hornyák, “Ez a legnagyobb baj: már 300 ezer ember hiányzik Magyarországról” [This is the biggest problem: already 300,000 people are missing from Hungary], *Portfolio*, July 6, 2018, <https://www.portfolio.hu/gazdasag/20180706/ez-a-legnagyobb-baj-mar-300-ezer-ember-hianyzik-magyarorszagrol-290744>.

marriage and adoption, single-parent adoptions, adoption conditions), violence within the family, social relations, wages, and homelessness.

Resource redeployments, nested in diffused political capture, lead to malfunctions in social fields: poverty, and racial segregation, a growing number of those left behind, the increasing gap between the upwardly mobile strata and those marginalized (Cseres and Molnár 2014; Czibere et al. 2017). Expertise is missing in all subfields, while the remaining experts are overburdened. Public infrastructure is decrepit and technically unprepared for both the present and the future. Alternatives and grassroots initiatives are starved out and drastically constrained. Behind the success propaganda on well-being, reforms, development, and slogans such as “Hungary performs better” and “human life first,” an overall crisis has developed in public fields. This crisis has hit all branches of public service and public government infrastructure. These examples illustrate how forced resource redeployment through the diffused channels of political capture in the name of reforms contributes to institutionalized corruption in the public sphere. Examples support the arguments of Gerő and Kovach in this book (chapter 2) that welfare, project-based, and recombinant redistributions strongly interact. They also show the ways they interact through the expanding channels of diffused political capture.

Simultaneously, they illustrate the destructive consequences of forced resource redeployment and institutionalized corruption through the expanding channels of diffusion of political capture: the stripping off of public wealth in the name of reforms.

Orbán’s motivations to enhance the diffusion for power and wealth are limitless, aspiring and actively working to rule over a cultural era that evolves from a system into a uniform “spiritual order, a kind of prevailing mood, perhaps even taste—a form of attitude.”<sup>332</sup> Next I will demonstrate that government development programs are having similar redeployment functions as reform programs in the public sphere.

### ***Diffusion of the Network and Forced Redeployment by Instrumentalizing Government Development Programs***

The EU budget must be placed onto equitable foundations in view of the fact that its fundamental concept is unfair, and it includes amendments that aim at reshuffling monies from the poorer countries to the richer ones.<sup>333</sup>

Prime Minister Viktor Orbán, February 2020

332 Prime Minister Viktor Orbán’s speech at the 29th Bálványos Summer Open University and Student Camp on July 29, 2018, <https://2015-2019.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-29th-balvanyos-summer-open-university-and-student-camp>.

333 “The EU Budget Must Be Placed onto Equitable Foundations,” February 3, 2019, <https://2015-2019.kormany.hu/en/the-prime-minister/news/the-eu-budget-must-be-placed-onto-equitable-foundations>.



National development programs in contemporary Hungary legally disguise the sources of politically selective extraction and the targets of politically selective distribution. This particularly concerns national (public) wealth at both central and local levels, central and local budgetary reserves and of state-owned enterprises, reprivatized state-owned enterprises, and foreign resources such as Chinese and Russian loans and EU funds. The forms of distribution differ but may include public procurement tenders or individual government decisions for investment support,<sup>334</sup> and non-refundable subsidies.<sup>335</sup> Between 2007 and 2017, 50 percent of the investment sources were provided by EU funds (Fazekas et al. 2013). These sources were distributed in unpublished amounts among large-, medium-, and small-sized enterprises through various government programs. Their distribution is institutionalized through state development programs, several of them in the hands of Orbán personally and Rogán, the head of Orbán's cabinet (fig. 1.2 and fig. 1.3). Such programs are, for example, in the building industry, urban development, a castle development program, a modern cities program, a rural development program, real estate business, and tourism.

Different frameworks of development programs may overlap, as they benefit the same enterprises (same businesspeople), owing to the same criteria of selective resource distribution through the diffused channels of political capture. For example, some companies held as strategically important enterprises might engage in an investment project qualified by the government as strategically important at the national level, and/or simultaneously join a strategic partnership directly or through connected strategic investments, and profiting from both nationalization or re-privatization.

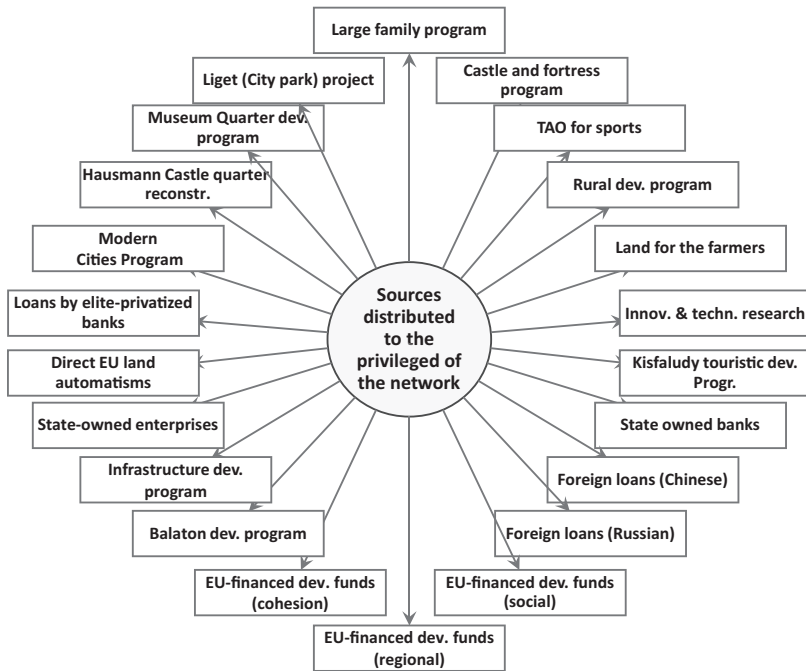
Case-by-case empirical surveys would be necessary to reveal the criteria of being privileged and to what extent those privileged individuals, enterprises, and investments overlap. However, only a few such studies have been done (Sipos 2007; Várhegyi and Voszka 2010; Tóth and Ungár 2018). Lacking significant and relevant databases, I rely on scattered, segregated data and sources in different activity fields. Some are revealed in empirical research, some in newspapers, and others in thorough data analysis of public procurement (Tóth and Hajdu, chapter 3 in this book), and in government declarations. Examples of government development programs are depicted in figure 1.5.

Named categories of distribution in figure 1.5 occasionally partially overlap and are frameworks and sources financed within those frameworks. Some of these sources are normative, but result in individual privileges, due to the government-close positions of certain enterprises and individuals. Others are in

334 "Válasz a K/10270 számú írásbeli kérdésre: 'Milyen vállalatok kaptak 100 millió forintot meghaladó összegű vissza nem térítendő támogatást az elmúlt 15 évben'" [Which companies have received more than HUF 100 million in grants in the last 15 years], parlament.hu, March 19, 2013, <https://www.parlament.hu/irom39/10270/10270-0001.pdf>.

335 "Magyar multi program: támogatási térkép" [Hungarian multi program, subsidy map], 2020, European Regional Development Fund of EU, [https://mmp.ifka.hu/medias/41/tamogatasiterkep\\_mmp.pdf](https://mmp.ifka.hu/medias/41/tamogatasiterkep_mmp.pdf).





**Figure 1.5** Development programs as instruments of politically selective (discriminative) resource (re)distribution (compiled by the author)

principal individuals. Some are advertised in public tenders, others are individualized. All of them encompass different time periods, and are declared orally or in documents. Some are partly spent, while others are totally spent within the given time frame. Additionally, programs partially overlap regarding sub-fields, and these frameworks are used jointly or separately. Moreover, new development programs are born day by day, without updated official enumeration. Therefore, no static list can be aggregated or complete.

Figure 1.5 does not contain all programs, and not all of the programs have official references, nor can all listed programs with evident financial background be expressed in numbers. Here are some examples with published amounts:

- 15 billion HUF, a program that assists large families with several children to purchase a sizable car.<sup>336</sup>

336 Magyar Államkincstár: “Közlemény a nagycsaládosok autóvásárlási támogatásáról” [Notice on car purchase subsidies for large families], államkincstar.gov.hu, January 28, 2020, <http://www.allamkincstar.gov.hu/hu/oldalak/tartalom/7577/>.

- 400 billion HUF in 2019 for real estate purchases connected to the state's birth incentive plans.<sup>337</sup>
- 522 billion HUF for the corporate income tax transfers for sports program in 2018.<sup>338</sup>
- 1.3 trillion HUF between 2014 and 2020, for a rural development program.<sup>339</sup>
- 3.75 trillion HUF by 2025 for the modern cities development scheme.<sup>340</sup>
- 300 billion HUF in 2020 for innovation and technology projects initiated by the minister.<sup>341</sup>
- 317 billion HUF until 2030 for the Kisfaludy tourism development program of the Hungarian Tourism Agency (MTÜ) supervised by Antal Rogán.<sup>342</sup>
- 828 billion HUF more funds for the development of tourism in the next decade.<sup>343</sup>
- 12 trillion HUF for EU operative programs between 2014 and 2020.<sup>344</sup>
- 750 billion HUF from a Chinese loan for railway construction and operation between Budapest-Belgrade.<sup>345</sup>

337 "44/2019. (III. 12.) Korm. rendelet a babaváró támogatásról" [Government Decree 44/2019 (III. 12.) on the baby carriage support], March 12, 2019.

338 "Társasági adó terhére adható sportcélú támogatások" [Subsidies at the expense of corporate income taxes for sports], <https://24.hu/belfold/2018/04/04/tao-felcsut-sporttamogatas>.

339 <https://2015-2019.kormany.hu/hu/foldmuvelesugyi-miniszterium/videkfejlesztesert-felelos-allamtitkarsag/hirek/az-agrarium-versenykepessegének-novekedesét-segíti-a-vidékfejlesztési-program>;

Land for the farmers program 1062/2016. (II. 25.) Korm. határozat a "Földet a gazdáknak!" Program keretében az állami tulajdonú földek földművesek részére történő értékesítésének folytatásához szükséges intézkedésekről [Government resolution on the measures necessary to continue the sale of state-owned land to farmers in the framework of the program], [https://net.jogtar.hu/getpdf?docid=A16H1062.KOR&targetdate=fffff4&printTitle=1062/2016.+%28II.+25.%29+Korm.+hat%C3%A1rozat&referer=http%3A/net.jogtar.hu/jr/gen/hjegy\\_doc.cgi%3Fdocid%3D00000001.TXT](https://net.jogtar.hu/getpdf?docid=A16H1062.KOR&targetdate=fffff4&printTitle=1062/2016.+%28II.+25.%29+Korm.+hat%C3%A1rozat&referer=http%3A/net.jogtar.hu/jr/gen/hjegy_doc.cgi%3Fdocid%3D00000001.TXT).

340 "Modern Cities Scheme Provided Hungarian Cities with More Than 150 billion HUF in 2018," *About Hungary*, January 2, 2019, <http://abouthungary.hu/news-in-brief/modern-cities-scheme-provided-hungarian-cities-with-more-than-150-billion-huf-in-2018>.

341 Adrienn Csókás, "Innovációs gigaberuházások jönnek" [Mega investments on innovation are coming], *Magyar Nemzet*, January 7, 2020, <https://magyarnemzet.hu/belfold/innovacios-gigaberuhazasok-jonnek-7649015/>.

342 Kisfaludy Program (MTÜ): Magyarország épül, Magyarország megújul" [Hungary is being built, Hungary is being renewed], [https://kisfaludyprogram.hu/media/uploads/dokumentumok/lezart\\_palyazatok/archiv/05/TFC-1-2-1\\_Sopron\\_sz%C3%A1lloda\\_l%C3%A9tes%C3%ADt%C3%A9s\\_TFC1\\_2\\_1\\_2020\\_marc.pdf](https://kisfaludyprogram.hu/media/uploads/dokumentumok/lezart_palyazatok/archiv/05/TFC-1-2-1_Sopron_sz%C3%A1lloda_l%C3%A9tes%C3%ADt%C3%A9s_TFC1_2_1_2020_marc.pdf); <http://kisfaludyprogram.hu/>.

343 "Magyarország legyen 2030-ra Közép-Európa vezető turisztikai térsége" [Hungary to become the leading tourism region in Central Europe by 2030], April 13, 2019. <https://2015-2019.kormany.hu/hu/miniszterelnoki-kabinetiroda/hirek/magyarorszag-legyen-2030-ra-kozep-europa-vezeto-turisztikai-tersege>.

344 "Az Európai Bizottság által elfogadott operatív programok" [Operative programs accepted by the European Committee], [https://www.palyazat.gov.hu/az\\_europai\\_bizottsag\\_altal\\_elfogadott\\_operativ\\_programok\\_2014\\_20](https://www.palyazat.gov.hu/az_europai_bizottsag_altal_elfogadott_operativ_programok_2014_20).

345 Tamás Fábán, "Tíz évre titkosították minden idők egyik legnagyobb magyar vasúti projektjét" [One of the biggest Hungarian railway projects ever shelved for ten years], *Index*, May 19,

- 40.4 billion HUF for the Castle and Fortress program.<sup>346</sup>
- 300 billion HUF for the Liget project (Public Park reconstruction). So far, about 150 billion HUF has been spent.<sup>347</sup>
- 150 billion HUF, a sum planned in 2016, for building a museum quarter on Heroes' Square.<sup>348</sup>
- 36 billion HUF for the Hausmann plan (Castle Hill reconstruction program).<sup>349</sup>
- 300 billion HUF for the Hotel and guesthouse development program.<sup>350</sup>
- 367 billion HUF through 2020 for the Balaton development program.<sup>351</sup>
- 5 trillion HUF through 2022 for the Infrastructure development program<sup>352</sup>

What is common is that the resource fields are sources of economic growth. At the same time, due to their selectivity through the diffusion of political capture, these programs serve as sources of capital accumulation for the privileged. They provide government resources and decisions to take over competitors' wealth, nationalized and reprivatized banks, and even companies. These programs secure sources and chances for privileged actors to invest in, or purchase infrastructure, industry or land, buildings, castles, forests, hotels, and so on. Government programs also serve as a source of further redistribution by the privileged to "input clientele." This latter action further widens the fields of diffusion of the network of political capture and institutionalized corruption, and the number of those profiting from budgetary or foreign sources, through re-redistribution.

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2020, [https://index.hu/belfold/2020/05/19/budapest\\_belgrad\\_vasut\\_projekt\\_titkositas\\_szerzodes\\_beruhazas/](https://index.hu/belfold/2020/05/19/budapest_belgrad_vasut_projekt_titkositas_szerzodes_beruhazas/).

346 "Múltunk jelen időben: Nemzeti Kastélyprogram, Nemzeti Várprogram" [Our past in present: National Castle and Fortress project], <http://nkvp.hu/#palyazatok>.

347 Zoltán Jandó, "A Liget-projekt 150 milliárdjának kétharmada kormányközeli vállalkozókat gazdagított" [Two-thirds of the 150 billion of the Liget project enriched pro-government entrepreneurs], *g7.hu*, November 8, 2019, <https://g7.hu/kozelet/20191108/a-liget-projekt-150-milliardjanak-ketharmada-kormanykozeli-vallalkozokat-gazdagított/>.

348 "Múzeumi negyed a városligetben" [Museum quarter in the Liget], *Index*, February 5, 2021, [https://index.hu/aktak/varosliget/varosliget\\_fakivagas\\_ligetvedok\\_muzeumi\\_negyed\\_liget\\_projekt\\_liget\\_budapest/](https://index.hu/aktak/varosliget/varosliget_fakivagas_ligetvedok_muzeumi_negyed_liget_projekt_liget_budapest/).

349 "About the National Haussmann program (in the Castle Hill)," <https://nemzetihauszmanprogram.hu/>.

350 "Kisfaludy szálláshelyfejlesztési konstrukció: panziók létesítése" [Kisfaludy accommodation development construction: establishment of guesthouses], <https://palyaz.hu/panziok-es-szallodak-letesitese/>.

351 "Balaton Területfejlesztési Stratégiai Program" [Balaton Regional Development Strategic Programme], 2015, <https://regionalispolitika.kormany.hu/download/c/e2/31000/Balaton%20Ter%C3%BCletfejleszt%C3%A9si%20Strat%C3%A9giai%20Program.pdf>.

352 "Magyarország elkötelezett a közlekedési és logisztikai infrastruktúra fejlesztése mellett" [Hungary committed to developing transport and logistics infrastructure], October 21, 2019, <https://2015-2019.kormany.hu/hu/innovacios-es-technologiai-miniszterium/kozlekedespolitikaert-felelos-allamtitkar/hirek/magyarorszag-elkotelezett-a-kozlekedesi-es-logisztikai-infrastruktura-fejlesztese-mellett>.

The distribution of budgetary and EU sources and loans, and individual investment supports are complemented by the direct distribution of national wealth (public assets) through the government organizations responsible for them.<sup>353</sup> The administrative management and distribution of national-level projects are at the personal discretion of the prime minister and his direct subordinates (figs. 1.1–1.3): his chief of cabinet (fig. 1.2), the deputy prime ministers, the superministers, and ministers without portfolio. Distribution is decided by Orbán, while executed directly by these leaders individually, or through board members directly appointed by them. As a result, distribution is highly politically selective, uncontrolled, and institutionalizes corruption through centrally diffused channels of political capture.

For example, the government has provided privatization opportunities after renovations covered by the state budget, through the “castle and fortress development” program.<sup>354</sup> Privileged enterprises and individuals have benefited from the “rural development” program<sup>355</sup> and were allowed to selectively accumulate through the “modern cities” program.<sup>356</sup> Those who are politically preferred

353 “Létrejött a Nemzeti Földügyi Központ” [National Land Management Center has been created], Nemzeti Agrárgazdasági Kamara, July 2, 2019, <https://www.nak.hu/tajekoztatasi-szolgalattas/jogszabalyok/235-jogszabalyi-osszefoglalo/99796-letrejott-a-nemzeti-foldugyi-kozpont>.

354 László Szily, “1,4 milliárdnyi közpénzből újítják fel a Tiborcz Istvánék által bagóért megvett kastélyt” [1.4 billion in public funds to renovate the castle bought by István Tiborcz and his family for a pittance], *444*, November 25, 2019, <https://444.hu/2019/11/25/14-milliardnyi-kozpenzbol-ujitjak-fel-a-tiborcz-istvanek-atal-bagoert-megvett-kastelyt>; Marianna Kovács-Angel, “Tura még az idén rendbe teszi a Tiborczék kastélyához vezető utat” [Tura will repair the road to the Tiborczs’ castle this year], *24.hu*, April 4, 2019, <https://24.hu/belfold/2019/04/26/tura-tiborcz-kastelyt>; “Pert indítottunk az eltitkolt átvilágítási jelentésért, lecserelték a projektgazdát az uniós kastélyfelújítási programban” [Lawsuit filed for secret diligence report, project manager replaced in EU castle renovation program], *Átlátszó*, December 6, 2017, <https://blog.atlatszo.hu/2017/12/pert-inditottunk-az-elitkolt-atvilagitasi-jelentesert-lecsereletek-a-projektgazdat-az-unios-kastelyfelujitasi-programban/>.

355 “Interaktív térképen mutatjuk meg, hogy mennyi EU-s pénzt kaptak a magyar települések” [Interactive map shows how much EU money Hungarian municipalities have received], *Átlátszó*, March 3, 2016, <https://atlatszo.hu/2016/03/31/interaktiv-terkepen-mutatjuk-meg-hogy-mennyi-eu-s-penz-kaptak-a-magyar-telepulesek/>.

356 Most major developments are concentrated in Debrecen, the hometown of the minister without portfolio, Lajos Kósa, responsible for the development of county-level municipalities. Kósa is one of the earliest Fidesz founders and also served as the mayor of Debrecen from 1998 to 2014. “Debrecen Is the Number One Investment Destination in Central Europe,” November 14, 2019, <https://2015-2019.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/debrecen-is-the-number-one-investment-destination-in-central-europe>. The government ordered the reallocation of the Museum of Natural History from Budapest to Debrecen: “Majd keressük új muzeológusokat”—A Természettudományi Múzeumot is lenyomja a kormányzati arrogancia” [No problem, ‘We’ll be looking for new museologists’—The Natural History Museum is also being squeezed by government arrogance], *HVG*, June 4, 2019, [https://hvg.hu/itthon/20190604\\_Termeszettudomanyi\\_Muzeum\\_koltozes\\_debrecen](https://hvg.hu/itthon/20190604_Termeszettudomanyi_Muzeum_koltozes_debrecen). Other investments are the multiplication of the logistic branch of the Hungarian Post Office in Debrecen: “Megötszörözte debreceni logisztikai üzemének területét a Magyar Posta” [Magyar Posta quintuples the area of its logistics

have acquired land through the framework of the “land for farmers” program.<sup>357</sup> They also profit from state support through the “local tourism” development program<sup>358</sup> and the Balaton development program.<sup>359</sup> Recipients of the public

- plant in Debrecen], April 4, 2018, <https://2015-2019.kormany.hu/hu/tarca-nelkuli-miniszter-2/hirek/megotszorozte-debreceni-logisztikai-uzemenek-teruletet-a-magyar-posta>. Appointment of an industrial-innovation site: “22/2017. [III. 2.] Korm. rendelet a Debrecen megyei jogú város területén ipari-innovációs fejlesztési terület kialakításával és a területen megvalósuló járműipari, valamint kutatás-fejlesztési célú beruházásokkal összefüggő közigazgatási hatósági ügyek nemzetgazdasági szempontból kiemelt jelentőségű üggyé nyilvánításáról” [Government decree on the development of an area for investments industrial innovation, and the declaration of strategic investment in the automotive industry, as well as research and development and their related administrative issues on the site in Debrecen], <https://net.jogtar.hu/jogszabaly?docid=A1700022.KOR&celpara=132/B&goto=-1>. Development of popular leisure and sports site: “A kormány további kétmilliárddal támogatja a debreceni strandfejlesztést” [Government supports Debrecen beach development with an additional two billion HUF], March 19, 2018, <https://2015-2019.kormany.hu/hu/tarca-nelkuli-miniszter-2/hirek/a-kormany-tovabbi-ke-tmil-liarddal-tamogatja-a-debreceni-strandfejlesztest>; Government support for the development of a private school in the city: Csaba László Horváth, “Közpénzmilliárdokból épül elit magániskola Debrecenben, 45 millió lesz a tandíj” [Billions of public money to build an elite private school in Debrecen, tuition fee will be 45 million], *24.hu*, September 14, 2018, <https://24.hu/belfold/2018/09/14/maganiskola-elitiskola-debrecen-tandij-kozpenz-kozbeszerzes/>.
- 357 “1666/2015. [IX. 21.] Korm. határozat a ‘Földet a gazdáknak!’ Program keretében az állami tulajdonú földek földművesek részére történő értékesítéséhez szükséges intézkedésekről” [On the necessary steps for selling state-owned land for farmers in the framework of the “land for the farmers” state program], <https://net.jogtar.hu/jogszabaly?docid=A15H1666.KOR&xtref-er=00000003.TXT>; István Váczi, “Az ország legnagyobb földesura lett Mészáros Lőrinc” [The country’s biggest landlord is Lőrinc Mészáros], *g7.hu*, May 16, 2019, <https://g7.hu/kozelet/20190516/az-orszag-legnagyobb-foldesura-lett-meszaros-lorinc/>; Nándor Mester, “Újabb szántók és erdők a kormánypárti földesurak tulajdonában” [More ploughs and forests owned by ruling party landlords], *MFOR*, February 1, 2021, <https://mfor.hu/cikkek/befektetes/ujabb-szantok-es-erdok-a-kormanyparti-a-foldesurak-tulajdonaban.html>.
- 358 Among the winners: Mészáros [richest front man in Hungary] and Tállai’s brother [Tállai is currently under secretary of the Ministry of Finance, delegated to the parliament]: “Tállai András: Magyarország ma az EU legnagyobb adócsökkentője” [András Tállai: Hungary is now the biggest tax cutter in the EU], *Origo*, October 12, 2019, <https://www.origo.hu/gazdasag/20191012-magyar-nemzet-tallai-magyarorszag-ma-az-eu-legnagyobb-adocsokkentoje.html>; Tamás Botos, “Mészáros tokaji ötcillagos hotelja 325 milliós támogatást kapott a Turisztikai Ügynökségtől” [Mészáros’s five-star hotel in Tokaj receives 325 million [HUF] from the Tourism Agency], *444*, January 8, 2019, <https://444.hu/2019/01/28/meszaros-tokaji-otcsillagos-hotelja-325-millios-tamogatast-kapott-a-turisztikai-ugynoksegtol>.
- 359 Katalin Erdélyi, “Tiborcz István egyhektáros, úszómedencés birtokot vett a Balatonnál” [István Tiborcz bought a one-hectare estate with swimming pool at Lake Balaton], *Átlátszó*, June 27, 2019, <https://atlatso.hu/2019/06/27/tiborcz-istvan-egyhektaros-uszomedences-birtokot-vett-a-balatonnal/>; “Megépülhet a luxusszálló és lakópark a balatonszemesi kemping helyén” [Luxury hotel and residential complex to be built on the site of the Balatonszemes campsite], *444*, September 5, 2019, <https://444.hu/2019/09/05/megepulhet-a-luxusszallo-es-lakopark-a-balatonszemesi-kemping-helyen>; Blanka Zöldi, “Próbálják titkolni, de a balatoni gigaberuházásnál is feltűnik Orbán apjának cége” [They try to keep it secret, but Orbán’s father’s company also appears in the Balaton mega-investment], *444*, November 29, 2017, <https://444.hu/2017/11/29/probaljak-titkolni-de-a-balatoni-gigaberuhazasnal-is-feltunik-orban-apjanak-cege>; András Bódis, “A NER tényleg bevette a Balatont: mutatjuk a 42 óriásprojektet” [The

money are overwhelmingly members of the central cluster. These recipients are also privileged through the Lake Velence development program,<sup>360</sup> the Lake Fertő development program,<sup>361</sup> and the large hotel investment project at the shores of the Lake Tata in the framework of the “tourism development” program.<sup>362</sup> Those politically selected also gain from the national-level bond program, organized for state-owned enterprises with the selection, support, and involvement of the National Bank. This bond program, compared to loans, grants the less controlled use of taxpayers’ money and public sources for selected individuals and enterprises.<sup>363</sup> All such programs are central and legalized, and mediated and facilitated by further government decisions.

In more detail, in 2018, a new bill was passed, and enacted in 2020, on the major development project of the Balaton Lake, with 42 massive development projects for about 130 billion HUF.<sup>364</sup> The framework of this program is publicly

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NER indeed has occupied the Lake Balaton], *Válasz Online*, May 29, 2020, <https://www.valaszonline.hu/2020/05/29/balaton-szalloda-molo-fejlesztés-tiborc-garanci-csanyi/>.

- 360 Acsai N. Ferenc, “Beruházás a Velencei-tónál—Szabad a pálya” [Investment at Lake Velencei—free for all], *Magyar Narancs*, September 8, 2017, [https://magyarnarancs.hu/bel-pol/beruhazas\\_a\\_velencei-tonal\\_-\\_szabad\\_a\\_palya-75677](https://magyarnarancs.hu/bel-pol/beruhazas_a_velencei-tonal_-_szabad_a_palya-75677); Dávid Dercsényi, “Velencén, úgy fest, a NER csókosai nekiállhatnak építkezni” [It looks like NER cronies are free to invest], *HVG*, September 8, 2019, [https://hvg.hu/itthon/20170908\\_Bucsut\\_mondhatunk\\_a\\_kisvarosias\\_kedves\\_Velencenek](https://hvg.hu/itthon/20170908_Bucsut_mondhatunk_a_kisvarosias_kedves_Velencenek).
- 361 1862/2016. (XII. 27.) Korm. határozat a Sopron-Fertő kiemelt turisztikai fejlesztési térség meghatározásáról és a térségben megvalósítandó egyes fejlesztések megvalósításához szükséges források biztosításáról [Sopron-Fertő declared as a strategic touristic development area and measures to be taken and financial support to be secured], [https://net.jogtar.hu/getpdf?docid=A16H1862.KOR&targetdate=fffff4&printTitle=1862/2016.+%28XII.+27.%29+Korm.+hat%C3%A1rozat&referer=http%3A//net.jogtar.hu/jr/gen/hjegy\\_doc.cgi%3Fdocid%3D00000001.TXT](https://net.jogtar.hu/getpdf?docid=A16H1862.KOR&targetdate=fffff4&printTitle=1862/2016.+%28XII.+27.%29+Korm.+hat%C3%A1rozat&referer=http%3A//net.jogtar.hu/jr/gen/hjegy_doc.cgi%3Fdocid%3D00000001.TXT) p. 1; Katalin Erdélyi, “Lake Fertő Closed for Construction—Locals Protest the Tourism Megaproject in the Protected Area,” *Átlátszó*, August 19, 2019, <https://english.atlatszo.hu/2019/08/19/lake-ferto-closed-for-construction-locals-protest-the-tourism-megaproject-in-the-protected-area/>; Attila Kálmán and Márton Mohos, “Napi háromszáz teherautóval érkehet a NER a Fertő tó partjára” [NER could arrive with 300 trucks a day to the shores of Lake Fertő], *24.hu*, November 2, 2020, <https://24.hu/belfold/2020/11/02/ferto-to-ner-meszaros-lorinc-szalloda-kikoto-riport/>; Géza Németh, “Ömlik a pénz a Fertő-tóba és a kaposvári uszodába” [Money dumped for Lake Fertő and the Kaposvár swimming pool], *napi.hu*, March 4, 2019, [https://www.napi.hu/magyar\\_vallalatok/kormany-allami-tamogatás-ferto-to-kaposvar-uszoda.679811.html?fbclid=IwAR35gtZkdWqzuJzwEDTEN--rMRPKSfFGHq-BrADThH-i4-c81CyHEY4lIfU](https://www.napi.hu/magyar_vallalatok/kormany-allami-tamogatás-ferto-to-kaposvar-uszoda.679811.html?fbclid=IwAR35gtZkdWqzuJzwEDTEN--rMRPKSfFGHq-BrADThH-i4-c81CyHEY4lIfU).
- 362 Flóra Dóra Csatári, “Nagyberuházásoktól féltik a tatai Öreg-tó hangulatát” [Major investments are feared to ruin the atmosphere of Old Lake at Tata], *Index*, March 5, 2020, [https://index.hu/belfold/2020/03/05/tata\\_oreg-to\\_szalloda\\_strand\\_korbejarhatóság\\_peticio/](https://index.hu/belfold/2020/03/05/tata_oreg-to_szalloda_strand_korbejarhatóság_peticio/).
- 363 Márton Kasnyik, “Tíz évre az adófizetők nyakába rakták a NER-nagyvállalatok kockázatát” [Taxpayers to bear the risk of large NER companies for ten years], *g7.hu*, December 6, 2019, <https://g7.hu/vallalat/20191206/tiz-evre-az-adofizetok-nyakaba-raktak-a-ner-nagyvallalatok-kockazatat/>.
- 364 “1861/2016. (XII. 27.) Korm. határozat a Balaton kiemelt turisztikai fejlesztési térség meghatározásáról és a térségben megvalósítandó egyes fejlesztések megvalósításához szükséges források biztosításáról” [Government decision over the declaration of strategic touristic

financed. It attains 40 settlements around the Balaton's shore for complex investment plans. These involve Orbán's closest friends, Mészáros and Garancsi; his son-in-law István Tiborcz; and Sándor Csányi, the head of the internationalized National Savings Bank (OTP). In 2018, Orbán's friend, Lőrinc Mészáros, and Tiborcz owned 14 camping sites and 10 hotels around the Balaton.<sup>365</sup>

Development projects awarded to the most privileged composed two-thirds of the government's development sources for the Balaton project.<sup>366</sup> The Balaton development program has been declared strategic,<sup>367</sup> private touristic investments within the framework are declared strategic,<sup>368</sup> and individual regulations are brought to the cabinet for exempting these projects from general rules defending public rights. Public camps for children's leisure sold for building apartments,<sup>369</sup> public beaches are privatized, and free beaches have disappeared. The Balaton's tourist shipping company was nationalized and subordinated under Antal Rogán, cabinet minister,<sup>370</sup> and later its functions were outsourced to the usual cronies and sailing ports privatized.<sup>371</sup> In 2020, Mészáros and Tiborcz won close to 2 billion HUF for port development in the framework of the Kisfaludy development program managed by the tourism agency under the supervision of Rogán.<sup>372</sup> These development plans were enacted without local

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development area and the provision of resources for the realization of certain developments], <https://net.jogtar.hu/jogszabaly?docid=A16H1861.KOR&txtreferer=00000003.TXT>.

365 Ákos Keller-Alánt, "Az ellopott Balaton" [The stolen Balaton], *Magyar Narancs*, March 8, 2018, <https://magyarnarancs.hu/belpol/az-ellopott-balaton-109188>.

366 Bódis, "A NER tényleg bevette a Balatont," <https://www.valaszonline.hu/2020/05/29/balaton-szalloda-molo-fejlesztes-tiborcz-garancsi-csanyi/>.

367 "1862/2016. (XII. 27.) Korm. határozat, a Sopron-Fertő kiemelt turisztikai fejlesztési térség meghatározásáról és a térségben megvalósítandó egyes fejlesztések megvalósításához szükséges források biztosításáról" [On the definition of the Sopron-Fertő priority tourism development area and on the provision of specific resources required for the implementation of the development projects], <https://net.jogtar.hu/jogszabaly?docid=A16H1861.KOR&txtreferer=00000003.TXT>.

368 "Egy új, Balaton-parti 'lakóparkszörnyről' jelentek meg megdöböntő látványtervek" [Shocking plans for a new "housing estate monster" on the shores of Lake Balaton], *Portfolio*, March 11, 2021, <https://www.portfolio.hu/ingatlan/20210311/egy-uj-balaton-parti-lakopark-szornyrol-jelentek-meg-megdobbento-latvanytervek-473756>.

369 Tamás Mázsár, "Féláron eladták a balatoni kempinget, titokban apartmanházakat építenének" [Balaton campsite sold at half price, to be secretly built into apartment blocks], *24.hu*, February 13, 2017, <https://24.hu/belfold/2017/02/13/felaron-eladtak-az-egyik-legnagyobb-balatoni-kempinget-titokban-apartmanhazakat-epitenenek-a-helyere/>.

370 Bence Stubnya, "Rogánék veszik át az állami hajózási cégeket" [Rogán takes over state shipping companies], *Index*, March 7, 2019, [https://index.hu/gazdasag/2019/03/07/roganek-veszik\\_at\\_az\\_allami\\_hajozasi\\_cegeket/](https://index.hu/gazdasag/2019/03/07/roganek-veszik_at_az_allami_hajozasi_cegeket/).

371 Tamás Mázsár and Ibolya F. Vitz, "Csányi Sándor üzlettársa ráhajtott a balatoni kikötőre" [Sándor Csányi's business partner hit the Balaton port], *24.hu*, May 22, 2020, <https://24.hu/fn/gazdasag/2020/05/22/tihany-kikoto-csanyi-sandor-nagy-gyorgy/>.

372 "Közel 2 milliárdot nyert kikötőfejlesztésre Tiborcz és Mészáros cége" [Tiborcz and Mészáros's company wins nearly billion HUF for port development], *Index*, April 1, 2020, [https://index.hu/gazdasag/2020/04/01/appenninn\\_kikoto\\_kisfaludy\\_program/](https://index.hu/gazdasag/2020/04/01/appenninn_kikoto_kisfaludy_program/).



consultation and without local government veto possibility.<sup>373</sup> In 2020, referring to the necessity to boost the economy and tourism after the first waves of the COVID-19 crisis, another general law was passed, and right away put into practice<sup>374</sup> with similar force and conditions. This law enables the central government to establish local industrial zones and have investments declared as strategic without local governments' consent.<sup>375</sup>

Since 2010, the metamorphosis of the Fidesz as a party into a system increasingly includes the expanding political capture of massive private business fields (Voszka 2018; Mihályi 2018a, 2018b). Before 2015, about 200 enterprises for about 1.6 trillion HUF were (re)nationalized (Keller-Alánt 2016; Mihályi 2018; Voszka 2018). This is another technique of forced resource redeployment using the state force as an intermediary. Interim renationalization is also a way of eliminating competitors from the market by state force for the cronies' market advantage. Competitors were businesses from earlier privatizations (both domestic and foreign), not Fidesz-connected venturers in services, energy, and finance (Mihályi 2018).<sup>376</sup> Renationalization has been carried out by the government through the purchase of business shares, capital increase, and even total acquisitions from both Hungarian, French, Russian, German, Austrian, and other vendors.<sup>377</sup>

The aforementioned techniques are occasional or ad hoc instruments of forced resource redeployment and politically selective redistribution. They are some of the multiple legal government instruments of transferring state wealth

373 "2018. évi CXXXIX. törvény Magyarország és egyes kiemelt térségeinek területrendezési tervéről" felhatalmazása alapján készülő Balaton vízparti területeinek közcélú területfelhasználási terve" és az "új balatoni partvonal-szabályozási" terv [Plan for the public use of the land along the shore of the lake Balaton allowed by the law on the land management plans of Hungary and its strategic regions and the new regulation plan for the Balaton lake shore].

374 Sándor Czinkóczi, "Miután a kormány elvette a gödi önkormányzattól a Samsung-gyár területét, milliárdokat önt a területre" [After the government took the Samsung factory site from the municipality of Göd, it pours billions into the area], 444, April 23, 2020, <https://444.hu/2020/04/23/miutan-a-kormany-elvette-a-godi-onkormanyzattol-a-samsung-gyar-terulet-milliardokat-ont-a-terulet-re>.

375 "2020. évi VI. törvény közérdekű cél megvalósítását szolgáló beruházásokkal összefüggésben egyes törvények módosításáról MK 20/46 I. Az épített környezet alakításáról és védelméről szóló 1997. évi LXXVIII. törvény módosítása" [Modification of some laws serving investments of public interest; the modification of the law on the formation and protection of built environment], <https://magyarkozlony.hu/dokumentumok/de50ed427205b037eac9c1f628e590180ed3e3c8/megtekintes>.

376 Their property dated back to 1990–1995, the early period of economic transformation. Private owners emerged through spontaneous privatization of SOEs by workers and managers, and overwhelmingly by foreign investors [Voszka 1996, 1998; Soós 2012; Mihályi 2018; Voszka 2018].

377 Péter Mihályi, "Privatizáció és államosítás Magyarországon—régmúlt és közelmúlt" [Privatization and nationalization in Hungary—the past and the recent past], KRTK manuscript, April 26, 2018, [https://www.mtakti.hu/wp-content/uploads/2018/04/10\\_Visszaallamositas\\_KTRK\\_eloadohoz.pdf](https://www.mtakti.hu/wp-content/uploads/2018/04/10_Visszaallamositas_KTRK_eloadohoz.pdf).

and renationalized private wealth for the benefit of its cronies<sup>378</sup> through legalized processes. Variations fit the nature of the transfer and the context of the occasion.

The major institutionalized regular technique of politically selective distribution is the universally used and recognized *central and local public tenders*. In this framework, budgetary and EU sources are transferred to enterprises competing for central and local government orders. However, when nested in the context of political capture, political favoritism has been shown by Tóth and Hajdu (chapter 3 in this book) for repeated tender winners, as here too, politically selective distribution rather than market factors determine success for Fidesz-affiliated entrepreneurs. They are exempted from multiple factors of fair competition and are characterized by numerous aspects of non-market behavior (Tóth and Hajdu, chapter 3, and Laki, chapter 4 in this book).

In this book, Tóth and Hajdu, using data from over 242,000 contracts, demonstrate the steadily growing share of contracts without competition since 2010 (see chapter 3, figs. 3.3 and 3.4). They also point to the declining share of contracts with more than three bidders and reveal that the lack of transparency has increased since 2010. This was even more accentuated in the case of tenders with higher corruption risks. Moreover, the share of net contract value in tenders selectively skyrocketed between 2005 and 2020. Such contracts, without framework agreements, were largely won by companies with entangled political connections (see appendix 3.2, table 3A.2.1).

Privileges accumulate as investments by cronies are carried out under individual regulations that exempt them from the legal context and allow for avoiding market competition. This is enabled by a regulation according to which investments of a certain size in state development programs, partially or totally financed by public or EU funds, are qualified as being of “national strategic importance.”<sup>379</sup> Strategic importance (as I have pointed out earlier) practically

378 Miklós Vincze, “Demeter Szilárdékhoz került a Hajógyári sziget déli fele” [The southern part of the Hajógyári island was “given” to Szilárd Demeter], *24.hu*, March 12, 2021, <https://24.hu/kultura/2021/03/12/demeter-szilard-konnyuzenei-biztos-hajogyari-sziget-hadrianus-palota/>; Márton Sarkadi Nagy, “Közpénzből csináltak exkluzív bentlakásos kollégiumot Orbán Gáspár jogász barátainak” [Public funds were used to build an exclusive boarding school for Gáspár Orbán’s lawyer friends], *Átlátszó*, November 30, 2020, <https://atlatso.hu/2020/11/30/kozpenzbol-csináltak-exkluziv-bentlakasos-kollegiumot-orban-gaspar-jogasz-baratainak/>; Zoltán Ágoston, “Csaknem százmilliárd forintot kapott az Orbán-kormánytól a Mathias Corvinus Collegium” [Mathias Corvinus Collegium received almost 100 billion forints from the Orbán government], *Index*, December 25, 2020, [https://index.hu/belfold/2020/12/25/mathias\\_corvinus\\_collegium/](https://index.hu/belfold/2020/12/25/mathias_corvinus_collegium/).

379 “Paks II. Az európai Bizottság versenyjogi döntésének részletei – összefoglaló” [Summary: The details of the European Committee’s decision over competition law], *bpmk.hu*, December 25, 2020, <https://www.bpmk.hu/index.php/component/k2/item/696-paks-ii-az-europai-bizottsag-versenyjogi-dontesenek-reszletei-osszefoglalo>; “Tizennégy milliárd forintot meghaladó beruházás kezdődik a Bosch miskolci gyárában” [Fourteen billion forints worth of investment begins at Bosch factory in Miskolc], *kormany.hu*, January 11, 2019, <https://2015-2019.kormany.hu/hu/kulgaszdasagi-es-kulugyminiszterium/hirek/szizjarto-peter-tizenny-milliard>

means exempting the enterprises from any respective investment regulations and laws that are compulsory for others.<sup>380</sup> Investments are declared as “strategic” personally by Orbán or his administrative elite upon his expectations.

Let us take sport investment as an example for the systemic interdependency of cronies, overinvestment, and institutionalized corruption. Sports is one of those EU financed and/or publicly supported programs. This field is directly subordinated to the Orbán cabinet (figs. 1.3 and 1.5)<sup>381</sup> and directly delegated to Orbán himself. Projects in this field directly funnel public and EU resources to the elite-dominated construction industry.<sup>382</sup> In 2017, among EU countries, Hungary spent the highest percentage of its budget (2.5%), 1.47 billion euros, on recreation and sports. This percentage is twice the EU average.<sup>383</sup> Expenditures, however, are focused overwhelmingly on mass competition rather than public recreation. Orbán has been legally pumping and redistributing state funds and corporate tax reliefs of public and private enterprises into preferred soccer clubs and sports stadiums.<sup>384</sup> Orbán is also internationally commissioning to win over an increasing number of government-privileged international mass sports events (tennis, soccer, basketball, and international sport centers). The government has also been courting international sport organizations to settle in Budapest.<sup>385</sup> Stadiums have been built or refurbished in Budapest<sup>386</sup> in large

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-forintot-meghalado-beruhazas-kezdodik-a-bosch-miskolci-gyaraban; “Stratégiai fontosságú lett a gödöllői oltóanyag-előállítás—videóriport” [Vaccine production in Gödöllő becomes strategic—video report], *hipa.hu*, November 12, 2019, <https://hipa.hu/strategiai-fontossagu-lett-a-godolloi-oltoanyag-elolaltas>.

380 “A nemzetgazdasági szempontból kiemelt jelentőségű beruházások megvalósításának gyorsításáról és egyszerűsítéséről” [On speeding up and simplifying the implementation of investments of major importance for the national economy], *jogtar.hu*, [to be modified in January 2022], <https://net.jogtar.hu/jogszabaly?docid=a0600053.tv>; “Teljesen elszállt a kormány a kiemelt jelentőségű beruházásokkal” [The government has gone completely berserk with priority investments], *Index*, January 24, 2018, [https://index.hu/gazdasag/2018/01/24/nemzetgazdasagi\\_szempontbol\\_kiemelt\\_jelentosegu\\_beruhazasok\\_2006-2017/](https://index.hu/gazdasag/2018/01/24/nemzetgazdasagi_szempontbol_kiemelt_jelentosegu_beruhazasok_2006-2017/).

381 “A teljes állami költségvetés 2,5 százalékát költötte sportra a magyar kormány 2017-ben” [The Hungarian government spent 2.5 percent of the total state budget on sport in 2017], *Átlátszó*, September 24, 2019, <https://vastagbor.atlatszo.hu/2019/09/24/a-teljes-allami-koltsegvetes-25-szazalekat-koltotte-sportra-a-magyar-kormany-2017-ben/>.

382 “Térképre vittük a stadionfejlesztéseket” [Stadium developments mapped], *Átlátszó*, June 8, 2016, <https://adatujsgiras.atlatszo.hu/2016/06/08/terkepre-vittuk-a-stadionfejleszteseket/>.

383 “Akkorát robbantak a magyar beruházások, hogy az egész EU megirigyelheti” [Investment in Hungary have exploded to a level that even the whole EU can envy], *Portfolio*, June 21, 2020, <https://www.portfolio.hu/gazdasag/20200621/akkor-at-robbantak-a-magyar-beruhazasok-hogy-az-egesz-eu-megirigyelheti-437790>.

384 <https://www.valaszonline.hu/2020/06/10/meszaros-szijas-garancsi-2019-nyereseg-merleg/>.

385 “Megnyílt a nemzetközi sportszövetségek Magyarországra településének lehetősége” [The possibility for international sports federations to settle in Hungary has been opened], *PwC*, May 13, 2019, <https://www.pwc.com/hu/sajtoszoba/2019/sportszovetsegek-magyarorszag.html/>.

386 “2019: Európa sportfővárosa” [2019: Europe’s sports capital], *turizmus.com*, February 27, 2018, <https://turizmus.com/szabalyozas-orszagmarketing/2019-budapest-europa-sportfovarosa-1156343>.

numbers to bring international sports events to the capital and other areas of the country,<sup>387</sup> and even in countries adjacent to Hungary with large Hungarian minorities.<sup>388</sup>

Besides supporting the building industry, this infrastructure attracts mass tourism, overseen and managed by Orbán's cabinet minister, Antal Rogán. In addition, as I mentioned earlier, Rogán works closely on tourism issues with Orbán's elder daughter Ráhel, married to István Tiborcz.

National-level programs also serve to selectively distribute public assets and thereby increase the accumulation opportunities of Fidesz clients. For example, the parliament's Fidesz politicians have been able to purchase state-owned agricultural land ranging from 50 to 300 hectares.<sup>389</sup> Orbán's friend Mészáros and his family have acquired 1,545 hectares, and István Tiborcz, Orbán's son-in-law and Ráhel's husband, has purchased 493 hectares on tenders all over the country. Such purchases have been carried out under a government auction scheme for "land for farmers" to the detriment of local competing farmers.<sup>390</sup> New owners are also earning free money from EU agricultural and nature preserving support automatism.<sup>391</sup> For example, Mészáros and Csányi acquired most of the agricultural normatives of land support, based on the volume of land in their holdings.<sup>392</sup>

In conclusion, in the centralized pattern of power distribution, political capture and its diffusion into the political, control, executive, and economic subfields will allow for politically selective extraction and distribution resulting in institutionalized corruption through forced redeployment. Diffusion of political capture and forced resource redeployment through its channels structurally determine the economic subsphere, regarding both the publicly and privately

387 "Térképre vittük a stadionfejlesztéseket" [Stadium developments mapped], *Átlátszó*, June 8, 2016.

388 "Milliárdos stadionépítésbe kezd az Orbán-kormány Szlovákiában" [The Orbán government started to build a stadium in Slovakia for billions], *Magyar Narancs*, July 7, 2017, <https://magyarnarancs.hu/sport/milliardos-stadionepitesbe-kezd-az-orban-kormany-szlovakiaban-105720>.

389 Yvette Szabó and Babett Oroszi, "Megállíthatatlanul gyarapodnak a fideszes földesurak—parlamentari toplista hektárról hektárra" [Unstoppable growth for Fidesz landlords—parliamentary top list hectare by hectare], *HVG*, February 11, 2021, [https://hvg.hu/360/202106\\_\\_roganne\\_es\\_afoldesurak\\_\\_orbanek\\_kommunaja\\_kifosztott\\_vidек\\_\\_ki\\_mint\\_vet](https://hvg.hu/360/202106__roganne_es_afoldesurak__orbanek_kommunaja_kifosztott_vidек__ki_mint_vet).

390 "Térképekre és ábrákra tettük a földárverések eredményeit" [We have mapped the results of land auctions], *Átlátszó*, June 5, 2017, <https://atlatsoz.hu/2017/07/05/terkepekre-es-abrakra-tettuk-a-foldarveresek-eredmenyeit/>; "Ángyán újabb földjelentése is a kormány porhintését igazolja" [Ángyán's latest land report also proves the government's spin], *HVG*, March 3, 2020, [https://hvg.hu/gazdasag/20200303\\_Angyan\\_ujabb\\_foldjelentese\\_is\\_a\\_kormany\\_porhinteset\\_igazolja](https://hvg.hu/gazdasag/20200303_Angyan_ujabb_foldjelentese_is_a_kormany_porhinteset_igazolja).

391 [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance\\_en#legalfoundations](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_en#legalfoundations).

392 "Az uniós agrárpénzek háromnegyede landol a legnagyobb földesuraknál, Csányi és Mészáros mellett egy holland fért a dobogóra" [Three quarters of EU farm funds go to the biggest landlords, with Csányi and Mészáros joined on the podium by a Dutchman], *Forbes*, August 12, 2019, <https://forbes.hu/uzlet/az-unios-agrarpenezek-haromnegyede-landol-a-legnagyobb-foldesuraknal-csanyi-sandor-meszaros-lorinc/>.

owned economy. It determines the activity structure, investment structure, positional structure, and organization structure. It stratifies economic actors according to their extent of being politically privileged and non-privileged. In other words, stratification of the actors' market positions occurs according to their depth of integration into the diffused network.

Next, I address the main instruments of politically selective distribution nested in the channels of diffused political capture that enable the concrete use of the above-mentioned techniques nested in the channels of diffused political capture, corruption is institutionalized. By deploying these instruments under Orbán or Rogán's discretion (fig. 1.2 and fig. 1.3) the political elite legally privileges clients to increasingly occupy markets distorted by direct government intervention and state force, suppressing or annihilating competitors.

## **Diffusing Channels as Avenues of Institutionalized Corruption Using Forced Resource Redeployment**

### ***Politically Selective Resource Distribution***

Hungary has been a member of the elite club of 35 countries that is capable of exporting over 100 billion euros annually for three years now.<sup>393</sup>

Péter Szijjártó, Minister of Foreign Affairs and  
Trade, February 18, 2020

In this section, I shall point to the evolution of the characteristics of political selectivity in resource distribution. This approach also displays the characteristic instruments of selective distribution that motivate drives for integration into, and accommodation to, the expanding channels of diffused political capture enabling institutionalized corruption.

The network of diffused political capture obviously embraces the state-owned economy. It attaches to positions, organizations, activities, and individual actors. However, the centralized diffusion of political capture since 2010 also occupies increasing space in the private economy. It expands and reaches "deeply" into sectors and companies, be they domestic or foreign, according to politically selective criteria.

For example, Hungary's multiple economic exposures in export performance also reflect exporters' political importance. Political importance, as well as large size, attracts privileged resource distribution through the closed channels of diffused political capture. These traits also enhance the drive for accumulated integration into the centrally diffusing network, be it foreign or domestic, public or private, enabling institutionalized corruption through the closed channels. Sallai, in her empirical study (2013), defines the difference between lobbying through open channels for information, and interest promotion and networking

393 <https://2015-2019.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/hungary-has-been-a-member-of-the-elite-club-that-is-capable-of-exporting-over-100-billion-euros-annually-for-three-years-now>.

through closed channels for information, interest promotion, and resources. She demonstrates the low lobbying motivation of Hungarian companies in the EU, accustomed domestically to intensive networking. Her study is revealing also from another point of view. Foreign companies' settled in Hungary that are used to lobbying in the EU adapt to the domestic institutional context of diffused political capture that requires networking. Once captured by the network, market rules do not apply (called "the golden cage" by Sallai).

The cage forms through the diffusion of political capture and resources distributed through the closed channels, selectively privileging individual businesses. For example, large state contributions for long-term company settlements attract foreign enterprises.<sup>394</sup> Official advertisements inviting foreign investors to Hungary or in Hungary cite refundable and non-refundable incentives, for example:

cash subsidies (either from Hungarian Government or EU Funds), tax incentives, low-interest loans, and land available for free or at reduced prices. The regulations on incentive opportunities are in accordance with EU rules.<sup>395</sup>

This budgetary support from 2004 onward was overwhelmingly allocated to large foreign enterprises. Since 2015 domestic private enterprises have also shared this privilege for investment stimulus.<sup>396</sup> In recent years, the volume of official government *non-refundable investment support on an individual basis* for foreign and domestic enterprises has radically multiplied.<sup>397</sup> Since 2010, the sum of investment subsidies amounted to 356 billion HUF. Preconditions for support

394 Merényi, M. "Hol lett munkahely a multiknak kiosztott milliárdokból?" [Locations where the billions given to multinationals have created jobs], *K Blog*, January 23, 2019, [https://k.blog.hu/2019/01/23/ekd\\_terkep](https://k.blog.hu/2019/01/23/ekd_terkep); Levente Szadai, "Hungary first: Térképre vitték, mely multiknak osztott állami milliárdokat a kormány" [Billions of public money distributed to foreign enterprises on the map], *Mérce*, January 24, 2019, <https://merce.hu/2019/01/24/terkepre-vittek-mely-multiknak-osztott-allami-milliardokat-a-kormany/>.

395 "Doing Business in Hungary," [eugo.gov.hu](http://eugo.gov.hu/doing-business-hungary/investment-incentives), <http://eugo.gov.hu/doing-business-hungary/investment-incentives>; "Invest in Hungary," [hipa.hu](http://hipa.hu/images/publications/hipa-invest-in-hungary_2018_09_20.pdf), September 20, 2018, [http://hipa.hu/images/publications/hipa-invest-in-hungary\\_2018\\_09\\_20.pdf](http://hipa.hu/images/publications/hipa-invest-in-hungary_2018_09_20.pdf); Levente Szilágyi, "Hungary Launches New Investment Incentives," October 1, 2019, <https://www.intellinews.com/hungary-launches-new-investment-incentives-168914/>.

396 "Válasz a K/10270 számú írásbeli kérdésre: Milyen vállalatok kaptak 100 millió forintot meghaladó összegű vissza nem térítendő támogatást az elmúlt 15 évben" [Which companies have received more than HUF 100 million in grants in the last 15 years], [parlament.hu](https://www.parlament.hu/irom39/10270/10270-0001.pdf), March 19, 2013, <https://www.parlament.hu/irom39/10270/10270-0001.pdf>; "Munkahelyenként 38 millió forintot adnak Orbánék egy kínai gyárnak" [Orbán government gives 38 million forints per job to a Chinese factory], *24.hu*, October 19, 2020, <https://24.hu/fn/gazdasag/2020/10/19/szijasjarto-peter-allami-tamogat-as-munkahelyenkent-38-millio-forintot-adnak-orbanek-egy-kinai-gyarnak/>.

397 See statistics in detail in the promotions of the Hungarian Investment Promotion Agency [HIPA], [https://hipa.hu/images/publications/hipa-invest-in-hungary\\_2018\\_09\\_20.pdf](https://hipa.hu/images/publications/hipa-invest-in-hungary_2018_09_20.pdf).

included the creation (and conservation) of workplaces.<sup>398</sup> From 2019 onward, such support continued, despite the neglect of this precondition.<sup>399</sup> At the same time, drastic layoffs occurred instead of growth. In 2019, the Ministry of Foreign Trade and Foreign Affairs, responsible for the distribution of individual subsidies in exchange for promised investments, supported 52 enterprises with 105 billion HUF.<sup>400</sup>

Thus, on the one hand, we have individual enterprise support that reflects Hungary's growing multidimensional exposure to foreign enterprises. On the other hand, these same supports point to one of the channels of institutionalized corruption. The latter evolves through the expansion of political capture in the economy and its diffusion to individual economic units in the public and private sphere through politically selective distribution.<sup>401</sup>

Through the network of political capture, foreign enterprises, similarly to state-owned enterprises, simultaneously secure the primary wealth accumulation of the politically privileged domestic elite and their clients. Apart from the visible individual supports, one of the major instruments for institutionalized corruption is the so-called *strategic partnership agreements* between the government and foreign companies.<sup>402</sup> Such agreements were initiated by the socialist coalition government, but their number remained insignificant until the Orbán government assumed power in 2010. The Orbán government has signed strategic partnership agreements on mutual support with a growing number of important enterprises.<sup>403</sup> The effective number of foreign and domestic enter-

398 "210/2014. (VIII. 27.) Korm. rendelet a beruházás ösztönzési célelőirányzat felhasználásáról" [Government decree on the use of the investment incentive allocation], <https://net.jogtar.hu/jogszabaly?docid=a1400210.kor>.

399 "Additional Favourable Changes in the Non-Refundable Cash Incentive System," [hipa.hu](https://hipa.hu), March 6, 2019, <https://hipa.hu/additional-favourable-changes-in-the-non-refundable-cash-incentives-system>; ZED, "A kormány még mindig imádja pénzzel tömni a német autógyári cégeket" [The government still loves to give money to German car companies], *Index*, June 11, 2020, [https://index.hu/gazdasag/2020/07/11/a\\_kormany\\_meg\\_mindig\\_imadja\\_a\\_nemet\\_autoipari\\_cegeket/](https://index.hu/gazdasag/2020/07/11/a_kormany_meg_mindig_imadja_a_nemet_autoipari_cegeket/).

400 Peter Bucsky, "Egyetlen ígért nagyvállalati munkahely átlagosan 16 millió forintba került tavál az adózetőknek" [The only promised new big business job cost taxpayers an average of HUF 16 million last year], *g7.hu*, July 10, 2020, <https://g7.hu/kozelet/20200710/egyetlen-igert-uj-nagyvallalati-munkahely-atlagosan-16-millio-forintba-kerult-tavaly-az-adofizetoknek/>.

401 Márk Herczeg, "Az Európai Bizottság vizsgálja a Samsung magyarországi üzemények javasolt állami támogatást" [European Commission investigates proposed state aid to Samsung plant in Hungary], *444*, October 14, 2019, <https://444.hu/2019/10/14/az-europai-bizottsag-vizsgálja-a-samsung-magyarorszag-i-uzemenek-javasolt-allami-tamogatast>.

402 "A hatodik kínai nagyvállalattal kötött stratégiai megállapodást a Magyar kormány Csungkingban" [The Hungarian government signed a strategic agreement with the sixth Chinese company in Chongqing], [gov.hu](https://gov.hu), 2020, <https://csungking.mfa.gov.hu/news/generated4>.

403 Péter Szijjártó, "Stratégiai partnerségi megállapodások" [Strategic partnership agreements], [kormany.hu](https://www.kormany.hu), December 11, 2021, <https://www.kormany.hu/hu/kulgaszdasagi-es-kulgyminiszterium/strategiai-partnersegi-megallapodasok>; "Stratégiai megállapodás Orbán kormánya és Csányi cégcsoportja között" [Strategic partnership agreement between the Orbán government and Csányi's business group], *agrotrend.hu*, August 30, 2014,



prises reached by the interlinking lines of the network with such agreements is unclear. However, their number has been constantly growing since 2012, reflecting mutual benefits. In 2015, the minister of foreign affairs reported such agreements with 59 enterprises. Of those, 21 were in the automotive industry, and only 5 companies were Hungarian. The 59 companies invested 1.2 trillion HUF and employed 13,500 workers.<sup>404</sup>

A Transparency International analysis from 2014 refers to 43 enterprises by that year. Its statistical analysis at that time involved only the ten agreements signed in 2012.<sup>405</sup> However, even these ten provided a crucial part of the Hungarian export value (35%) and an even larger part in the manufacturing industry. They employed 18 percent of the sector's workforce and provided 40 percent of exports. They practically monopolized the pharmaceutical industry (90%) and dominated the automobile industry (36%) and electronics (47%) (Transparency 2014, 10–24). Between 2012 and early 2021 February, officially, such agreements had been made with 88 companies.<sup>406</sup>

The general framework of the strategic agreements published in official government reports has no concrete statements. Yet, the existence of atomized closed channels appear in the fact that the government has never publicized the individual strategic agreements set at the highest ministerial level. Instead, a new parliamentary decision imposed secrecy.<sup>407</sup> The government referred to business interests, despite the fact that public money is involved. Overlaps with individual government investment support and successful tenders in public procurement of Hungarian entrepreneurs in the framework of strategic agreement were never exposed. Without exact figures, only sporadic examples and partially revealed secret information point to the vast array of mutual advantages and opportunities for institutionalized corruption through selective distribution along legalized channels.<sup>408</sup> There is no public follow-up, nor up-to-date data

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<https://www.agrotrend.hu/hirek/agrargazdasag/strategiai-megallodas-orban-kormanya-es-csanyi-cegcsoportja-kozott>.

404 Péter Szijjártó, “A stratégiai megállapodások a Magyar külgazdaság pillérei” [Strategic partnership agreements are the pillars of the Hungarian foreign trade], May 8, 2015, <https://2015-2019.kormany.hu/hu/kulgzadasagi-es-kulugyminiszterium/hirek/a-strategiai-megallapodasok-a-magyar-kulgzadasag-pillerei>.

405 Attila Bartha, *Lifting the Lid on Lobbying. National Report of Hungary*. Budapest: Transparency International Magyarország, March 2016, <https://transparency.hu/wp-content/uploads/2016/03/Lifting-the-Lid-on-Lobbying-National-Report-of-Hungary.pdf>.

406 “Strategic Partnership Agreements,” <https://kormany.hu/kulgzadasagi-es-kulugyminiszterium/strategiai-partnersegi-megallapodasok>.

407 Balázs Oberfrank, “Orbán titkolná a multik támogatását is” [Orbán would rather also hide the government's support for multinational companies], *Népszava*, October 13, 2016, [https://nepszava.hu/1108697\\_orban-titkolna-a-multik-tamogatasat-is](https://nepszava.hu/1108697_orban-titkolna-a-multik-tamogatasat-is).

408 Attila Bartha, “A vállalatok és a kormány közötti stratégiai megállapodások Magyarországon” [Strategic agreements between enterprises and the government], Budapest: Transparency International Magyarország, March 2016, <https://transparency.hu/wp-content/uploads/2016/03/A-v%C3%A1llalatok-%C3%A9s-a-korm%C3%A1ny-k%C3%B6z%C3%B6tti-strat%C3>

on economic performance. There is no accessible separate statistical overview either, except for the Transparency International analysis for 2012.

The other major legalized mode of political capture and its diffusion, as well as potentials for politically selective resource redeployment, may be detected in the classification of the so-called *strategic enterprises*. This legal instrument of camouflaged resource distribution and political capture is hidden in the bankruptcy law. The law establishing this category also sets special rules for winding-up economic organizations noted as strategic in case of the threat of bankruptcy.<sup>409</sup> Once declared of strategic importance, existing general rules of bankruptcy do not apply. Instead, rules become individualized and offer a legal route for political capture and forced redeployment of singled out public or privately owned companies to those privileged with government “mediation.”

In the case of strategic enterprises, the bankruptcy procedure has selective privilege connotations. It may be carried out by a state organization appointed by the government as the property manager. The task of the manager is not the winding-up but the creation and transaction of an operating company. Creditors cannot initiate bankruptcy procedures against strategic enterprises, and an extraordinary moratorium is allowed for the firm to fulfill creditors’ claims (see paragraphs 65–67§ and 69–70§ in the bankruptcy law).<sup>410</sup>

Such frameworks and rules might be found in any democratic country. Even the criteria of being strategically important might not differ, providing reference for legitimacy. What does differ is the political selectivity of the application of the law. Nested in the network of diffused political capture, this selectivity gives way to forced resource redeployment and institutionalized corruption through the closed channels of the network. The law publishes a tentative list of economic units qualified as strategic enterprises. They are mostly small, and overwhelmingly affected by bankruptcy. However, there are no legal barriers to adding to the list. It is open-ended and to fit in is only an issue of opportunity. Such opportunity, for example, was offered by the pandemic and the government’s following of emergency measures under the rule by decree voted by two-thirds majority. On March 19, 2020,<sup>411</sup> during the first wave of the COVID and two

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%A9giai-meg%C3%A1llapod%C3%A1sok-Magyarorsz%C3%A1gon-Tanulm%C3%A1ny-a-lobbiz%C3%A1sr%C3%B3l.pdf.

409 “1991. évi XLIX. törvény a csődeljárásról és a felszámolási eljárásról” [Act XLIX of 1991 on bankruptcy and winding-up proceedings], Jogtar, in force on December 14, 2021, <https://net.jogtar.hu/jogszabaly?docid=99100049.TV&searchUrl=/gyorskereso%3Fkeyword%3Dstrat%25C3%25A9giailag%2520kiemelt%2520jelent%25C5%2591s%25C3%25A9g%25C5%25B1%2520gazd%25C3%25A1lkod%25C3%25B3%2520szervezet>.

410 359/2011. (XII. 30.) “Korm. rendelet a csődeljárásról és a felszámolási eljárásról szóló 1991. évi XLIX. törvény szerinti stratégiailag kiemelt jelentőségű gazdálkodó szervezetté nyilvánítás eljárási szabályairól” [Special regulations on bankruptcy and liquidation proceedings at economic organizations declared as of paramount strategic importance according to the 1991. XLIX. law], <https://net.jogtar.hu/jogszabaly?docid=a1100359.kor>.

411 Ministry of Defense, “Csütörtök reggel jelennek meg az érintett vállalatoknál a honvédelmi irányító csoportok” [Defense management teams to appear at the companies concerned on

weeks from the parliament's voting for Orbán's rule by decree the minister of defense was appointed by Orbán as the leader of a specialized military action group (we can label it as a "goal-oriented" umbrella organization). The minister named 73 companies where military officials have been dispatched, according to Orbán's instructions, to supervise companies of vital importance and secure their labor force. These companies, public or private, were required to provide classified data if necessary. As Orbán declared: "The action group's task is to coordinate the operation of the service and production capacities, the transport, the energy and pharmaceutical companies, the operation of which is especially important in the emergency situation in Hungary."<sup>412</sup>

The minister soon complemented the public list with 11 private commercial enterprises. He declared the increase of the list to 104 (21 companies remained undisclosed).<sup>413</sup> He also mentioned that, depending on the situation, the government leaves open the possibility to earmark several hundred more companies (private and public) for military supervision and coordination. The profile of 83 companies from the 104 of those listed as vitally important match that of the law's cited strategic criteria in the preceding paragraphs. They are overwhelmingly national-level, large public company groups in energy, communications, transport, finance, postal infrastructure, agriculture, food service, healthcare, social security, and local-level water infrastructure owned by local governments or found in private hands. Their number, based on a law passed in 2012 about emergency situations,<sup>414</sup> is persistently increasing. The latest was 184, of which 94 were publicly named.<sup>415</sup>

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Thursday morning], *komany.hu*, <https://2015-2019.kormany.hu/hu/honvedelmi-miniszterium/hirek/benko-tibor-csutorok-reggel-jelennek-meg-az-erintett-vallalatoknal-a-honvedelmi-iranyito-csoportok>.

412 A Kormány 1109/2020. [III. 18.], "Kormány határozata az ország működéséhez szükséges létfontosságú állami és nem állami gazdasági társaságok veszélyhelyzeti feladat-ellátásának szakmai támogatásáról" [Government decision on the professional support of state- and non-state-owned companies strategically important for the country's operation], <https://net.jogtar.hu/jogszabaly?docid=a20h1109.kor>; "140 magyar céghez érkeznek honvédelmi irányítócsoporthoz csütörtökön" [140 Hungarian companies to receive defense steering groups on Thursday], *HVG*, March 18, 2020, [https://hvg.hu/itthon/20200318\\_koronavirus\\_letfontossagu\\_magyar\\_vallalatok\\_benko\\_tibor](https://hvg.hu/itthon/20200318_koronavirus_letfontossagu_magyar_vallalatok_benko_tibor).

413 "Újabb vállalatokhoz érkeztek honvédelmi Irányítótörzsek a lakosság biztonságos élelmiszer és gyógyszerellátása érdekében" [More companies receive Defense Management Teams to ensure safe food and medicine for the population], April 17, 2020, <https://2015-2019.kormany.hu/hu/honvedelmi-miniszterium/hirek/ujabb-vallalatokhoz-erkeztek-honvedelmi-iranyito-torzsek-a-lakossag-biztonsagos-elelmiszer-es-gyogyszerellatasa-erdekeben>.

414 "2012. évi CLXVI. törvény a létfontosságú rendszerek és létesítmények azonosításáról, kijelöléséről és védelméről" [Act CLXVI of 2012 on the identification, designation and protection of critical systems and installations], in force December 14, 2021. *jogtar.hu*, <https://net.jogtar.hu/jogszabaly?docid=a1200166.tv>.

415 "Máris 184-re nőtt a létfontosságú vállalatok száma, ahol megjelennek a katonák" [The number of vital companies where soldiers will appear has already risen to 184], *napi.hu*, April 4, 2020, [https://www.napi.hu/magyar\\_vallalatok/letfontossagu-magyar-vallalat-koronavirus-jarvany-honvedelem.703638.html](https://www.napi.hu/magyar_vallalatok/letfontossagu-magyar-vallalat-koronavirus-jarvany-honvedelem.703638.html).

The open-ended list will certainly grow during the pandemic and there is no evidence about their fate and their leadership after the emergency situation was withdrawn. However, during the economic crisis caused by the COVID waves, the government has granted a large market for the privileged: the winding-up business. One can witness the increase of the number of registered asset management companies in early 2021, officially allowed to liquidate appointed insolvent strategic companies.<sup>416</sup> The selection was carried out during the pandemic in 2020–2021 by a committee whose five members were delegated by the minister of justice (Judit Varga), the minister of interior (Sándor Pintér), the minister without portfolio responsible for the ownership and management of public wealth (Andrea Bártfai-Máger) under Orbán's supervision, and György Barna Sennyei, the head of the National Judiciary Office (OBH). The 90 selected enterprises from the 277 candidates included 54 new asset management companies, previously not in the specific market or just recently founded. Apart from the state asset management, no other than these ninety are allowed in the liquidation business. More than half of the new winners were directly and indirectly the usual Fidesz-connected owners or their close business partners.

I cannot directly connect the legalized infiltration of usual Fidesz-close entrepreneurs and their partners into the 54 additionally selected winners. I cannot prove either the present or the future direct connection of the enterprises declared as vitally important with the strategically important organizations in the bankruptcy law. I can only place them in the predictable logic of the dynamic systemic context so far described. These are potential instruments which expand political capture and selective diffusion in the private sphere. Several factors point toward this tendency. Under the special clause of the law, politically connected businesses not only have infiltrated into a new market sphere with government decision, but also indirectly acquired chances for further wealth accumulation through the special bailout acquisition of selected insolvent companies. There are other systemic signs during the increasing recession caused by the pandemic and government reactions to it: the political selectivity of distribution; the deployed military to be withdrawn at government will under emergency measures; and the governments' hints that some emergency decrees will be transformed into laws after the rule by decree period is over, turned into reality at the time of finishing the book. Institutionally, nothing hinders the government to expand the diffusion of political capture, formally or informally. It can prepare these companies for ownership and management redeployment (privatization or nationalization) under pandemic emergency law. Or create another law supporting these actions. In early 2021, a new national-level, powerful umbrella organization was formed by the government under the parliament,

416 András Szabó, "Miközben dúl a járvány, korányközeli figuráknak osztottak ígéretes üzleteket" [As the epidemic rages, promising deals are handed out to pro-government chaps], *444*, March 9, 2021, <https://444.hu/2021/03/09/mikozben-dul-a-jarvany-kormanykozeli-figuraknak-osztottak-igeretes-uzleteket>.

with extremely broad authority over all concessions, court enforcement, corporate bankruptcy proceedings, and liquidations. Its legal rank confers that of the institutions of checks and balances, with two-thirds majority to dissolve or constrain its power, and its leader elected for nine years. Its function may be interpreted as a new instrument for forced resource redeployment of public and private wealth. Its name sounds Orwellian: Supervisory Authority of Regulated Activities (Szabályozott Tevékenységek Felügyeleti Hatósága).<sup>417</sup>

The government supports large investments by both foreign and privileged domestic enterprises, by declaring them of strategic importance.<sup>418</sup> Having this “title,” the investor becomes exempted from some legal burdens and also from market criteria. The authorization procedures are simplified, officially justified to shorten the tedious bureaucratic process, generally skipping otherwise required environmental impact assessment and local-level regulations. This privileged position also inhibits local government intervention into the process to exert its interest on any connected issue (land, taxes, environment, etc.). The government frequently sets the partnership agreement and declares investments around it as being strategic, many times despite local government or civil opposition. For example, a hotel complex at the lake in the city of Tata, an industrial site at Göd city,<sup>419</sup> the giant investment at Lake Fertő,<sup>420</sup> or in towns around the Lake Balaton.<sup>421</sup>

The array of strategic investments is wide<sup>422</sup> and cumulative. In 2012, suddenly 700 investments were categorized as strategic. Later this number was

417 “2021. évi XXXII. törvény a Szabályozott Tevékenységek Felügyeleti Hatóságáról” [Act XXXII of 2021 on the Supervisory Authority of Regulated Activities], net.jogtar.hu, in force on December 14, 2021, <https://net.jogtar.hu/jogszabaly?docid=a2100032.tv>.

418 “Stratégiai megállapodást kötött a kormány az SMR Hungary vállalattal” [Strategic agreement signed between the government and SMR Hungary company], October 27, 2015, <https://2015-2019.kormany.hu/hu/kulgzadasagi-es-kulgyuminiszterium/hirek/strategiai-megallapodast-kotott-a-kormany-az-smr-hungary-vallalattal>.

419 Sándor Czinkóczy, “Miután a kormány elvette a gödi önkormányzattól a Samsung-gyár területét, milliárdokat önt a területre” [After the government took the Samsung factory site from the municipality of Göd, it pours billions into the area], 444, April 23, 2020, [https://www.napi.hu/magyar\\_vallalatok/tata-oreg-to-avalon-beruhazas-malom-eladas-onkormanyzat.714674.html](https://444.hu/2020/04/23/miutan-a-kormany-elvette-a-godi-onkormanyzattol-a-samsung-gyar-teruletet-milliardokat-ont-a-terulet-re; Dániel Szabó, “Semmi nem állja már útját a helyiek által nem kedvelt tatai beruházónak [Nothing now stands in the way of Tata investor disliked by locals], napi.hu, October 1, 2020, https://www.napi.hu/magyar_vallalatok/tata-oreg-to-avalon-beruhazas-malom-eladas-onkormanyzat.714674.html).

420 “A Fertő tavi vízitelep fejlesztése: állítások és cáfolatok” [Development of the Lake Fertő waterfront: claims and refutations], *enyugat.hu*, February 19, 2021, [https://www.enyugat.hu/cikk/9140\\_a\\_ferto\\_tavi\\_vizitelep\\_fejlesztese\\_allitasok\\_es](https://www.enyugat.hu/cikk/9140_a_ferto_tavi_vizitelep_fejlesztese_allitasok_es).

421 “Összefogás a Balatonért” [Joining forces for Lake Balaton], Facebook, November 3, 2021, <https://www.facebook.com/osszefogasabalatonert/posts/435084324638733/>.

422 141/2018. [VII. 27.], “Korm. rendelet egyes gazdaságfejlesztési célú és munkahelyteremtő beruházásokkal összefüggő közigazgatási hatósági ügyek nemzetgazdasági szempontból kiemelt jelentőségű ügyé nyilvánításáról, valamint egyes nemzetgazdasági szempontból kiemelt jelentőségű ügyé nyilvánításáról szóló kormányrendeletek módosításáról” [Government decree on the declaration of strategic importance of some investments related to economic

cyclical, presumably according to EU financing cycles (Boldizsár et al. 2016). According to a recently expanding civil movement on Facebook with the aim to stop such investments, the estimated number is 3,000.<sup>423</sup> This categorization is frequently awarded to investments by strategically important enterprises with redistributed client ownership.<sup>424</sup> It is also implemented at investments by companies in the framework of strategic agreements.<sup>425</sup> Acquiring the title of strategic investment allows for significantly higher final investment costs than the procurement price tag. This is provided by the conditions of high corruption risk among the privileged, ensuring special input prices and secrecy in using public sources (Tóth and Hajdu, chapter 3 in this book). According to the law, in case of strategic investments it is always the county's government who is entrusted with the strategic investment's management and not the local government, where the land for investment is seized and the investment is pursued.<sup>426</sup> Thus, politically selective privileges simultaneously mean a market disadvantage for those who have to accommodate to the same. Therefore, the market is influenced both by exemptions to those privileged and distorted by their privileged expansion. In sectors where they appear, the network of political capture becomes more dense, and the non Fidesz-close businesses vanish. On the other hand, uncontrolled investment activities of cronies with government support lead to selective over-investment through the channels of institutionalized corruption.

Strategic investments and strategic agreements may overlap with individual subsidies for investment. Overlap frequently results in the promotion of preferred Hungarian businesses (Pomogyi 2017). Strategic partnership agreements provide good chances for huge budgetary contributions and government loan distribution for related infrastructure building (water, sewage, electricity, roads).

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development and job creation, and the modification of the law related to declaration of strategic importance], <https://net.jogtar.hu/jogszabaly?docid=a1800141.kor>; “Teljesen elszállt a kormány a kiemelt jelentőségű beruházásokkal” [The government completely “overperformed” with the strategically important investments], January 24, 2018, [https://index.hu/gazdasag/2018/01/24/nemzetgazdasagi\\_szempontbol\\_kiemelt\\_jelentosegu\\_beruhazasok\\_2006-2017/](https://index.hu/gazdasag/2018/01/24/nemzetgazdasagi_szempontbol_kiemelt_jelentosegu_beruhazasok_2006-2017/).

423 “STOP kiemelt beruházások” [STOP priority investments], Facebook group, <https://www.facebook.com/stopkb>.

424 It would be worthwhile to carry out an in-depth case study analyzing the investments in Budapest between 2010 and 2018. What kind of investments have been and are taking place, who the winners are of public procurement, central and local financing, and whose investments were declared strategic. “2010 és 2018 között Budapesten megvalósult fővárosi, állami és közös projektek” [Joint projects carried out in Budapest between 2010 and 2018 by the capital, state and joint undertakings], <http://budapest.hu/Documents/projektekegyeses.pdf>.

425 “Milliárdos pályázatok csak stratégiai partnereknek” [Tenders worth billions only for strategic partners], *Átlátszó*, June 30, 2013, [https://atlatso.blog.hu/2013/07/30/milliardos\\_palyazatok\\_a\\_strategiai\\_partnereknek1](https://atlatso.blog.hu/2013/07/30/milliardos_palyazatok_a_strategiai_partnereknek1); <https://www.portfolio.hu/gazdasag/20180922/itt-a-beruhazasi-lista-ami-felrazza-magyarorszagot-298610>.

426 “Itt a beruházási lista, ami felrázza Magyarországot” [Here is the investors (investment) list that will shake up Hungary], *Jogtár*, September 22, 2018, <https://net.jogtar.hu/jogszabaly?docid=a1800141.kor>.

These additional investments connect large foreign investments to domestic infrastructure and business. Those opportunities flow to privileged Hungarian businessmen,<sup>427</sup> integrating foreign enterprises more intensively into the network of diffused political capture and institutionalized corruption.

Another way of integrating foreign and domestic actors into the network in exchange for government financial support and tax incentives is through their selective contribution, before tax, to domestic sports (TAO), Orbán's political, economic, and personal hobby.<sup>428</sup> With this move, the government does not distribute foreign and public sources to those privileged. Instead, it deprives the budget of a certain sum of selectively reallocated tax income. This instrument is legal and may be found in any democratic country's economic policy measures. It becomes interpreted as institutionalized corruption when nested in politically captured, centralized power relations.

The best example to illustrate institutionalized corruption and Orbán's personal interest in this field is the case of Orbán's hometown Felcsút,<sup>429</sup> a village of 1,688 inhabitants. In 2014, a 3,500-seat stadium for international sporting events was inaugurated, having been built on the plans of a renowned Fidesz-close architect. Seventy percent of the costs was paid for by public money. The stadium, located at the edge of Orbán's house<sup>430</sup> in his hometown in Felcsút, received a major part of all TAO contributions nationally.<sup>431</sup> There is a narrow-gauge train

427 "Újabb kiemelkedő stratégiai megállapodást kötött a kormány" [New outstanding strategic agreement signed by the government], *Origo*, January 7, 2019, <https://www.origo.hu/gazdasag/20190107-tungsram-szizjarto-strategiai-megallapodas.html>; "A Paksi Atomerőműtől nyert el projektet a Mészáros és Mészáros Kft" [Mészáros and Mészáros Ltd. won a project from the Paks nuclear power plant], *Portfolio*, December 15, 2020, <https://www.portfolio.hu/uzlet/20201215/a-paksi-atomeromutol-nyert-el-projektet-a-meszaros-es-meszaros-kft-461918>.

428 Katalin Erdélyi, "Fidesz-közeli, állami, és multinacionális cégek öntik a TAO-pénzt a kormány kedvenc futballklubjaiba—itt vannak a nevek és a számok" [Fidesz-close, state and multinational companies pour TAO money into the government's favorite football clubs—here are the names and numbers], *Átlátszó*, July 18, 2018, <https://atlatso.hu/2018/07/18/fidesz-kozeli-allami-es-multinacionalis-cegek-ontik-a-tao-penzet-a-kormany-kedvenc-futballklubjaiba-itt-vannak-a-nevek-es-a-szamok/>.

429 "Az én falum az én otthonom" [My town is my home], *Felcsut.hu*, November 11, 2021, <https://felcsut.hu/>.

430 "Orbán Viktor 18 millióért vett házat" [Viktor Orbán bought a house for 18 million in Felcsút], *Origo*, October 4, 2013, <https://www.origo.hu/itthon/20131004-orban-viktor-18-millioert-vett-hazat-felcsuton.html>; "Túl kicsi lesz Orbán stadionja az NBI-hez?" [Will Orbán's stadium be too small for NBI?], *HVG*, August 22, 2013, [https://hvg.hu/ingatlan/20130822\\_Tul\\_kicsi\\_lesz\\_Orban\\_felcsuti\\_stadionja\\_a](https://hvg.hu/ingatlan/20130822_Tul_kicsi_lesz_Orban_felcsuti_stadionja_a).

431 "A minisztérium a jogerős bírósági döntés ellenére továbbra is rejtegeti a felcsúti tao-pénzeket" [The ministry continues to withhold the TAO money to Felcsút, despite court decision for disclosure], *dkp.hu*, March 6, 2019, <https://dkp.hu/hirek/3945/a-miniszterium-a-jogeros-birosagi-dontes-ellenere-tovabbra-is-rejtegeti-a-felcsuti-tao-penzeket>; András Mizsur, "3 millió forintot fizetésért jött Felcsútra az ukrán utánpótlás-válogatott" [A member of the national youth team came to Hungary or 3 million HU monthly salary], *Index*, May 5, 2020, [https://index.hu/sport/futball/2020/01/05/puskas\\_akademia\\_artyem\\_favorov\\_deszna\\_csernihiv/](https://index.hu/sport/futball/2020/01/05/puskas_akademia_artyem_favorov_deszna_csernihiv/); "Jogerős: nem lehet titkolni, honnan jöttek a TAO pénzek" [Final: It is not possible to hide



running (mostly empty) through the village, reconstructed using EU money.<sup>432</sup> A soccer academy to ensure a future supply of soccer players was built in the village with public money and is currently managed by Orbán's friend and then-mayor Lőrinc Mészáros's soccer club. This club operates using state-owned and foreign companies' corporate income tax relief money (TAO).<sup>433</sup> The club hardly ever wins in national contests. Despite the soccer academy's declared goal to train new young talent from around Hungary, the local soccer club fills its team with expensive, foreign soccer players, purchased for millions of forints of public money, earned from the TAO coffers. While taxes should be public money, and publicly accountable, Orbán and Mészáros, despite judicial ruling,<sup>434</sup> have never revealed the names of the contributors, referring to business secrecy. The concrete amount spent on the stadium and expensive foreign players went unpublished for several years, despite the court's opposite ruling.<sup>435</sup> A sport hotel is being built for several billions of forints in the village for ever-increasing costs.<sup>436</sup> In early 2021, plans to build an airport close to Felcsút village were aired by a government representative.<sup>437</sup>

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where the TAO money came from], *HVG*, [https://hvg.hu/gazdasag/20170322\\_Jogeros\\_nem\\_lehet\\_titkolni\\_honnan\\_jottek\\_a\\_taopenzek](https://hvg.hu/gazdasag/20170322_Jogeros_nem_lehet_titkolni_honnan_jottek_a_taopenzek).

- 432 Katalin Erdélyi, "Eddig 17 milliós veszteséget termelt a felcsúti kisvasút, az elmúlt évben 17 nap járt üresen" [So far, the narrow-gauge train has produced 17 million HUF loss], *Átlátszó*, April 30, 2016, <https://blog.atlatszo.hu/2019/08/eddig-17-millios-veszteseket-termelt-a-felcsuti-kisvasut-az-elmult-evben-17-nap-jart-uresen/>.
- 433 Sarolta Székely, "Mutatjuk, hova folynak a TAO-pénzek" [We show where TAO money goes], *mfor.hu*, January 22, 2019, <https://mfor.hu/cikkek/vallalatok/mutatjuk-hova-folynak-a-tao-penzek.html>; Zoltán Haszán, "Ezek a cégek adják adójukat a költségvetés helyett Felcsútra" [These are the companies whose tax are sent to Felcsút's coffers, rather than the national budget], *444*, February 5, 2019, <https://444.hu/2019/02/05/ezek-a-cegek-adjak-az-adojukat-a-koltsegvetes-helyett-felcsutra>.
- 434 "Döntött a Kúria: közpénz a TAO- támogatás" [The Curia has ruled: TAO subsidies are public money], *24.hu*, October 25, 2017, <https://24.hu/belfold/2017/10/25/dontott-a-kuria-kozpenz-a-tao-tamogatas/>.
- 435 Márk Herczeg, "A Kúria döntött, Mészáros Lőrinc nem titkolhatja tovább, mire mentek el a felcsúti tao-milliárdok" [The Curia has ruled that Lőrinc Mészáros can no longer hide what the TAO billions from Felcsút were spent on], *444*, November 15, 2017, <https://444.hu/2017/11/15/a-kuria-dontott-meszaros-lorinc-nem-titkolhatja-tovabb-mire-mentek-el-a-felcsuti-tao-milliardok>; "A minisztérium a jogerős bírósági döntés ellenére továbbra is rejtegeti a felcsúti tao-pénzeket" [The ministry continues to hide the TAO money from Felcsút despite the final court decision], *dkp.hu*, March 6, 2018, <https://dkp.hu/hirek/3945/a-minisztarium-a-jogeros-birosagi-dontes-ellenere-tovabbra-is-rejtegeti-a-felcsuti-tao-penzeket>.
- 436 "Már 11 milliárd körül tart a három éve épülő felcsúti sportszálló ára, és még el sem készült" [The cost of the sports hotel in Felcsút, which has been under construction for three years, is already around 11 billion, and it has not even been completed], *HVG*, December 10, 2020, [https://hvg.hu/itthon/20201210\\_felcsut\\_funa\\_ifjusagi\\_sportszallashely\\_11\\_milliard\\_forint](https://hvg.hu/itthon/20201210_felcsut_funa_ifjusagi_sportszallashely_11_milliard_forint).
- 437 Marianna Kovács-Angel "Repülőtér épülhet Felcsút közelében" [An airport will be built close to Felcsút], *24.hu*, March 24, 2021, <https://24.hu/belfold/2021/03/24/felcsut-repuloter/>.

The government also provides other undisclosed tax exemption devices.<sup>438</sup> For example, in a survey of 100 companies with the largest sales revenue in Hungary in 2017, there were 30 foreign companies, which paid only half of the due taxes compared to pretax profits. In that study, the author estimated a 48 billion HUF loss of corporate taxes for the state budget.<sup>439</sup> Selective government support is provided by the government, based on new bills that evidently favor the interests of large foreign enterprises. For example, there were decisions connected to infrastructural investments or site occupation in the name of the Economy Defending Action Plan during the pandemic period for the sake of Samsung's expansion,<sup>440</sup> or connected investments at the Paks nuclear power plant involving Rosatom.<sup>441</sup> Another example is the law providing the companies a labor force, despite mass demonstrations against it. Such was the already mentioned, publicly nicknamed "slave law," which according to Fidesz, was formulated for worker job safety in 2018.<sup>442</sup> This law increased the time frame during which an employer could maximize working hours without the consent of trade unions, from three to four months to twenty-four months. The law obliges workers to work 400 extra hours without immediate compensation.<sup>443</sup> Implementation of the law is based on individualized consent of the Minister of Innovation and

438 Zsuzsanna, Tamásné Szabó, "Milliárdokkal tömte ki a kormány a nagyvállalatok zsebet" [Government has lined the pockets of big business with billions], *24.hu*, November 22, 2016, <https://24.hu/fn/gazdasag/2016/11/22/milliardokkal-tomte-ki-a-kormany-a-nagyvallalatok-zsebet/>.

439 "Évi 48 milliárd forintnyi társasági adót trükközhet ki az országból 30 magyarországi multi" [30 multinational companies located in Hungary could cheat the country out of 48 billion HUF in corporate taxes a year], *g7.hu*, November 12, 2018, <https://g7.hu/vallalat/20181112/evi-48-milliard-forintnyi-tarsasagi-adot-trukkozhet-ki-az-orszagbol-30-magyarorszag-i-multi/>.

440 <http://www.kozlonyok.hu/nkonline/index.php?menuindex=200&pageindex=kozlart&ev=2020&szam=83> A Kormány 1173/2020. [IV. 22.] Korm. határozata a Gazdaságvédelmi Akcióterv keretében a gödi ipari-innovációs fejlesztési terület infrastruktúra-fejlesztéseiről [On the development of infrastructure of the industrial-innovation site of Göd in the framework of Economic Protection Action Plan] MK No 83, p. 2166; <https://autocracyanalyst.net/hungary-pilots-special-economic-zones/>.

441 Katalin Erdélyi, "120 milliárd forintot elköltöttek, két irodaház és egy konyha már megépült a Paks2-projektben" [HUF 120 billion spent, two office buildings and a kitchen already built in the Paks2 project], *Átlátászo*, December 17, 2020, <https://atlatso.hu/2020/12/17/120-milliard-forintot-elkoltottek-ket-irodahaz-es-egy-konyha-mar-megepult-a-paks2-projektben/>.

442 "T/15035. A munkaidőszervezés egyes kérdései" [Certain aspects on the organization of working time], *parlament.hu*, April 11, 2017, <https://www.parlament.hu/irom40/15035/15035.pdf>;

"2017. évi. Törvény az előadó-művészeti szervezetek támogatásáról és sajátos foglalkoztatási szabályairól szóló 2008. Évi XCIX. Törvény módosításáról" [Modification of the 2008 XCIX law on the support of organizations of performing arts and specific regulations on their employment],

<https://2015-2019.kormany.hu/download/0/14/01000/Emtv%20%C3%A9s%20Korm%20rendelet%20honlap.pdf#!DocumentBrowse>.

443 "Hungary's President Signs Controversial 'Slave Law,'" *BBC*, December 20, 2018, <https://www.bbc.com/news/world-europe-46637216>.

Technology.<sup>444</sup> Even if not directly, this law privileges foreign enterprises, owing to their much larger investment capacity, and among them the automobile industry which takes twenty of the forty-eight large investments in 2018.<sup>445</sup>

In conclusion, scattered data with faint statistical consistency point to both the infiltration of political capture through politically selective individual support of foreign and large enterprises, and attached large infrastructural investments of private ventures. Individual support is decided centrally, through individual subsidies, the declaration of strategic partnerships, strategic investments and strategic enterprises, bended laws, and exemptions.

The previous examples of forced resource redeployment through politically selective extraction and redistribution in the pretext of reforms and development projects are spread in all subfields. They demonstrate the centralized authoritarian power's endless capacity and drive for forced resource redeployment through the diffused channels of political capture. Open-ended lists of redistribution appear within legalized preference frameworks, apparently disconnected from one another (Gerő and Kovach, chapter 2 in this book). However, the different types of redistribution scattered in different fields, are combined, shaped, and selectively accumulated through the actors' different degrees of integration into the centrally diffused network. Thus, political favoritism is institutionalized through political capture and its diffusion. Next, I will detail the characteristics of those most integrated into the centrally diffused channels of political capture, beneficiaries of institutionalized corruption: the central cluster.

## The Political-Economic Elite Nested in the Network of Institutionalized Corruption

### *Characteristics of the Central Cluster*

God has created all of us in His own image, so we are all equal—regardless of origin and skin color; and Christianity teaches us to do unto others as we would have them do unto us. Europe has forgotten that the world of political freedom can be built from these laws. What has happened and is happening in Hungary cannot be expressed in the liberal language of Brussels Euro babble.<sup>446</sup>

Prime Minister Viktor Orbán, February 16, 2020

444 Ábrahám Vass, “Unions Outraged as Government Makes Working Timeframe More Flexible for Companies,” *Hungary Today*, April 14, 2020, <https://hungarytoday.hu/unions-outraged-government-working-timeframe-flexible-companies/>.

445 Márton Kasnyik, “Tizenhatszor annyi beruházást visznek külföldi vállalatok, mint magyarok” [Sixteen times as much investment by foreign companies as by Hungarians], *g7.hu*, September 24, 2018, <https://g7.hu/vallalat/20180924/tizenhatszor-annyi-nagyberuhazast-visznek-kulfoldi-vallalatok-mint-magyarok/>.

446 <https://2015-2019.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-state-of-the-nation-address-2020>.

The network of political capture, as it advances in different subspheres through diffusion, simultaneously shapes social structure, according to the level of integration of the economic actors in each realm (Csanádi 2006; Czibere, Gerő, and Kovach 2017). The level of integration defines the actors' bargaining position in the network at its different points. The different depths of integration point to the characteristics of politically selective distribution, interpreted here as routes of institutionalized corruption through the centrally diffused network of political capture. Actors with similar bargaining positions may form clusters in the diffused network.

In the politically captured institutional context, formal instruments of democratic control are unable to address systemic features of political favoritism. For example, according to an all-encompassing transparency law enacted in 2007,<sup>447</sup> public servants and political advisers<sup>448</sup> are obliged to provide yearly public asset declarations for the sake of transparency and public control. Those obliged should report about their income, interests, and assets “for the sake of impartial enforcement of fundamental rights and obligations and the safeguarding of public purity and the prevention of corruption.”<sup>449</sup> Individual reports of public servants, generally those in the highest government positions listed in paragraphs 2§ and 3§ of the law, are publicly available on the parliament's home page. In addition, family members of these individuals must also report, but those documents are not public. However, lacking control due to political capture of institutions of checks and balances, these reports remain formal and empty.<sup>450</sup>

Consequently, the most spartan report was that of the prime minister. His 2019 asset declaration documented zero savings, as his legitimate year-by-year declining savings did not reach the 1 million HUF (about 2,700 euros) compulsory reporting threshold. He reported unchanged wealth: two houses, one in Budapest shared with his wife, and the other one in his hometown.<sup>451</sup> Having

447 “2007. évi CLII. törvény egyes vagyonyilatkozat-tételi kötelezettségekről” [Act 2007. CLII. on certain obligations for asset declaration], net.jogtar.hu, in force, December 14, 2021, <https://net.jogtar.hu/jogszabaly?docid=a0700152.tv>.

448 See paragraphs 2§ and 3§ in the law regarding the complex circle of those who are compelled to give wealth declaration. <https://net.jogtar.hu/jogszabaly?docid=a0700152.tv>.

449 “Jogszabályi keretek összefoglalása, a vagyonyilatkozat-tételi kötelezettségről” [Summary of legal framework on the obligations for asset declaration], n.d. *A vagyonyilatkozati rendszer működésével kapcsolatos problémák és a rendszer reformjára vonatkozó ajánlások* [Problems with the functioning of the asset declaration system and recommendations for its reform], transparency.hu, July 2017, [https://transparency.hu/wp-content/uploads/2016/07/policy\\_paper2\\_FIN.pdf](https://transparency.hu/wp-content/uploads/2016/07/policy_paper2_FIN.pdf).

“Vagyonyilatkozatok 2019” [Asset declarations 2019], HVG, February 1, 2019, <https://hvg.hu/cs/vagyonyilatkozatok%202019>.

450 Anita Vorák, “Meet the MP Who Left Out Nearly 5 Million Euros of His Wealth Declarations,” *Direkt36*, February 23, 2017, <https://www.direkt36.hu/meet-the-mp-who-left-out-nearly-5-million-euros-of-his-wealth-declarations/>.

451 “Orbán Viktor szerényen spórolt és törlesztett” [Viktor Orbán has saved and repaid modestly], HVG, February 1, 2019, [https://hvg.hu/itthon/20190201\\_Orban\\_Viktor\\_vagyonyilatkozat](https://hvg.hu/itthon/20190201_Orban_Viktor_vagyonyilatkozat)

politically captured checks and balances at Orbán's service, this report remains the reflection of the household assets of a simple Hungarian citizen.

My purpose in this chapter is not to unveil the objects and wealth personally acquired by Orbán and his relatives through corrupt practices, misusing his position. Instead my aim throughout this book is to point to the fact that due to political capture, institutionalized chances for individual corruption are systemic, including the public wealth Orbán institutionally disposes of (see figs. 1.1–1.5).<sup>452</sup> The clearest example for institutionalized corruption has been the short-lived adventure of Rogán, Orbán's cabinet chief in 2015–2021, whose wealth statement was also unpretentious.<sup>453</sup> Information about this endeavour went public due to an accidental breach in the closed channels of political capture. In late 2020, Rogán's new wife and her relatives signed a contract soon after registering as farmers. They were supposed to purchase adjacent lands in the ownership of three people currently living in the US. For that purpose they got an over 1.5 billion HUF agricultural land loan from the Budapest Bank. This latter is a member of the largest bank consortium<sup>454</sup> formed in 2020, declared by Orbán as one of national strategic importance.<sup>455</sup> The consortium is owned by Mészáros, Orbán's close friend. The loan was deemed to cover 95 percent of the purchase value of over 1,600 hectare of land (about the size of three districts of Budapest). The land lays alongside a nature preserve area, geographically located in three villages.<sup>456</sup> The contract went public on the home page of one of the local settlements, Tardona village. However, it looks like that due to unintended and unexpected publicity of the contract did not take effect, as

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\_2019; "Orbán Viktornak egy filler megtakarítása sincs" [Viktor Orbán has zero savings], <https://magyarnarancs.hu/belpol/orban-viktornak-egy-filler-megtakaritasa-sincs-126513>.

- 452 "Vagyonnyilatkozat 2020: Orbán lassan nem áll meg a saját lábán, Rogánt viszont egy hurrikán sem billenti ki" [Orbán gradually seems to lose his financial stability, while Rogán remains firm even if a hurricane strikes], [baznyesz-miskolc.hu](http://baznyesz-miskolc.hu), February 1, 2020, <https://www.baznyesz-miskolc.hu/news/vagyonnyilatkozat-2020-orban-lassan-nem-all-meg-sajat-laban-rogant-viszont-egy-hurrikan-sem-billenti-ki/>.
- 453 "Statement by the Government Information Centre of Minister Rogán," [kormany.hu](http://kormany.hu), February 1, 2020, <https://2015-2019.kormany.hu/en/cabinet-office-of-the-prime-minister/news/statement-by-the-government-information-centre-of-minister-rogan>.
- 454 Gergő Zsiborás, "A magyar állam és Mészáros új, közös giga üzlete zöld jelzést kapott" [The new joint giga deal between the Hungarian state and Mészáros gets the green light], *Forbes*, December 15, 2020, <https://forbes.hu/uzlet/a-magyar-allam-es-meszaros-uj-kozos-giga-uzlete-zold-jelzest-kapott/>.
- 455 "Nemzetstratégiai jelentőségű a Magyar Bankholding létrejötte" [The creation of the Hungarian Bankholding is of national strategic importance], [infostart.hu](http://infostart.hu), December 10, 2020, <https://infostart.hu/gazdasag/2020/12/10/nemzetstrategiai-jelentosegu-a-magyar-bankholding-letrejotte>.
- 456 László Szily, "Rogán új felesége és családi köre több mint 1000 hektár földet vett magának az esküvő előtt 1,6 milliárd forintért" [Rogán's new wife and family circle bought more than 1,000 hectares of land before wedding for 16 billion HUF], *444*, February 2, 2021, <https://444.hu/2021/02/02/rogan-uj-felesege-es-csaladi-kore-tobb-mint-1000-hektar-foldet-vett-maganak-az-eskuvo-elott-16-milliard-forintert>.

according to a government-close and -owned newspaper, *Magyar Nemzet*, the respective county-municipal government responsible for allowing such complex deals rejected it.<sup>457</sup> Rogán's position did not even tremble.<sup>458</sup>

Rather than using the formal instruments of transparency in a democratic setting, I define the central cluster in this centralized power distribution according to the institutional capacities of its political-economic members. Examining the depth of integration into the centrally diffused network of political capture, we can detect a central cluster of those deepest integrated, where privileges otherwise scattered by type, field, project, and other government economic policy measures concentrate, overlap, and accumulate. The cluster's structure is simultaneously hierarchical and strongly interdependent. The most powerful node in the central cluster is Viktor Orbán himself, who pulls all the strings and guarantees that his decisions have a legal base in advance, or retrospectively. He personally disposes of the key economic resources and manages their distribution. Those potentially capable of questioning, and/or legalizing and conserving his position and actions, are under his personal control. The second most powerful, is his cabinet chief, Antal Rogán, who serves largely as Orbán's right hand. He handles the major programs for direct distribution on Orbán's instructions. Third is Péter Polt, the chief attorney general, who guarantees that all politically selective, both personal and institutional, corrupt decisions are legal and that elite corruption remains noncriminalized. Fourth is the head of the National Bank, György Matolcsy,<sup>459</sup> who ensures that public resources, be they fiscal or monetary, are transformed into private assets held by the network's elite members.<sup>460</sup> Fifth is Péter Szijjártó, the minister of foreign affairs and foreign trade, who supervises the state-owned trade banks, and distributes individual investment support covering all international policy actions. He also supervises the state-owned Export-Import Bank, one of the major financiers of elite investments.<sup>461</sup> The

457 "Kanyargós út vezetett Rogán Barbara földvásárlási tervének elkaszálásáig" [A winding road led to the scrapping of Barbara Rogán's land purchase plan], *Telex*, February 19, 2021, <https://telex.hu/gazdasag/2021/02/19/rogan-obrusanszki-foldvasarlas-szerzodes-elkaszalas-kormanyhivatal-formai-okok>.

458 "A kormányhivatal szerint sem szerzett földet Rogán Antal felesége" [The local government also denies that Antal Rogán's wife acquired land], *Magyar Nemzet*, February 13, 2021, <https://magyarnemzet.hu/belfold/a-kormanyhivatal-szerint-sem-szerzett-foldet-rogan-antal-felesege-9371447/>.

459 "Curriculum vitae of György Matolcsy," <https://www.mnb.hu/en/the-central-bank/management-and-control-of-the-mnb/management-of-mnb/curriculum-vitae-of-gyorgy-matolcsy>.

460 "Több mint 500 milliót kapott cikkekre az MNB alapítványaitól a VS.hu kiadója" [More than 500 million HUF was awarded to VS.hu publisher from the National Bank's foundation], *444*, April 22, 2016, <https://444.hu/2016/04/22/500-milliot-kapott-cikkekre-az-mnb-alapitvanyaitol-a-vshu-kiadoja>.

461 "Fidesz-közeli cégek kapták az Eximbank hiteleinek a felét" [Half of the Eximbank's loans went to Fidesz-close companies], *HVG*, April 4, 2016, [https://hvg.hu/gazdasag/20160404\\_eximbank\\_garanci\\_vajna\\_rogan\\_cegek\\_barati\\_hitelezes](https://hvg.hu/gazdasag/20160404_eximbank_garanci_vajna_rogan_cegek_barati_hitelezes); Antónia Rádi, "Házipénztárként használják az Eximbankot a kormányközeli üzletemberek" Fidesz-close businesses use

sixth is Sándor Pintér, the deputy prime minister and leader of the superministry responsible for all issues of domestic affairs, including the Constitution Protection Office, counterintelligence agency, center for counterterrorism, inward and outward migration, all citizens' personal data, and the secret police. These official capacities not only allow Pintér to gather personal data on anyone, beneficial for both protection and blackmail,<sup>462</sup> but also allows institutional corruption. For example, the security business connected to his former business partner, enabled by his powerful official responsibilities, interweaves and affects the whole institutional structure from hospitals to public TV.<sup>463</sup>

This small powerful political group has central resource extracting, attracting, and distributing capacities. The group creates, operates, and integrates into the institutional context of political capture. This set of opportunities allows them to transfer public assets and public resources in an institutionally protected manner into selected private hands. The infrastructure to transfer and invest is the centrally diffused network of closed channels of political capture. This also ensures they are able to attract and channel foreign resources acquired through interstate agreements into private hands. This may be done without institutional control or consent, as checks and balances have been transformed into executives. Resources are distributed personally or through different ministries, state-owned enterprises, or local governments. They can decide on the appointment of strategic enterprises, strategic investments, and strategic partnerships, thereby exempting them(selves)<sup>464</sup> from the legal context and market regulations (Laki 2019; Magyar 2016, 2019; Tóth and Hajdu 2021). The uncontrolled political position of political members of the cluster in the institutional context allows them also to privately strip and acquire transferred national wealth through business friends and family members.<sup>465</sup>

The central cluster is complemented by core businessmen who are in this privileged private group due to their loyalty to the political members of the group. They are friends, family members, schoolmates, sporting or business partners,

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Eximbank as family cash-cow], *Átlátszó*, January 19, 2017, <https://atlatzo.hu/2017/01/19/hazipenztarkent-hasznaljak-az-eximbankot-kormanykozeli-uzletemberek/>.

462 "Personal Data of László Pintér, Minister of Interior," <https://2015-2019.kormany.hu/en/ministry-of-interior/the-minister/>; "László Pintér, Minister of Interior," *The Orange Files*, May 7, 2018, <https://theorangefiles.hu/interior-minister-sandor-pinter/>.

463 Andras Dezső, "Még egy kormányváltás sem rengethetné meg Pintérék pozícióit az őrző-védő piacon" [Not even a change of government could shake Pintér's position in the guard/defender market], *HVG*, March 25, 2021, [https://hvg.hu/360/20210324\\_Pinter\\_Tasnadi\\_orzovedo\\_biztonsagi\\_piac](https://hvg.hu/360/20210324_Pinter_Tasnadi_orzovedo_biztonsagi_piac).

464 Magyar (2013), while denominating the transforming system as a "mafia state," provides several categories of oligarchs according to their distance from the political center. I do not specify them in such detail.

465 Fanni Matyasovszki, "IT Entrepreneur with Ties to Viktor Orbán's Family Has Further Grown His Business Empire Built on State Tenders," *Direkt36*, December 9, 2021, <https://www.direkt36.hu/en/terebelyesedik-az-orban-csaladdal-uzletelo-vallalkozo-kozpenzbol-felfutott-cegbirodalma/>.



and even trusted neighbors of the politician members of the cluster (see Tóth and Hajdu, Appendix 3.1). Social status and ties allow them to become cumulatively integrated into the network. Through integration and self-serving distribution, selected members serve institutionalized corruption. The intensity of integration of members is different and ever-changing. This defines the dynamics of their bargaining capacities and exposure within the cluster. Dynamics partially depend on the opportunities offered by the self-serving recombinant strategies of its political-distributor members (see Gerő and Kovach, chapter 2 in this book).

The core political-economic members of the cluster are both protected and vulnerable from several dimensions. The bargaining position of members within the cluster is not equivalent. Orbán institutionally disposes of all aspects of the national wealth and development programs. He has personal institutional privileging and punishing capacity (fig. 1.2), and he is able to pose an existential threat to any other member of the cluster through political capture while at the same time institutionally protecting them. The protection and captivity of members is secured through the central executive bodies subordinated to the political members, including institutions of checks and balances turned executives. On the other hand, Orbán secures institutionalized corruption by openly “buying” or awarding public money to strategic decision-makers for their loyalty. For example, without prior professional consultation, Orbán, in early December 2020, while threatening the EU budget and emergency fund decision with a Hungarian veto joined by the Polish government,<sup>466</sup> presented Poland with one of the Hungarian National Museum’s highly valuable historical reliquiae, a king’s child armor, worth about \$1 million.<sup>467</sup> Orbán personally awards millions and frequently billions of forints of public money to organizations representing his own and the political leadership’s hobbies. For example, 5 billion HUF for the “Blue Planet” foundation of the President of Hungary,<sup>468</sup> and another non-refundable 5 billion HUF for the same as a farewell present when his presidency expired.<sup>469</sup> This sum dwarfs the 50 billion HUF given to the coalition party leader Zsolt Semjén, deputy prime minister and a recreational hunter, for

466 “Hungary, Poland Lift EU Budget Veto,” *Emerging Europe*, December 10, 2020, <https://emerging-europe.com/news/hungary-poland-remove-eu-budget-veto/>.

467 Péter Licskay, “Hungary Gifts the Child Armor of Poland’s Former King, Sigismund II Augustus, to the Polish,” *Daily News Hungary*, December 28, 2020, <https://dailynewshungary.com/hungary-gifts-the-child-armor-of-polands-past-king-sigismund-ii-augustus-to-the-polish-photo-gallery/>.

468 1260/2020. [V.27.] “Korm. határozat a Kék Bolygó Klímavédelmi Kockázati Alapról” [Government decision on the Blue Planet risk fund] M.k. 127, p. 2886; Kitty Fődi, “5 milliárdot kap Áder János klímavédelmi alapítványa a kormánytól,” *444*, May 28, 2020, <https://444.hu/2020/05/28/5-milliardot-kap-ades-janos-klimavedelmi-alapitvanya-a-kormanytol>.

469 “5 milliárd forint közpénzzel dobták meg Áder János alapítványát” [5 billion forints of public money thrown at János Áder’s foundation], *Népszava*, February 10, 2022, [https://nepszava.hu/3146132\\_ader-janos-kek-bolygo-klimavedelem](https://nepszava.hu/3146132_ader-janos-kek-bolygo-klimavedelem).

organizing an international hunting exhibition and its infrastructure.<sup>470</sup> One of the newly transformed university's foundation headed by the minister of finance, Mihály Varga, received 150 billion HUF from the government, based on a preempting collaboration agreement between the university's foundation, of which he was the curator, and the state-owned Széchenyi Funds Risk Capital Fund Management Ltd., supervised by him as the minister of finance.<sup>471</sup> About 1.3 billion HUF was awarded indirectly to the other deputy prime minister, Sándor Pintér, supervising the superministry of Internal Affairs. In that case, a former government resort was privatized, purchased by his ex-business partner. The non-refundable amount awarded to renovate the site was sixfold the price the hotel was purchased. The money was provided through a government development project in 2021 (the Kisfaludy program) managed by the Tourism Agency, supervised by Rogán, Orbán's cabinet chief.<sup>472</sup> Another 42 billion HUF went to the minister of innovation and technology, László Palkovics, an engineer by background, for building a test track and connecting infrastructure for self-driving cars in the city of Zalaegerszeg, the minister's hometown.<sup>473</sup> The work was carried out by cronies' companies, members of the central cluster, who are standard winners of public procurement funds (Tóth and Hajdu, chapter 3 in

470 "Semjén Zsolt felkacag: legalább 50 milliárd forintért rendezünk vadászati világkiállítást" [Zsolt Semjén laughs: we will organize a world hunting exhibition for at least HUF 50 billion], *Népszava*, December 11, 2018, [https://nepszava.hu/3018124\\_semjen-zsolt-felkacag-legalabb-50-milliard-forintert-rendezunk-vadaszati-vilagkiallitast](https://nepszava.hu/3018124_semjen-zsolt-felkacag-legalabb-50-milliard-forintert-rendezunk-vadaszati-vilagkiallitast); "1 Million Visitors Expected for 2021 World Hunting Expo, Says Gov't Commissioner," *Hungary Today*, January 1, 2020, <https://hungarytoday.hu/1-million-visitors-2021-world-hunting-expo/>; "Tíz tonna szarvasagancsból készül a vadászati világkiállítás kapuja" [Ten tons of deer antlers make the gateway to the World Hunt Expo], *24.hu*, March 31, 2021, <https://24.hu/kultura/2021/03/31/vadaszati-kiallitas-kapu-szarvasagancs/>.

<https://www.parlament.hu/irom41/06359/06359.pdf>.

471 Zsolt Papp, "Százmilliárdos vagyont kap a Varga Mihály vezette egyetemi alapítvány" [The university foundation lead by Mihály Varga receives hundreds of billions in assets] *Népszava*, December 7, 2021, [https://nepszava.hu/3140048\\_szazmilliardos-vagyont-kap-a-varga-mihaly-vezette-egyetemi-alapitvany](https://nepszava.hu/3140048_szazmilliardos-vagyont-kap-a-varga-mihaly-vezette-egyetemi-alapitvany).

472 Csaba László Horváth, "Milliárdos állami segítséggel újulhat meg a Pintér Sándor volt cégéhez került lovasberényi kormányüdülő" [Billion-dollar state support to renovate the Lovasberény government resort, which belonged to the former company of Sándor Pintér minister of internal affairs], *24.hu*, January 26, 2021, <https://24.hu/belfold/2021/01/26/lovasbereny-kormany-udulo-hotel-pinter-sandor-tasnadi-laszlo-lajtar-jozsef-mtu-kisfaludy/>.

473 Tamás Widermann, "Egyetlen, állami beruházás miatt került fel Magyarország is az önvezető autók nemzetközi ranglistájára" [A single public investment has put Hungary on the international ranking of self-driving cars], *G7*, February 15, 2019, <https://g7.hu/tech/20190215/egyetlen-allami-beruhazas-miatt-kerult-fel-magyarorszag-is-az-onvezeto-autok-nemzetkozi-ranglistajara/>; Marianna Kovács-Angel, "Közpénz milliárdokat nyel el Mészáros üzlettársa az autóipar Szilícium-völgyében" [Billions of public money swallowed up by Mészáros' business partner in the Silicon Valley of the automotive industry], *24.hu*, June 30, 2018, <https://24.hu/fn/gazdasag/2018/07/30/zalai-tesztpalya-duna-aszfalt/>.

this book).<sup>474</sup> Orbán has awarded 600 billion HUF to the city of Debrecen, the hometown of a Fidesz founder and its vice-president since 2019, and city mayor between 2010–2015, Lajos Kósa, to become the cultural and economic counterbalance of Budapest. This also includes the transfer of cultural institutions from the capital through a variety of development projects, for example, the Hungarian Natural History Museum. Orbán can also reward his own political-economic projects to expand political capture to neighboring Hungarian minority areas. At the year-end of 2020, he transferred 100 billion HUF for the suddenly amplified Mathias Corvinus School, planning to attract 10,000 Hungarian minority students from surrounding countries.<sup>475</sup>

But for the same institutionalized reasons Orbán is able to protect and buy loyalty and compliance, he can also personally take institutional revenge. One's privileged position can change if members of the cluster do not adapt to Orbán's expectations. This behavior in the cluster was interpreted by Magyar (2013) as that of a mafia. I claim, however, that this behavior is structure specific, an integral part of a system based on a centralized political capture and its diffusion. Therefore, in order to define and analyze the main business members of the central cluster and their relationship to the political members of the same, several factors must be combined. I use the categorizations of both Tóth and Hajdu, and Laki, which derive from different approaches. Based on these, I analyze their "internal" and "external" business dynamics. In other words, I demonstrate the business dynamics among each other and connected to government members of the cluster; the internal hierarchy among the members, and their function in the cluster; as well as the members' attitudes toward institutions and the market in the context of centrally institutionalized corruption enabled by the diffused political capture.

The selection of the 12 businesspeople earmarked by Tóth and Hajdu in this book is shown in the short CVs in their study's annex 3.1 (see chapter 3). The 12 were owners of companies that were the most frequent winners of public

474 <https://www.kormany.hu/hu/innovacios-es-technologiai-miniszterium/hirek/kozos-vallalkozast-hozott-letre-a-zalaegerszegi-tesztpanya-es-az-osztrak-avl>; György Bucsky, "Reménytelen, hogy valaha is megtérüljön a 45 milliárdos zala tesztpanya" [It is hopeless that the 45 billion Zala test track will ever pay off], *G7*, June 30, 2019, <https://g7.hu/kozelet/20190730/remenytelen-hogy-valaha-is-megteruljon-a-45-milliardos-zalai-tesztpanya/>; Katalin Erdélyi, "Tiborcz István egyhektáros, úszómedencés birtokot vett a Balatonnál" [István Tiborcz bought a one-hectare swimming pool estate at Lake Balaton], *Átlátszó*, June 27, 2019, <https://atlatso.hu/2019/06/27/tiborcz-istvan-egyhektaros-uszomedences-birtokot-vett-a-balatonnal/>; Peter Urfi, "Tiborczék és Mészárosék felvásárolták a keszthelyi Balatonpartot, de egyelőre hagyják rohadni" [The Tiborczs and Mészáros have bought up the Balaton shore in Keszthely, but for the time being they are leaving it to rot], *444*, July 30, 2018, <https://kepek.444.hu/2018/08/30/tiborczek-es-meszarosek-felvasaroltak-a-keszthelyi-balatonpartot-de-egyelore-hagyjak-rohadni>; "Így visz mindent Mészáros és Tiborcz a Balatonnál" [This is how Mészáros and Tiborcz take it all at Lake Balaton], *HVG*, February 7, 2018, [https://hvg.hu/ingatlan/20180207\\_Igy\\_lopjak\\_el\\_a\\_Balaton\\_a\\_szemunk\\_elott](https://hvg.hu/ingatlan/20180207_Igy_lopjak_el_a_Balaton_a_szemunk_elott).

475 "Száz milliárd forintot kapott az államtól év végére a Mathias Corvinus collegium" [Mathias Corvinus collegium will have received one hundred billion forints from the state by the end of the year], *HVG*, December 25, 2020, [https://hvg.hu/gazdasag/20201225\\_mcc\\_100milliard](https://hvg.hu/gazdasag/20201225_mcc_100milliard).

procurement in the years since 2010. These owners have varied histories of connection to Orbán and to other quoted political members of the cluster. This list is combined with that of the 18 businesspeople selected by Laki from the 100 richest in 2018 and 2019. Laki also filters them according to signs of integration into the network of political capture: holding official or honorary positions appointed by Orbán and ranked among the most influential (see Laki, chapter 4, table 4.2 in this book). The 12 and the 18 business executives partially overlap. I will not mention them and their connections individually. These characteristics may be found in Tóth and Hajdu's and Laki's empirical analysis. Instead, I will analyze the characteristics of this group's business dynamics.

This group of core businesspeople is complemented by more loosely connected friends, business partners, and family members (brothers, fathers, daughters, sons, nephews, sons-in-law, wives, hometown buddies, sport partners, neighbors, etc.). They appear either as group participants of a tender or get a stake from the re-redistribution of the state's funds (budgetary or foreign) as subcontractors of an investment project. They thereby expand the cluster of those cumulatively integrated into the channels of political capture. These members do not necessarily appear as winners of public procurement, yet they remain important players in the social context and the building up and dynamics of the cluster. For example, the diffusion of political capture in the economy is reflected in Orbán's family activity. Family members appear either as direct beneficiaries in the distribution of billions of public money through procurement, as subcontractors, or under the pretext of any state development project.<sup>476</sup> Money, resources, and contracts have been directed to Orbán's eldest daughter in tourism, institutionally under Rogán's responsibility, and in the fashion industry;<sup>477</sup> Orbán's father's stone mining company for infrastructure constructions, the other sector the cluster has diffused into;<sup>478</sup> his brother's close

476 Blanka Zöldi, "Viktor Orbán hardly believed that his family members are subcontractors of state projects. Here is the evidence," *Direkt36*, January 25, 2018, <https://www.direkt36.hu/en/orban-viktor-alig-hitte-el-hogy-a-csaladtagjai-avallalkozokent-dolgoznak-allami-epitkezesen-most-itt-a-bizonyitek/>; "Viktor Orbán's father's company awarded \$1.2 million state contract," *Budapest Beacon*, January 25, 2018, <https://budapestbeacon.com/viktor-orbans-company-father-awarded-1-2-million-state-contract/>.

477 Fanni Kaszás, "Budapest, the 'Spice of Europe'—Hungarian Tourism Agency Launches International Campaign," *Hungary Today*, May 15, 2018, <https://hungarytoday.hu/budapest-the-spice-of-europe-hungarian-tourism-agency-launches-international-campaign/>; Tavaly egymilliárdot kapott, idén már 2,3 milliárd jár az Orbán Ráhel-közel-i divatügynökségnek" [Last year the fashion agency close to Ráhel Orbán received one billion, this year 2.3 billion], *24.hu*, August 25, 2020, <https://24.hu/fn/gazdasag/2020/08/25/orban-rahel-divatugynokseg-allami-tamogatas-bata-jakab-zsofia/>; Csaba László Horváth "Turisztikai pénzeső: milliárdok az Orbán Ráhel-közel-i ügynökségnek, 70 millió az Echo TV volt vezetőjének" [Cash grab in tourism: billions for the agency close to Ráhel Orbán, 70 million for the former head of Echo TV], *24.hu*, September 15, 2021, <https://24.hu/belfold/2021/09/15/mtu-guller-zoltan-kisfaludy-program-orban-rahel-divatugynokseg-egyedi-tamogatas-kozpenz/>.

478 Blanka Zöldi and András Pethő, "Orban's Father Was Involved in Controversial Road Construction," *Direkt36*, September 23, 2020, <https://www.direkt36.hu/en/meg-a-kormany>

businessman-friend in the IT industry;<sup>479</sup> his son-in-law's real estate business, acquiring publicly owned castles and buildings in the framework of central development programs;<sup>480</sup> and his son expanding his new religious community that received central support.<sup>481</sup> Orbán's son soon after being drafted in 2020 was sent to a highly expensive elite British military training school, frequented by descendants of the queen and other leaders. The fee was financed by the Defense Ministry, soon after his short drafting period. Most of the aforementioned sectors appear in figure 1.2, figure 1.3, and figure 1.5, under the direct supervision of the cabinet, personally by Orbán himself or Rogán.

Private participants in the central cluster are standard winners of politically selective direct and indirect resource distribution by government members (the political-economic distributors) of the core. Distribution may occur through reforms, through government development projects, and in noncompetitive tenders of public procurement at the central, local, or state-owned enterprise level (Tóth and Hajdu, chapter 3 in this book). Distribution may also take place in the form of government-awarded public or private positions.<sup>482</sup> The accumulated private wealth of the cluster members is based on the direct or indirect transfer

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-is-draganak-talalta-az-m4-es-epiteset-dokumentumok-bizonyitjak-hogy-orban-apjanak-cegetol-vettek-hozza-a-koveket/; Blanka Zöldi and András Pethő, "How EU-Funded Projects Secretly Contributed to the Orbán Family's Enrichment," *Direkt36*, May 9, 2015, <https://www.direkt36.hu/en/rejtett-allami-munkakbol-is-jott-penz-az-orban-csalad-gyorsan-szerzett-milliardjaihoz/>.

479 András Pethő and Blanka Zöldi, "Links Tighten between Orbán's Brother and a Businessman Who Keeps Winning Public Tenders," *Direkt36*, November 20, 2019, <https://www.direkt36.hu/en/egyre-szorosabb-a-kapocs-orban-testvere-es-az-allami-palyazatokon-tarolo-vallalkozo-kozott/>; Dániel Szőke, "Eddig távol maradt az Orbán család a közbeszerzésektől, most íj. Orbán Győző cége elnyert egyet" [The Orbán family has so far stayed away from public procurement, but now Orbán Jr. Győző Orbán's company has won one], *Direkt36*, March 23, 2021, <https://www.direkt36.hu/en/eddig-tavol-maradt-az-orban-csalad-a-kozbeszerzesektol-most-ij-orban-gyozo-cege-elnyert-egyet/>.

480 András Pethő, "Orbán's Son-in-Law Extends His Influence over Major Real Estate Company," *Direkt36*, June 26, 2018, <https://www.direkt36.hu/en/tiborcz-megszerezte-a-bdpst-nevu-milliardos-ingatlanceg-tulnyomo-reszet/>; "Hungary, as the Orbán Family's Private Estate," *Hungarian Spectrum*, January 1, 2017, <https://hungarianspectrum.org/2017/01/03/hungary-as-the-orban-familys-private-estate/>.

481 Márton Sarkadi Nagy, "Közpénzből csináltak exkluzív bentlakásos kollégiumot Orbán Gáspár jogász barátainak" [Gáspár Orbán's lawyer friends got an exclusive dormitory built from public money], *Átlátszó*, November 30, 2020, <https://atlatszo.hu/2020/11/30/kozpenzbol-csinaltak-exkluziv-bentlakasos-kollegiumot-orban-gaspar-jogasz-baratainak/>.

482 József Spirk, "Bemutatjuk Mészáros Lőrinc tízmilliárdokról döntő gyermekeit" [Introducing Lőrinc Mészáros's children deciding over tens of billions], *24.hu*, May 10, 2017, <https://24.hu/belfold/2017/05/10/bemutatjuk-meszaros-lorinc-tizmilliardokrol-donto-gyermekeit/>; Iván Sztójcsev, "A NER igazi sikertörténete: a magyar korrupció reformja" [The real success story of the NER: reforming Hungarian corruption], *HVG*, June 11, 2020, [https://hvg.hu/kkv/20200611\\_ner\\_korrupcio\\_ner10](https://hvg.hu/kkv/20200611_ner_korrupcio_ner10); András Bódis, "Itt a Mészáros-korszak öt évének mérlege: ma négy Simicskát tart el az ország" [Here is the balance of the five years of the Mészáros era: today the country supports four Simicskas], *Válasz Online*, June 10, 2020, <https://www.valaszonline.hu/2020/06/10/meszaros-sziji-garanci-2019-nyereseg-merleg/>.

of public and foreign resources into private hands. Thus, they benefit from the forced resource redeployment carried out by the government members of the cluster to the private members of the same, institutionalizing corruption.

The central cluster has multiple individual characteristics, closely entangled along several dimensions. These characteristics provide the varied basis for the depth of integration and the sources of wealth accumulation of each beneficiary. Most of the members' businesses are based on the domestic market. They are either adapting to or exempted from domestic regulations, due to individual government decisions. They are financed or privileged in multiple aspects from central or local government sources directly or indirectly. There is minimal available data on the concentration and amount of loans, individual budgetary supports, development projects, tax waves, public tenders at different levels, strategic partnership agreements, strategic investments, strategic enterprise declarations, transfers of public wealth through privatization of land and assets, individualized laws, or regional preferences according to the businesses privileged by those. Public tenders are the only publicized data that after a huge preliminary filtering work become statistically analyzable (see referred works by Tóth and Hajdu). However, if we nest the aforementioned government instruments in the decision-making process of the centrally diffused political capture, no reason suggests their distribution otherwise than experienced in public tenders' political favoritism. Examples underlie this presumption: close friends and family members and their friends, as entrepreneurs, win over major state distribution sources,<sup>483</sup> and acquire land and real estate through government privatization programs,<sup>484</sup> loans from state-owned banks (Csanádi 2014a),<sup>485</sup> and

483 "Így hullik a pénzeső a NER 'mázliasszonyaira'" [This is how the NER "lucky spouses" participate in money dumping], *HVG*, April 17, 2019, [https://hvg.hu/kkv/20190417\\_Igy\\_hullik\\_a\\_kozpenzeso\\_a\\_NER\\_mazliasszonyaira](https://hvg.hu/kkv/20190417_Igy_hullik_a_kozpenzeso_a_NER_mazliasszonyaira); Antónia Rádi, "Huszonevesen milliárdosok – így áll a saját lábán az Orbán-rezsim második generációja" [Billionaires in their twenties—how the second generation of Orbán's regime stands on its own two feet], *Átlátszó*, January 4, 2018, <https://atlatszo.hu/2018/01/04/huszonevesen-milliardosok-igy-all-a-sajat-laban-az-orban-rezsim-masodik-generacioja/>; Sándor Czinkóczi, "Tavaly is behúzott 5 milliót a Szerencsejáték Zrt.-től a cég, amit Szijjártó testvére vezet" [Last year the company headed by Szijjártó's brother collected 5 million from Szerencsejáték Zrt.], *444*, January 8, 2020, <https://444.hu/2020/01/08/szijjarto-testverenek-cege-5-milliot-huzott-be-a-szerencsejatek-zrt-tol>; Sándor Czinkóczi, "Szijjártó minisztériumától is kapott pénzt az a cég, ahol a testvére dolgozik" [The company where his brother works also received money from Szijjártó's ministry], *444*, July 16, 2019, <https://444.hu/2019/08/16/szijjarto-minisztariumatol-is-kapott-penz-tz-a-ceg-ahol-a-testvere-dolgozik>.

484 Roland Baksa, "Matolcsy és felesége 72 négyzetméteren húzzák meg magukat" [Matolcsy and his wife are living on 72 square meters], *24.hu*, March 14, 2018, <https://24.hu/belfold/2018/03/14/matolcsy-es-felesege-72-negyzetmeteren-huzzak-meg-magukat/>; Sándor Komócsin, "Budai villával bővült a Mészáros család vagyona" [The wealth of the Mészáros family increased with a villa in Buda], *Napi.hu*, June 18, 2019, [https://www.napi.hu/magyar\\_gazdasag/budai-villaval-bovult-a-meszaros-csalad-vagyona.686313.html](https://www.napi.hu/magyar_gazdasag/budai-villaval-bovult-a-meszaros-csalad-vagyona.686313.html).

485 Maria Csanádi, "Egy pártból egypárt? A Fidesz-magyarország hatalmi hálója" [From one party to one-party? Power network of Fidesz-Hungary], *HVG*, October 5, 2014, <https://szeged.hu/cikk/egy-partbol-egypart-fidesz-magyarorszag-hatalmi-haloja>; M. László Ferenc,



capital from the state budget through national and local public procurement (Tóth and Hajdu 2021).<sup>486</sup>

The activities of the cluster's politicians, businesspeople, and friends and family suggest strong interdependence. Government members of the cluster bail out the business members' bankrupted private enterprises or banks through nationalization and modernization, or consolidation. Such public costs have reached several hundred billion forints (Várhegyi 2014, 2019; Voszka 2018).<sup>487</sup> Business members also get support from state-owned and private (foreign and domestic) enterprises.<sup>488</sup> They secure loans for investments from each other's private or

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“Milliárdos állami segítség az offshore társaságnak” [State aid reaching one billion HUF to an offshore company], *Népszabadság*, April 4, 2016, <http://nol.hu/belfold/milliardos-allami-segitseg-az-offshore-tarsasagnak-1609307>; Attila Kálmán “A Nanushkáról Orbán Ráhel semmilyen döntést nem hozott” [“Ráhel Orbán has not made any decision on Nanushka”], *24.hu*, June 18, 2019, <https://24.hu/belfold/2019/06/18/nanushka-sandor-szandra-baldaszti-peter-interju-divat-orban-rahel-turizmus-eximbank/>; Gergely Brückner, “Exim: 40 milliárd forintos tőkejuttatás a legnagyobb titokban” [Exim: The capital injection of HUF 40 billion is the biggest secret], *Index*, May 16, 2019, [https://index.hu/gazdasag/2019/05/16/exim\\_40\\_milliard\\_forintos\\_tokejuttatas\\_a\\_legnagyobb\\_titokban/](https://index.hu/gazdasag/2019/05/16/exim_40_milliard_forintos_tokejuttatas_a_legnagyobb_titokban/).

486 Zoltán Jandó, “Kilencvenmilliárdért építi meg az új Duna-hídat Paksnál a kormány kedvenc útépitője” [The government's favorite road builder to build the new Danube bridge at Paks for ninety billion HUF], *g7.hu*, May 27, 2020, <https://g7.hu/kozelet/20200527/kilencvenmilliardert-epiti-meg-az-uj-duna-hidat-paksnal-a-kormany-kedvenc-utepitoeje/>; Pál Dániel Rényi, “2.115 milliárd forintnyi közbeszerzést nyertek a kormány kedvenc cégei egy év alatt” [Government's favorite companies win HUF 2,115 billion in public procurement in one year], *444*, January 6, 2018, <https://444.hu/2018/01/06/2115-milliard-forintnyi-kozbeszerzest-nyertek-a-legmenobb-kormanykozelet-cegek-tavaly/>; “Összeadták, pontosan mennyire tarolnak a közbeszerzéseken a Fidesz-közeli vállalkozók” [It was summed up exactly how much the contractors close to Fidesz are winning in public procurement], *HVG*, July 8, 2019, [https://hvg.hu/gazdasag/20190808\\_Osszeadtak\\_pontosan\\_mennyire\\_tarolnak\\_a\\_kozbeszerzeseken\\_a\\_Fideszkozelet\\_vallalkozok](https://hvg.hu/gazdasag/20190808_Osszeadtak_pontosan_mennyire_tarolnak_a_kozbeszerzeseken_a_Fideszkozelet_vallalkozok); Anna Szalai, “Másfél milliárdért szállítja a fővárosi pernyét Mészáros Lőrinc cége” [Mészáros Lőrinc's company to carry away the capital's fly ash for a billion and a half HUF], *MFOR*, December 4, 2019, <https://mfor.hu/cikkek/makro/masfel-milliardert-szallitja-a-fovarosi-pernyet-meszaros-cege.html>; Zoltán Kiss, “Egymilliárdért nyert közbeszerzéseket az alpolgármester-közeli cég Érden” [A company close to the deputy mayor wins public contracts in Érden for a billion HUF], *Átlátszó*, September 9, 2019, <https://atlatzo.hu/2019/09/20/egymilliardert-nyert-kozbeszerzeseket-az-alpolgarmester-kozelet-ceg-erden/>.

487 Csongor Körömi, “Megveszi Mészároséktól az állam a Mátrai Erőművet” [The state repurchases the Mátrai Erőmű [power plant based on coal] from Mészáros], *Index*, December 20, 2019, [https://index.hu/belfold/2019/12/20/matrai\\_eromu\\_allam\\_megvasarlas\\_meszaros\\_lorinc\\_opus\\_global/](https://index.hu/belfold/2019/12/20/matrai_eromu_allam_megvasarlas_meszaros_lorinc_opus_global/); Éva Várhegyi, “Bankcsapda—Várhegyi Éva a ‘nemzeti’ bankrendezők kockázatairól” [Bank trap—Eva Várhegyi on the risks of a “national” banking system], *Magyar Narancs*, March 17, 2018, <https://magyarnarancs.hu/publicisztika/bankcsapda-109480>; Orsolya Somogyi, “Zöldül a magyar szénéromű” [The Hungarian coal power plant goes green], *Magyar Nemzet*, December 21, 2019, <https://magyarnemzet.hu/gazdasag/zoldul-a-magyar-szeneromu-7609607/>.

488 Juli Boros, “60 millióval szponzorálta az Antenna Hungária Rogán Cecília rendezvényeit” [Antenna Hungária sponsored Cecília Rogán's events with 60 million], *444*, July 12, 2019, <https://444.hu/2019/07/12/60-millioval-szponzoralta-az-antenna-hungaria-rogan-cecilia-rendezvenyeit/>; F. Ibolya Vitézi, “Rogán felesége Sarka Kata párjával beszállt a teniszbizniszbe” [Rogán's wife joins tennis business with Sarka Kata], *24.hu*, September 30, 2019, <https://24>



privatized banks.<sup>489</sup> The share of the total financial assets of government-close banks according to their balance sheet increased from 12 percent in 2010 to 24.5 percent (8 trillion HUF) in 2016 (Várhegyi 2019).<sup>490</sup> This share grew substantially by 2020 due to further acquisitions and mergers by Mészáros and his business partners, creating the second largest bank in Hungary.<sup>491</sup> They also provide each other with insider information (Várhegyi 2013),<sup>492</sup> secure their resources

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.hu/fn/gazdasag/2019/09/30/rogan-cecilia-bessenyei-istvan-tenisz-varosmajor-mtk/; Zoltán Jandó, “Az állami média állami hirdetésein is Mészáros Lőrinc és köre keres” [Mészáros Lőrinc and his circle are the ones profiting from public advertisements in the state media] *g7*, November 20, 2019, <https://g7.hu/vallalat/20191120/az-allami-media-allami-hirdetesein-is-meszaros-lorinc-es-kore-keres/>; Márk Herczeg, “Rogán Antal minisztériumától kapott kampánymilliárdokon hízó cég szervezi Rogán Cecília cégének sporteseményeit” [A company gaining on campaign funds from Antal Rogán’s ministry organizes sporting events for Cecília Rogán’s company], *444*, June 25, 2019, <https://444.hu/2019/07/25/rogan-antal-miniszteriumatol-kapott-kampanymilliardokon-hizo-ceg-szervezi-rogan-cecilia-cegenek-sportesemenyeit>.

489 “Körbejár a pénz Orbán Viktor körül, Mészáros Lőrinc bankja adott kölcsön Tiborc Istvánhoz közeli cégeknek” [Money circulates around Viktor Orbán, Mészáros Lőrinc’s bank has given loans to companies close to István Tiborc], *168 Óra*, September 26, 2018, <https://168ora.hu/itthon/korbejar-a-penz-orban-viktor-korul-meszaros-lorinc-bankja-adott-kolcson-tiborc-istvanhoz-kozeli-cegeknek-156583>.

490 Várhegyi, “Bankcsapda” [Banktrap].

491 “Mészáros Lőrinc szuperbankja 2023-tól már egységes bankként működik” [Mészáros Lőrinc’s superbank will operate as a single bank from 2023], *Forbes*, March 24, 2021, <https://forbes.hu/uzlet/meszaros-lorinc-szuperbankja-2023-tol-mar-egyseges-bankkent-mukodik/>.

492 “Matolcsy Ádám és köre jól tudta, mikor kell dobbantani a család bankjától” [Ádám Matolcsy and his circle knew exactly when to pull the plug on the family bank], *HVG*, June 26, 2019,

to purchase new ventures,<sup>493</sup> or buy up business partners' shares. The cluster's members' business career steeply rises (Laki, chapter 4 in this book). They are continuously winning over new public tenders, persistently expanding regionally and in wealth.

However, their careers are, at the same time, volatile, full of uncertainty, and independent of efficiency or market dynamics. This is underlined by a CRCB analysis that demonstrates that odds multiply when the owner of a company becomes or is part of the central cluster, and tend to reduce if the owner becomes disgraced or leaves the company, or before being bought by the privileged member.<sup>494</sup> Uncertainty contributes to their nonbusiness behavior in extracting profit rather than reinvesting. For example, those cluster members in the construction industry in 2019 extracted 59 billion forints from after-tax profits, distributing it as dividends, leaving only 1 billion behind.<sup>495</sup> They also depend on each other, as they are cross-owners in each other's ventures (Laki 2019). They are providers of input to each other's investments,<sup>496</sup> thereby intertwining the network within the cluster.

They also forge interdependence among participants through cross-surveillance, cross-support, cross-capital, cross-investments, and redistributable wealth. These moves may be voluntary or forced, among the cluster's members and new entrants, suggesting that they do not dispose of apparently their own wealth.<sup>497</sup> This is underlined by the fact that such "internal" redistributive activities increase in the case of disgrace, such as when Lőrinc Mészáros benefited greatly from Lajos Simicska's (Orbán's once trusted but later disgraced friend and Fidesz founder) downfall,<sup>498</sup> death, such as when Mészáros again benefited

493 Babett Oroszi, "Már csaknem 400 cég köthető Mészáros Lőrinchez, Garancsi Istvánhoz, és Andy Vajnához" [Almost 400 companies are now linked to Lőrinc Mészáros, István Garancsi and Andy Vajna], *Átlátszó*, October 17, 2018, <https://atlatzo.hu/2018/10/17/mar-csaknem-400-ceg-kotheto-meszaros-lorinchez-garancsi-istvanhoz-es-andy-vajnahoz/>.

494 István János Tóth, "Hétszeresére növeli a közbeszerzési győzelem esélyét a NER-es kapcsolat" [NER connection increases the chances of winning a public procurement contract sevenfold], *g7*, March 8, 2022, <https://g7.hu/kozelet/20220208/hetszeresere-noveli-a-kozbeszerzesi-gyozelem-eselyet-a-ner-es-kapcsolat/>.

495 Roland Baksa, Marianna Kovács-Angel, Ildikó D. Kovács, and Ibolya F. Vitéz, "Kisöprök saját padlásukat a NER építőipari moguljai" [NER construction moguls sweep out their own attic], *24.h*, June 3, 2019, <https://24.hu/kozelet/2019/06/03/kisoprik-a-padlast-a-ner-epitoipari-moguljai/>.

496 Katalin Erdélyi, "Félmilliárdos hasznot hozhatott a Fidesz-közei beruházónak az újpesti önkormányzat húzása" [The Fidesz-affiliated investor could have profited half a billion from the Újpest municipality's move], *Átlátszó*, September 9, 2019, <https://atlatzo.hu/2019/09/13/felmilliardos-hasznot-hozhatott-a-fidesz-kozeli-beruhazonak-az-ujpesti-onkormanyzat-huzasa/>.

497 "Rogán Cecília és köre átvette a városmajori teniszközpontot" [Cecília Rogán and her circle took over the tennis center in Városmajor], *HVG*, September 30, 2019, [https://hvg.hu/kkv/20190930\\_Rogan\\_Cecilia\\_es\\_kore\\_atvette\\_a\\_varosmajori\\_teniszkozpontot](https://hvg.hu/kkv/20190930_Rogan_Cecilia_es_kore_atvette_a_varosmajori_teniszkozpontot).

498 Pál Dániel Rényi, "Fegyverletétel: Nyergesen át Mészároshoz tart a Simicska-birodalom" [Armistice: the Simicska empire is on its way to Mészáros via Nyerges], *444*, July 5, 2018,

from the death of film producer Andrew Vajna,<sup>499</sup> divorce, as when Mészáros and his wife separated and their wealth was redistributed,<sup>500</sup> or pure strategic reasons when part of the wealth is redistributed between Mészáros and Tiborcz (Orbán's son-in-law).<sup>501</sup> These moves suggest that owners' accumulated capital is not their disposable individual property, but that of its all-mighty leader, Orbán who directs the redistribution of his own wealth through them.

Members are also personally intertwined. Family members and friends of those in major government functions (Orbán, Rogán, Polt, and Matolcsy) are appointed to leading positions in public administration. They get extra high wages in each other's organizations, be it the National Bank, state-owned commercial banks, key ministries, and so on.<sup>502</sup>

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<https://444.hu/2018/07/05/fegyverletetel-nyergesen-at-meszaroshoz-tart-a-simicska-birodalom>; András Pethő, "Mészáros Lőrinc köre elkezdte átvenni az egykori Simicska-birodalmat" [Lőrinc Mészáros' circle has started to take over the former Simicska empire], <https://444.hu/2018/11/08/meszaros-lorinc-kore-elkezdte-atvenni-az-egykori-simicska-birodalmat>; Sarolta Székely, "Mészáros a fiát ültette be az egykori Simicska-cégbe" [Mészáros put his son in the former Simicska company], [mfor.hu](https://mfor.hu/cikkek/vallalatok/meszaros-a-fiat-ultette-be-az-egykori-simicska-cegbe.html), February 22, 2019, <https://mfor.hu/cikkek/vallalatok/meszaros-a-fiat-ultette-be-az-egykori-simicska-cegbe.html>; "Mészáros Lőrinc lett Simicska teljes cégbirodalma" [Simicska's entire company empire now belongs to Lőrinc Mészáros], *Index*, February 22, 2019, <https://index.hu/belfold/2019/02/22/meszaros-lorinc-simicska-lajos-gazdasagi-versenyhivatal-tranzakcio/>.

499 András Bódis, "A Mészáros-kör négy nappal Vajna halála után átvette a TV2 irányítását" [The Mészáros circle took control of TV2 four days after Vajna's death], *Válasz Online*, February 13, 2021. <https://www.valaszonline.hu/2019/02/13/meszaros-vajna-tv2-barna-zsolt-vaszily/>; Babett Oroszi, "Andy Vajna öröksége: a megválaszolatlan tízmilliárdos kérdés" [Andy Vajna's legacy: the unanswered question of the ten billion], [https://hvg.hu/kkv/20190904\\_vajna\\_hagyatek\\_cegbirodalom\\_offshore](https://hvg.hu/kkv/20190904_vajna_hagyatek_cegbirodalom_offshore).

500 "Mészáros Lőrinc és felesége válnak, és erről az állami hírügynökség számol be" [Lőrinc Mészáros and his wife are getting a divorce, state news agency report], *444*, September 4, 2020, <https://444.hu/2020/09/04/meszaros-lorinc-es-felesege-valnak-es-errol-az-allami-hirugy-nokseg-szamol-be>.

501 Marianna Kovács-Angel, "Mészáros és Tiborcz milliárdokat kérnek a befektetőktől" [Mészáros and Tiborcz requires high price from investors in bond purchase], *24.hu*, October 16, 2019, <https://24.hu/kozelet/2019/10/16/tiborcz-meszaros-kotveny/>; Márton Kasnyik, Zoltán Jandó, "Először került Mészáros-vagyon nyíltan az Orbán-családhoz, rögtön hatmilliárd forintnyi" [For the first time ever, a portion of the Mészáros fortune was openly transferred to the Orbán family, right away six billion HUF], *g7.hu*, August 23, 2018, <https://g7.hu/penz/20180823/eloszor-kerult-meszaros-vagyon-nyiltan-az-orban-csaladhoz-rogt-on-hatmilliard-forintnyi/>.

502 "Peter Polt's wife leaves the Hungarian National Bank", *HVG*, July 2, 2019, [https://hvg.hu/gazdasag/20190702\\_Polt\\_Peter\\_felesege\\_tavozik\\_a\\_Magyar\\_Nemzeti\\_Bankbol?\\_ga=2.104212612.582426085.1561956820-129969333.1516644136](https://hvg.hu/gazdasag/20190702_Polt_Peter_felesege_tavozik_a_Magyar_Nemzeti_Bankbol?_ga=2.104212612.582426085.1561956820-129969333.1516644136); László Domokos, "Polt Péter felesége a KEHI elnökhelyetteseként folytatja" [Péter Polt's wife continues as deputy chairman of KEHI-Government Audit Office], *napi.hu*, August 30, 2019, [https://www.napi.hu/magyar\\_gazdasag/polt-peter-feleseg-kehi-elnokhelyettes.690619.html](https://www.napi.hu/magyar_gazdasag/polt-peter-feleseg-kehi-elnokhelyettes.690619.html); Sándor Czinkóczi, "Matolcsy barátja jobban keresett a jegybanknál titkárnőként, mintha főosztályvezető lett volna" [Matolcsy's girlfriend earned more as a secretary at the central bank than if she had been head of department], *444*, September 12, 2016, <https://444.hu/2016/09/12/matolcsy-baratnoje-jobban-keresett-jegybanknal-titkarnokent-mintha-foosztalyvezeto-lett volna>.

Members are also direct or indirect owners of an extremely large number of enterprises.<sup>503</sup> Acquired ventures, characterized by cross-ownership, are spread all over the country. This small group of politically connected cronies own a conglomerate of enterprises, and other different ownership items accumulated randomly, with little to no production logic (Laki 2019 and chapter 4 in this book). Still, many times, these ventures are spatially clustered, for example, at agricultural and tourist sites (along the Danube River and the three large lakes: Balaton, Velence, and Fertő) or around the villages of the most privileged members. The network propagates in business, interlinked with other political-economic clusters at national and local levels. It is fueled by privatized public money and wealth. Money trickles down starting from the central cluster toward other business partnerships.

Thus, behind the apparent market competition and officially propagated work-based economy lies the unequal treatment of economic actors. It appears in politically selective exemptions from regulations, and unequal chances to win over funds, loans, and public procurement. Chances depend on the extent of integration into the network formed by the diffusion of political capture. Next, I demonstrate that owing to political capture and its centralized diffusion, selective extraction and distribution through forced resource redeployment, and selective control, expansion of the network and selective overinvestment are interrelated.

### ***Uncontrolled Drive for Wealth Accumulation and Selective Overinvestment***

(Reporter) What is Lőrinc Mészáros' secret?

(Mészáros) Work. Work, diligence and attitude is the secret to everything.

(Reporter) Earlier you stated the following: "Among the reasons I have reached this stage, God, good luck and Viktor Orbán have a role."

(Mészáros) Luck is not everything, you also have to do a lot for it. My businesses have to fulfill market requirements; otherwise, I wouldn't have a penny. One has to do a lot to have money.<sup>504</sup>

Interview with Lőrinc Mészáros, Prime Minister Viktor Orbán's childhood friend, by Bors Online about the background of his fast enrichment December 5, 2014

The evolution of the systemic features so far described, the diffused political capture, the drive for cumulated integration into it, and uncontrolled politically

503 Babett Oroszi, "The Do-All, the Real Estate Agent and the Casino Man: Three Businessmen Close to Prime Minister Orbán Control Nearly 400 Companies," *Átlátszó*, October 23, 2018, <https://english.atlatszo.hu/2018/10/23/the-do-all-the-real-estate-agent-and-the-casino-man-three-businessmen-close-to-prime-minister-orban-control-nearly-400-companies/>.

504 [https://nepszava.hu/1041722\\_meszaros-lorinc-titka-a-munka-a-szorgalom-es-a-hozzaallas](https://nepszava.hu/1041722_meszaros-lorinc-titka-a-munka-a-szorgalom-es-a-hozzaallas).

selective distribution are the basis for an insatiable appetite for further resources and expansion. Signs of overinvestment are reflected in an expert analysis<sup>505</sup> based on the report of the Central Statistical Office. According to it, the increase in the volume of gross accumulation in 2019 was about 78 percent compared to 2010, dramatically exceeding the EU region's average of 21.2 percent (Portfolio 2020, figure 2). Due to its higher pace, the ratio of gross accumulation in the GDP strongly increased: from 20.2 percent in 2010 to 28.6 percent (estimation) in 2019, while the EU average only mildly grew (Portfolio 2020, figure 1). According to the Portfolio analysis, this high pace of gross accumulation is due to large investments, and the pouring of EU funds and budgetary sources. Both government investments and, to some extent, private investments followed the dynamics of EU fund provisions: the pace of investments dropped when the EU funding cycle arrived at an end (Portfolio 2020, unnumbered figure). Based on statistical data, the OECD warned against overheating (see the OECD report of 2019, p. 22).

Behind the economy's exceptional growth and even faster increase of investments and its growing share of accumulation within the GDP, we can follow the dynamics of skyrocketing enrichment of the core members in capital value (Laki, chapter 4, and Tóth and Hajdu, chapter 3 in this book). Their increasing seizure of economic-social space reflects the uncontrolled expansion and diffusion of political capture. However, diffusion is uneven, as certain sectors and investments are more preferred. The core elite and their clients overwhelmingly invest in construction (of new private houses, stadiums and sports centers, luxury hotels, luxury condominiums), sports attracting masses, infrastructure (KSH 2018, tables 1.1 and 1.2),<sup>506</sup> informatics, tourism, agricultural land, and forests.<sup>507</sup> Thus, we may suppose that overinvestment appears in sectors and branches where uncontrolled investments through diffusion is most evident. This presumption is reinforced by figure 7 of the cited Portfolio analysis that

505 "Akkorát robbantak a magyar beruházások, hogy az egész EU megirigyelheti" [Investment in Hungary have exploded to a level that even the whole EU can envy], *Portfolio*, June 21, 2020, <https://www.portfolio.hu/gazdasag/20200621/akkorat-robbantak-a-magyar-beruhazasok-hogy-az-egesz-eu-megirigyelheti-437790>.

506 "Magyarország 2018" [Hungary, 2018], ksh.hu, <https://www.ksh.hu/docs/hun/xftp/idoszaki/mo/mo2018.pdf>.

507 "Construction Industry Continues to Soar," Ministry of Innovation and Technology, [kormany.hu](https://www.kormany.hu/en/ministry-for-innovation-and-technology/news/construction-industry-continues-to-soar), November 13, 2019, <https://www.kormany.hu/en/ministry-for-innovation-and-technology/news/construction-industry-continues-to-soar>; "The Number of New Housing Construction Projects Is Increasing Further," <https://www.kormany.hu/en/ministry-for-national-economy/news/the-number-of-new-housing-construction-projects-is-increasing-further>; "A száz leggazdagabb Magyar 2019" [The 100 richest Hungarians], <http://www.a100leggazdagabbmagyar.hu/a100leggazdagabb2019.html>; László Domokos, "Itt az új lista! Ők a leggazdagabbak és a legbefolyásosabbak Magyarországon" [Here's the new list! They are the richest and most influential in Hungary], *napi.hu*, May 9, 2019, [https://www.napi.hu/magyar\\_vallalatok/itt\\_az\\_uj\\_lista\\_ok\\_a\\_leggazdagabbak\\_es\\_a\\_legbefolyasosabbak\\_magyarorszagon.683830.html](https://www.napi.hu/magyar_vallalatok/itt_az_uj_lista_ok_a_leggazdagabbak_es_a_legbefolyasosabbak_magyarorszagon.683830.html).

shows the growth of investments until 2019 in major sectors compared to 2010. Mass sports and leisure quintupled its volume by 2019, and investments in tourism and hotels was also well above the national investment growth rate which was 89 percent, while water supply and education were well below it.<sup>508</sup> Resource constraints of the cluster's members in the preferred sectors are selectively soft, both regarding public and foreign money, transferred public assets, or legal contexts.

Beneficiaries and the network are not constrained to the central cluster. Re-redistribution through closed channels of diffused political capture further extends the network. Extension occurs by both creating and integrating new clients. Redistributed funds, investment chances, and assets through the closed channels of the extended network integrate new businesspeople and career professionals who have been enriched on the tailwaives of the narrow political-economic elite (Czibere and Kovach 2021). New clients integrate into the society along the second-phase distribution of state resources (re-redistribution), appointed as “strategic enterprises” in umbrella institutions and subcontractors in investments by the most privileged.<sup>509</sup> Based on the research of Blochamps Capital, enrichment was very fast between 2010 and 2017. In just one year (2018), 500 multimillionaires whose wealth was over \$1 million emerged in Hungary.<sup>510</sup> In compiling the list of Hungary's 100 wealthiest each year,<sup>511</sup> the minimum threshold to enter into the circle has increased year after year. In 2019, it climbed to fourfold the initial figure from 2002. The overall value of the wealth of the 100 wealthiest increased sevenfold. The number of those who reached the threshold also increased. Moreover, one can also follow the dynamics of the annual entrance into the “club.” Owing to sudden enrichment from 2011 onward, most of the new entrants appeared after national elections, in 2011 and 2015. No new entrants were registered in 2019, presumably due to the stabilization of elite positions and markets occupied by them.

508 “Akkorát robbantak a magyar beruházások, hogy az egész EU megirigyelheti” [Investment in Hungary have exploded to a level that even the whole EU can envy], *Portfolio*, June 21, 2020.

509 Lengyel L. László, “A Fidesz lapáttal szórja az uniós pénzeket, főleg a haveroknak” [Fidesz is throwing EU money around, especially to its cronies], *168ora.hu*, January 9, 2017. <https://168ora.hu/penz/a-fidesz-lapattal-szorja-az-unios-penzeket-foleg-a-haveroknak-9527>; <http://valasz.hu/itthon/orban-viktor-talalmanya-126386>

510 Zoltán Jandó. “Már a GDP-ben is látható a Fidesz-közeli vállalkozók extraprofitja” [The extra profit of Fidesz-affiliated entrepreneurs is already visible in GDP], *g7.hu*, June 1, 2019, <https://g7.hu/vallalat/20190701/mar-a-gdp-ben-is-lathato-a-fidesz-kozeli-vallalkozok-extraprofitja/>.

511 László Domokos, “Itt az új lista! Ők a leggazdagabbak és a legbefolyásosabbak Magyarországon” [Here is the new list! They are the richest and most influential in Hungary], *napi.hu*, June 22, 2020; [https://www.napi.hu/magyar\\_gazdasag/100-leggazdagabb-2020-csanyi-gattyan-meszaros-milliardos.707944.html](https://www.napi.hu/magyar_gazdasag/100-leggazdagabb-2020-csanyi-gattyan-meszaros-milliardos.707944.html); Attila Bátorfy, “Hogyan változott az évek során a 100 leggazdagabb magyar rangsora és vagyona?” [How has the ranking of the 100 richest Hungarians and their wealth changed over the years?], *Átlátszó*, May 22, 2019, <https://atlatzo.hu/2019/05/22/hogyan-valtozott-az-evек-soran-a-100-leggazdagabb-magyar-rangsora-es-vagyona/>.

As we have seen in the previous section, the skyrocketing growth of investments of the cluster members is mediated by the state through institutionalized corruption. This may be also recognized sectorally. For example, the top ten investors in construction based on their turnover and profit, including the dolomite mining company of Orbán's father, named Nehéz Kő Kft.,<sup>512</sup> are regular winners of central public procurement as subcontractors (Fazekas et al. 2015; Tóth and Hajdu 2021). Their tenders in public procurement proceed predominantly without competition (Tóth and Hajdu, chapter 3 in this book). Occasionally they win tenders with higher prices than those of the procurement offer (Tóth and Hajdu 2017b, 2018). Real estate businesses complement construction, especially those operated by Orbán's first son-in-law, István Tiborc, and Orbán's friend István Garancsi.<sup>513</sup> Their takings include nature-protected sites, plots, protected buildings, or those that were erased from the protected list by the government.<sup>514</sup>

The expectations for receiving public money through institutionalized corruption are well-grounded and indeed limitless.<sup>515</sup> In 2020, the minister of the superministry of Innovation and Technology (László Palkovics) announced the allocation of 5 trillion HUF for infrastructure development.<sup>516</sup> Orbán himself, in

- 512 Zoltán Jandó, "Különös dolgok zajlanak a százmilliárdokkal kitömött magyar építőiparban" [Strange things are going on in the Hungarian construction industry, which is stuffed with hundreds of billions], *g7.hu*, June 12, 2019, <https://g7.hu/vallalat/20190612/kulonos-dolgok-zajlanak-a-szazmilliardokkal-kitomott-magyar-epitoiparban/>; András Pethő, Blanka Zöldi, "Az Orbán család üzletei" [Businesses of the Orbán family], *transparency.hu*, January, 2018, [https://transparency.hu/wp-content/uploads/2018/01/Direkt36\\_Peth%20C3%91-Andr%C3%A1s-Z%20C3%B6ldi-Blanka\\_Orba%20CC%81n\\_csa%20CC%81d-%20C3%BCzletei.pdf](https://transparency.hu/wp-content/uploads/2018/01/Direkt36_Peth%20C3%91-Andr%C3%A1s-Z%20C3%B6ldi-Blanka_Orba%20CC%81n_csa%20CC%81d-%20C3%BCzletei.pdf); "Orbán apjának cége csodaprofitál üzemel" [Orbán's father's business produces miracle profit], *Index*, June 18, 2019, [https://index.hu/gazdasag/2019/07/18/orban\\_banya\\_dolomit\\_profit](https://index.hu/gazdasag/2019/07/18/orban_banya_dolomit_profit); "Rekordbevétellel zárt tavaly Orbán Viktor apjának cége" [Viktor Orbán's father's company closed last year with record revenues], *Index*, July 8, 2020, [https://index.hu/gazdasag/2020/08/08/orban\\_viktor\\_apja\\_orban\\_gyozo\\_cege\\_nehez\\_ko\\_rekord\\_bevetel\\_nyeresege/](https://index.hu/gazdasag/2020/08/08/orban_viktor_apja_orban_gyozo_cege_nehez_ko_rekord_bevetel_nyeresege/).
- 513 Zoltán Haszán, "Tiborc István még csak most kezd beindulni" [István Tiborc is just getting started], *444*, January 2, 2020, <https://444.hu/2020/01/02/tiborc-istvan-meg-csak-most-kezd-beindulni>.
- 514 András Földes, "Lerombolják a várost, ha politikusok játszanak műemlékvédőset" [They'll destroy the city if politicians act as monument protectors], *Telex*, January 28, 2021, <https://telex.hu/belfold/2021/01/28/bontas-muemlek-wichmann-marvanymenyasszony-radetzky-muemlekvedelem-korrupcio-ner-tiborc-szivek-gulyas-gergely>.
- 515 Eszter Katus, "Kormányközeli cégsoportokat hízlalnak a folyamatosan dráguló állami óriásberuházások" [Government-allied groups are fattened by ever more expensive giant public investments], *Átlátszó*, November 20, 2019, <https://atlatzo.hu/2019/11/20/kormanykozeli-cegsoportokat-hizlalnak-a-folyamatosan-dragulo-allami-oriasberuhazasok/>.
- 516 "The Government Is Committed to Developing the Road and Rail Network," Ministry of Innovation and Technology, January 15, 2020, <https://2015-2019.kormany.hu/en/ministry-for-innovation-and-technology/news/the-government-is-committed-to-developing-the-road-and-rail-network>; "Palkovics: 5000 milliárd forint közútra és vasútra" [Palkovics: 5000 billion HUF for public road and rail], *Index*, June 24, 2019, [https://index.hu/belfold/2019/07/24/palkovics\\_5000\\_milliard\\_forint\\_kozutra\\_es\\_vasutra/](https://index.hu/belfold/2019/07/24/palkovics_5000_milliard_forint_kozutra_es_vasutra/).



the name of the castle reconstruction government program (Castle Hill project), is spending several hundred billion forints of public money (see fig. 1.5) to renovate, amend, and then occupy a number of national and historical tourist sites for his office, and nearby renaissance buildings for other members of his circle in the Castle Hill. For that purpose he has removed the National Széchényi Library, national museums, research institutes, and former traditional small ventures standing in the way of his plan.<sup>517</sup> Relocations require further constructions, which cost further public billions.

The political character of uncontrolled expansion according to the depth of integration of cronies and their closeness to the political members of the central cluster is relevant in wealth accumulation. Between 2014 and 2020, Lőrinc Mészáros, Orbán's friend from his village, acquired 300 enterprises. Owing to the four-year skyrocketing growth period of his businesses from 2014 to 2018, Mészáros became the second wealthiest Hungarian and has occupied that spot since 2018 (Laki 2019). Within one year (2017–2018), the value of the Mészáros family's enterprise value quintupled.<sup>518</sup> His own wealth has increased over 40 times since he entered the list of the wealthiest 100 Hungarian businesspeople in 2014, and advanced among the wealthiest 50, to become first or second in this circle. In 2014, his wealth was 7.7 billion HUF, and by 2019, it had increased to 226 billion HUF.<sup>519</sup> The net profit of the Mészáros and Orbán families, together with some of Orbán's closest privileged friends, reached 100 billion HUF in 2018.<sup>520</sup> Orbán's son-in-law, István Tiborcz, also crossed the threshold to become one of the richest Hungarians after being in the family for one year. In 2019 he became the 32nd wealthiest Hungarian (see Laki, chapter 4, appendix). Thus, behind GDP growth and even faster investment growth lies political capture; institutionalized corruption through the diffused channels that incites uncontrolled accumulation and, thereby, overinvestment in captured sectors and chosen fields.

This argument is underlined by the fact that from an economic logic perspective, the Mészáros purchases do not seem to be market oriented. They are spatially spread and also unclear regarding economic and technology logic (Laki 2019). However, they are clearly consistent according to the power logic and insatiable drive for growth. Orbán's front man is present in the distribution

517 "Decision: 43 COM 7B.84 Budapest, including the Banks of the Danube, the Buda Castle Quarter and Andrassy Avenue (Hungary) (C 400bis)," 2019, <https://whc.unesco.org/en/decisions/7517/>

518 "Egy év alatt az ötszörösére nőtt a Mészáros család cégeinek értéke" [The value of Mészáros family's companies increase fivefold in one year], 444, September 4, 2019, <https://444.hu/2019/09/04/egy-ev-alatt-az-otszorosere-nott-a-meszaros-csalad-vagyona>.

519 Domokos, "Itt az új lista" [Here is the new list] *napi.hu*, <https://www.napi.hu/magyar-gazdasag/100-leggazdagabb-2020-csanyi-gattyan-meszaros-milliardos.707944.html>.

520 Baksa, "100 milliárdot fialtak az Orbán és a Mészáros család cégei" [Orbán and Mészáros family's companies produced 100 billion of taxed revenues], 24.h, June 6, 2019. <https://24.hu/fn/gazdasag/2019/06/06/100-milliardot-fialtak-az-orban-es-a-meszaros-csalad-cegei/>.

of every politically strategic investment, despite denying business relations with Orbán.<sup>521</sup>

Thus, expansion of uneven diffusion does not only incite an increased volume of investments, but it also has a structural characteristic: the infiltration of the cluster members into strategic spaces of the economy for example, in nuclear power security control, the military, electoral counting software, government intranet, banking, and energy business. All of this is legally managed, backed through government tenders, individual government subsidies, advantageous government bank loans, government exemptions, privatization, forced nationalization and reprivatization, starving out and purchasing competitors, or deploying government force, most frequently under the prime minister's direct supervision.

The best example of this untrammled expansion with Orbán's and the cabinet's support is Mészáros. His business network is participating in investments based on intergovernmental agreements, directly subordinated to the prime minister. Such is the already mentioned second block of the Hungarian Paks nuclear power plant. Mészáros's company became the insurance broker for the second block for a half a billion forints,<sup>522</sup> and another 2.5 billion HUF from the nuclear company for building a four track road leading to the block.<sup>523</sup> He will also build a reserve assessment and management facility designed to deal with nuclear and conventional emergencies at the Paks nuclear power plant for 3.5 billion HUF,<sup>524</sup> and purchased majority share in a Czech company's Hungarian subsidiary, a potential future supplier to Paks.<sup>525</sup> He has also won the tender to build the train track between Budapest and Kelebia (Serbia). In this case, the loans are financed through an intergovernmental agreement with the Chinese government. Mészáros expects approximately

521 Sándor Czinkóczy, "Mészáros Lőrinc azt mondja, sosem volt üzleti kapcsolata a miniszterelnökkel" [Lőrinc Mészáros says he has never had business dealings with the prime minister], *444*, December 18, 2019, <https://444.hu/2019/12/18/meszaros-lorinc-azt-mondja-sosem-volt-uzleti-kapcsolata-a-miniszterelnokkel>.

522 "Magyarország-Paks: Biztosításközvetítési szolgáltatások, 2020/S 212-520155 . . . A közbeszerzési eljárás eredménye . . ." [Hungary-Paks: Insurance brokerage services, 2020/S 212-520155. Information on the outcome of the procedure], *ted.europa.eu*, October 30, 2020, <https://ted.europa.eu/udl?uri=TED:NOTICE:520155-2020:TEXT:HU:HTML&src=0>

523 "A Paksi Atomerőműtől nyert el projektet a Mészáros és Mészáros Kft." [A new project won at the Paks Nuclear Power plant for road construction], *Portfolio*, December 15, 2020, <https://www.portfolio.hu/uzlet/20201215/a-paksi-atomeromutol-nyert-el-projektet-a-meszaros-es-meszaros-kft-461918>.

524 Marianna Kovács-Angel, "Mészáros Lőrincék építenek vészhelyzeti központot a Paksi Atomerőműnek" [Lőrinc Mészáros to build emergency center for Paks nuclear power plant], *24.hu*, October 4, 2018, <https://24.hu/belfold/2018/10/04/meszaros-paks/>; Marianna Kovács-Angel, "Mészáros Lőrincnek is jut egy szelet Paks biztosításából" [Lőrinc Mészáros also gets a slice of Paks' insurance], *24.hu*, October 17, 2018, <https://24.hu/fn/gazdasag/2018/10/17/paks-biztositas-meszaros/>.

525 "Már Paks felé nyomul Mészáros cége" [Is Mészáros' company already heading towards Paks?], *Népszava*, May 18, 2017, [https://nepszava.hu/1129763\\_mar-paks-fele-nyomul-meszaros-cege](https://nepszava.hu/1129763_mar-paks-fele-nyomul-meszaros-cege).

300 billion HUF in income from this venture.<sup>526</sup> He has subcontracted his family members in the business.<sup>527</sup> Mészáros and his son-in-law are also involved in an investment to build a Budapest-Balaton train track for which they won resources on public tenders.<sup>528</sup> Furthermore, Mészáros provides half of the strategic gas distribution in Hungary<sup>529</sup> and is also expanding abroad in the gas business.<sup>530</sup> a cause for Orban's fierce objection to EU's gas sanctions due to Russia's invasion of Ukraine?<sup>531</sup> He owns a whole chain of cooperative savings banks that were further merged with two others, acquiring 1.1 million clients,<sup>532</sup> and 90 percent of a former state-owned, state-consolidated, and privatized commercial bank, MHD (Várhegyi 2013, 2014).<sup>533</sup> These two and a smaller bank (Budapest Bank) are being merged in 2022, becoming the largest bank in Hungary.<sup>534</sup> Orbán has declared the merger as of strategic importance, thus the move cannot be investigated by the competition authority.<sup>535</sup>

526 "Lehívja a kínai hitelt a Budapest-Belgrád vasútvonalra a kormány" [Government to call on Chinese loan for Budapest-Belgrade railway], *Index*, June 7, 2019, [https://index.hu/gazdasag/2019/06/07/lehivja\\_a\\_kinai\\_hitelt\\_a\\_budapest-belgrad\\_vasutvonalra\\_a\\_kormany](https://index.hu/gazdasag/2019/06/07/lehivja_a_kinai_hitelt_a_budapest-belgrad_vasutvonalra_a_kormany); "Aláírták a szerződést, ami 300 milliárdot hozhat Mészáros Lőrincnek" [Contract signed that could bring Lőrinc Mészáros 300 billion], *Forbes*, June 12, 2019, <https://forbes.hu/uzlet/alairtak-a-szerzodest-ami-300-milliardot-hozhat-meszaros-lorincnek/>.

527 "A Mészáros-család cégbirodalma a legnagyobb Magyarországon" [The Mészáros family's business empire is the largest in Hungary], *privatbankar.hu*, September 2, 2020, <https://privatbankar.hu/cikkek/makro/a-meszaros-csalad-cegbirodalma-a-legnagyobb-magyarorszagon.html>; "Saját gyerekei és veje lesznek Mészáros alvállalkozói a Budapest-Belgrád-vasútvonal építésén" [Mészáros's own children and son-in-law to be subcontractors on Budapest-Belgrade railway], *HVG*, June 13, 2019, [https://hvg.hu/gazdasag/20190613\\_Sajat\\_gyerekei\\_es\\_veje\\_lesznek\\_Meszaros\\_alvallalkozoi\\_a\\_BudapestBelgrad\\_vasutvonal\\_epitesen](https://hvg.hu/gazdasag/20190613_Sajat_gyerekei_es_veje_lesznek_Meszaros_alvallalkozoi_a_BudapestBelgrad_vasutvonal_epitesen).

528 Ibolya Vitéz F., "Mészáros Lőrinc a vejével együtt nyert el egy 23 milliárd forintos állami vasútépitést" [Lőrinc Mészáros and his son-in-law won a HUF 23 billion state railway construction contract], *24.hu*, June 5, 2018, <https://24.hu/belfold/2018/06/05/meszaros-lorinc-vasutepites-homlok-zsolt-balaton-vasut/>.

529 "Mészáros Lőrinc lett a legnagyobb magyarországi földgázelosztó fele" [Lőrinc Mészáros won half of the largest natural gas distributor in Hungary], *HVG*, June 16, 2019, [https://hvg.hu/gazdasag/20190716\\_Meszaros\\_Lorince lett\\_a\\_legnagyobb\\_magyarorszagi\\_foldgazeloszt\\_o\\_fele](https://hvg.hu/gazdasag/20190716_Meszaros_Lorince lett_a_legnagyobb_magyarorszagi_foldgazeloszt_o_fele).

530 "Orbánék az európai gázbizniszben is feltűntek" [Orbán's circle also emerged in the European gas business], *HVG*, December 12, 2018, [https://hvg.hu/kkv/20181212\\_Orbanek\\_az\\_europai\\_gazbizniszben\\_is\\_feltunek](https://hvg.hu/kkv/20181212_Orbanek_az_europai_gazbizniszben_is_feltunek).

531 Alice Tidey, "Ukraine War: Sanctions on Russian Oil and Gas a 'Red Line' for Hungary, Says Orban," April 6, 2022, <https://www.euronews.com/my-europe/2022/04/06/watch-live-hungary-s-viktor-orban-speaks-to-the-press-after-election-victory>.

532 "Novembertől jön az ország ötödik legnagyobb pénzütemete" [The country's fifth-largest financial institution is coming in November], *HVG*, October 15, 2019, [https://hvg.hu/kkv/20191015\\_takarekbank\\_egyesules\\_takarekszovetkezet](https://hvg.hu/kkv/20191015_takarekbank_egyesules_takarekszovetkezet).

533 "Átalakítja a Mészáros család az MKB Bank feletti ellenőrzést" [The Mészáros family is reshaping its control of MKB Bank], *HVG*, July 27, 2018, [https://hvg.hu/gazdasag/20180827\\_Meszaros\\_Lorinc\\_es\\_felesege\\_a\\_nevukre\\_veszik\\_az\\_MKBt](https://hvg.hu/gazdasag/20180827_Meszaros_Lorinc_es_felesege_a_nevukre_veszik_az_MKBt).

534 "Egyesülről tárgyal a Takaréék és az MKB" [Savings Bank and MKB in merger talks], *HVG*, May 15, 2020, [https://hvg.hu/kkv/20200515\\_Egyesulesrol\\_targyal\\_a\\_Takarek\\_es\\_az\\_MKB](https://hvg.hu/kkv/20200515_Egyesulesrol_targyal_a_Takarek_es_az_MKB).

535 "Nemzetstratégiai jelentőségű lett Mészáros Lőrinc szuperbankja—nem vizsgálhatja a GVH az összefonódást" [Nemzetstratégiai jelentőségű lett Mészáros Lőrinc szuperbankja – nem

Mészáros's software company, in consortium with telecom and IT services in Hungary, provides the safety system and operates the software that counts and controls the number of votes and election processes and outcomes.<sup>536</sup> He also won a central software tender for central management and monitoring in the healthcare sector.<sup>537</sup> The end of 2019 brought him a new business: his company was selected to sell public media surfaces for advertisements.<sup>538</sup> He won the construction and five-year concession of operation for the identification information system tracking the route of legal tobacco products from the producer to the shop (Laki 2015b). If the merger between the two members of the consortium is realized (promoted by Orbán personal business talks), Mészáros will also acquire bicycle renting software, passenger information software, and security developments for the tax office software network, supervised at national level by Rogán (see fig 1.3).<sup>539</sup> In early 2021, Mészáros bought three electricity supply chains in the northeast, which supply about one-fifth of Hungary's territory with power (Szabó 2021).<sup>540</sup> In 2022, Mészáros won a 35 year concession for the management of the Hungarian motor-ways (Boros 2022). In addition, Mészáros and his family operate farms. He has acquired 6,500 hectares of farmland in his home county.<sup>541</sup> His farmland is eligible for free EU money through EU automatism. Mészáros and Sándor Csányi, the head of the major commercial bank Országos Takarékpénztár (OTP), in competition for the rank of richest Hungarian, received the majority of the EU's

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vizsgálhatja a GVH az összefonódást], *forbes.hu*, December 10, 2020, <https://forbes.hu/uzlet/nemzetstrategiai-jelentosegu-lett-meszaros-lorinc-szuperbankja-nem-vizsgalhatja-a-gvh-az-osszefonodast/>.

- 536 "A választási rendszer üzemeltetése is a Mészáros-Jászai tulajdonhoz került a T-Systems megvásárlásával" [The operation of the election system also became a Mészáros-Jászai property with the acquisition of T-Systems], *168ora.hu*, July 11, 2019, <https://168ora.hu/itthon/4ig-valasztasi-rendszer-informatika-jaszai-gellert-meszaros-lorinc-170995>.
- 537 Zsuzsa Barna, "Milliárdos egészségügyi tender húzott be Mészáros Lőrinc korábbi üzlettársa" [Former business partner of Lőrinc Mészáros has won a billion-euro healthcare tender], *nyugatifeny.hu*, December 29, 2020, <https://nyugatifeny.hu/2020/12/29/milliardos-egeszseguyi-tendert-huzott-be-meszaros-lorinc-korabbi-uzlettarsa>.
- 538 "Az év utolsó napján írták alá szerződést, ami szerint Mészáros-cég értékesíti a következő három évben a közmédia hirdetési felületeit" [A contract was signed on the last day of the year, according to which Mészáros' company will sell the advertising space of public media for the next three years], *444*, January 4, 2020, <https://444.hu/2020/01/04/az-ev-utolso-napjan-irtak-ala-szerzodest-ami-szerint-meszaros-ceg-ertekesiti-a-kovetkezo-harom-evben-a-kozmedia-hirdetesi-feluleteit>.
- 539 "A választási rendszer üzemeltetése is . . .," <https://168ora.hu/itthon/4ig-valasztasi-rendszer-informatika-jaszai-gellert-meszaros-lorinc-170995>.
- 540 "Mészáros cége látja majd el árammal a Tiszántúlt" [Mészáros company to supply electricity to Tiszántúl region], *Index*, October 4, 2019, [https://index.hu/gazdasag/energia/2019/10/04/opus\\_global\\_eon\\_mvm\\_meszaros\\_lorinc/](https://index.hu/gazdasag/energia/2019/10/04/opus_global_eon_mvm_meszaros_lorinc/).
- 541 "Csányi Sándor és Mészáros Lőrinc cégei fölözik le a mezőgazdasági támogatások javát" [Sándor Csányi and Lőrinc Mészáros' companies to skim off agricultural subsidies], *Index*, July 12, 2019, [https://index.hu/gazdasag/2019/08/12/a-nagybirtokosok\\_kapjak\\_az-agrartamogatások\\_javat/](https://index.hu/gazdasag/2019/08/12/a-nagybirtokosok_kapjak_az-agrartamogatások_javat/).

free land subsidies in Hungary.<sup>542</sup> The myriad examples show that the socioeconomic space Mészáros holds and controls in Hungary is vast and only connected by the threads that lead back to Orbán's ultimate control of the central network and the cluster.

Purchases made by the cluster's business members are frequently forced, benefiting from the "mediation" of the politically bound control and executive apparatus through the diffused channels of political capture. Methods vary, but each has been adapted to forced resource redeployment, characteristic of centrally diffused political capture. Expansive actions formally are market conforming and legally supported. In practice, however, instruments of centrally diffused political capture are employed. Such expansion may occur through "irrefutable purchase offers," openly backed by political support. Offers may be preempted by starving out competitors' under unequal market conditions with government support, as in the case of operation of public infrastructure (Mihályi 2018). In the process, market space is squeezed from around the competitor.<sup>543</sup> In case of resistance, the government's openly coercive legalized methods are deployed. Such was the cabinet's reaction in the case of the private company that had been working for the government for ten years administering EU funds and spending. The owner resisted the cabinet's repeated purchase offer. In 2014, tax fraud investigators were then deployed at the company. The owner finally signed the contract of sale, then died the next day. He was 47.<sup>544</sup> A similar procedure is taking place with the owner of the largest fertilizer company (Nitrogénművek) in Hungary, László Bige, the 14th richest businessman nationally (see Laki, chapter 4 in this book) whose major competitor is the newest company of Sándor Csányi. László Bige is presently (2021) under house arrest, after having successfully resisted the government's multiple administrative and coercive measures to halt his company's production. Such coercive methods might include commando force,<sup>545</sup> military takeover,<sup>546</sup> house arrest,<sup>547</sup> or tracking devices on the leg of the

542 "Az uniós agrárpénzek háromnegyede landol . . .," <https://forbes.hu/uzlet/az-unios-agrarpenezek-háromnegyede-landol-a-legnagyobb-foldesuraknal-csanyi-sandor-meszaros-lorinc/>.

543 József Spirk, "Vitézy Tamás szerint a rendszer kiszolgálja, ha a maffiatagok szemet vetnek más vagyónára" [Tamás Vitézy stresses that if mafia members become attracted to someone's wealth, the system is in their service], *HVG*, December 15, 2021, <https://24.hu/belfold/2021/12/15/vitezy-tamas-hvg-ner-vagyon/>.

544 Péter Magyar, "Szombaton aláírta, amit soha nem akart, másnap meghalt a pályázati szoftver volt jogtulajdonosa" [On Saturday, he signed what he never wanted to sign, the next day the former owner of the tender software died], *444*, March 3, 2014, <https://444.hu/2014/03/03/meghalt-a-welt-2000-alapitoja>.

545 "Őrizetbe vették Bige Lászlót, az egyik leggazdagabb magyart" [László Bige, one of the richest Hungarians, has been arrested], *Telex*, December 15, 2020, <https://telex.hu/gazdasag/2020/12/15/orizetbe-vettek-bige-laszlot>.

546 "Jöttek a katonák a céghez és a főnököt keresték—mi történik ilyenkor?" [Soldiers came to the company looking for the boss—what happens when that happens?], *forbes.hu*, March 20, 2020, <https://forbes.hu/uzlet/jottek-a-katonak-a-ceghez-es-a-fonokot-kerestek-mi-tortenik-ilyenkor/>.

547 "Házi őrizetben Bige László" [László Bige is in house arrest], *Népszava*, December 18, 2020, [https://nepszava.hu/3103257\\_hazi-orizetben-bige-laszlo](https://nepszava.hu/3103257_hazi-orizetben-bige-laszlo).

resisting company owner.<sup>548</sup> These uncompromising and coercive methods of political capture and forced redeployment in the economic subsphere do not radically differ from those deployed by the government and its appointees in any other subfield I have earlier mentioned. Bent legal punitive rules, targeted government regulations, or even criminal charges<sup>549</sup> have been brought against civil organizations, homeless people, indebted citizens, the Central European University founded by George Soros, the University of Theatre and Film Arts, the Hungarian Academy of Science, potential political adversaries, or local governments with mayors of the opposition.

The public wealth is acquired and invested, or used by the few. They benefit from competitive advantages provided by the government. They take advantage of the direct selective distributions and exemptions of the strategic investments and strategic partnership agreements with large foreign enterprises. Profits of Fidesz-connected businesses that appear in the GDP are not reproductive. In the past years, this stratum has consumed a considerable part of its profit rather than reinvesting in further developments.<sup>550</sup>

Thus, behind Hungary's positive macroeconomic indicators before the 2020 pandemic are the dynamically extending political capture and its systemic behavioral consequences. The spreading of politically rational behavior in the network (Csanádi 2006) includes the drive for growth, accumulation, and integration through political connections. Thus, the closed network and its clients form the market, rather than accommodate to it, appointing and dismissing market actors according to political will (Kornai 2019). They benefit, invest, purchase, consume, and accumulate through the functions of a developmental state. They use reform and development programs for resource extraction from the public and private fields. Conversely, they enjoy the advantages of politically

548 Spirk, "Vitézy Tamás szerint . . .," <https://24.hu/belfold/2021/12/15/vitezy-tamas-hvg-ner-vagyon/>.

549 Zoltán Kohut, "Indul a hazai hulladékgazdálkodás nagy reformja" [The big reform of domestic waste management is under way], *Transpack*, November 26, 2020, <https://transpack.hu/2020/11/26/hulladekgazdalkodas-reformja/>.

550 "Pénzesőben fürdik a NER: 14 infografika arról, mekkora üzlet Orbán Viktor családtagjának és a Fidesz barátjának lenni" [14 infographics on how beneficial it is to be a member of Viktor Orbán's family and a friend of Fidesz], *HVG*, June 12, 2019, [https://hvg.hu/gazdasag/20190612\\_14\\_infografika\\_NER\\_vallalkozasok](https://hvg.hu/gazdasag/20190612_14_infografika_NER_vallalkozasok). Gergely Brückner, "Több ezer NER-lovag szerzett százmilliókat i.rész" [Hundreds of NER knights have made hundreds of billions part I], *Index*, November 30, 2017, [https://index.hu/gazdasag/2017/11/30/tobb\\_ezer\\_ner-lovag\\_szerzett\\_szazmilliokat\\_i\\_resz/](https://index.hu/gazdasag/2017/11/30/tobb_ezer_ner-lovag_szerzett_szazmilliokat_i_resz/).

Gergely Brückner, "Elrejtőznek a NER lovagok" [NER knights are hidden], *Index*, December 6, 2019, [https://index.hu/gazdasag/2017/12/06/igy\\_utaznak\\_a\\_ner\\_aranyifjai\\_ii\\_resz/](https://index.hu/gazdasag/2017/12/06/igy_utaznak_a_ner_aranyifjai_ii_resz/); Gergely Brückner, "Mibe fektetnek a NER-lovagok?" [In what are NER knights investing?], *Index*, January 5, 2018, [https://index.hu/gazdasag/2018/01/05/a\\_ner-lovagok\\_beruhazasi\\_befektetesi\\_szokasai\\_iv\\_resz/](https://index.hu/gazdasag/2018/01/05/a_ner-lovagok_beruhazasi_befektetesi_szokasai_iv_resz/); Antónia Rádi, "Ők működtetik a NER üzleti hátszögát: bemutatjuk az oligarcha utánpótlás-válogatottat" [They run the NER's business backyard: we present the oligarch's junior team], *Átlátszó*, May 8, 2019, <https://atlatso.hu/2018/05/07/ok-mukodtetik-a-ner-uzleti-hatszogat-bemutatjuk-az-oligarcha-utanpotlas-valogatottat/>.

selective redistribution and direct distribution through budgetary and EU, Russian, and Chinese sources, both at the national and local level.<sup>551</sup>

Political capture reflects adaptive behavioral consequences. Actors are not oriented to accumulate through market efficiency. Instead they accumulate through increased networking and drive for integration into the expanding network. Halpern (2020) demonstrates the steeply declining trend in the impact of innovations on productivity and efficiency since 2010.

Politically selective distribution of public wealth using forced resource redeployment through the diffusing channels of political capture led to uncontrolled selective overinvestment and an insatiable drive for accumulating wealth through institutionalized corruption in the economy. The expanding diffusion and, through that forced resource redeployment, damages economic efficiency, distorts market, allows for unequal market participation, varying development chances, and uneven access to resources mediated by the government. However, its impact spills over and causes overall irreversible destruction in both the built and the natural environment and public spheres. Examples are as many as investment actions are, connected to, encouraged, and ordered by the government, the cabinet, and Orbán himself.

Regarding the consequences in nature, uncontrolled expansion allows for the removal of a massive number of trees, without any constraint, on building sites declared as “strategic investments for the national economy.”<sup>552</sup> It grants the sale of real estate and the blockage of formerly public lake shores and roads for private use.<sup>553</sup> It permits the clearing away of an ancient, highly protected beech forest.<sup>554</sup> The government used 30 billion HUF provided by the Modern Cities

551 “Mihály Varga Signs Strategic Agreement with World’s Largest Bank,” November 27, 2019, <https://2015-2019.kormany.hu/en/ministry-for-national-economy/news/mihaly-varga-signs-strategic-agreement-with-world-s-largest-bank>; “Since 2010 Largest Number of Cultural Projects of All Time Has Started,” January 22, 2020, <https://2015-2019.kormany.hu/en/ministry-of-human-resources/news/since-2010-largest-number-of-cultural-projects-of-all-time-have-started>; “The Construction of the BMW Plant Will Further Reinforce the Hungarian Economy,” December 3, 2019, <https://2015-2019.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/the-construction-of-the-bmw-plant-will-further-reinforce-the-hungarian-economy>.

552 “Fakivágások az Orczy kerben—a jövő nemzedék szószólója szakmai társadalmi párbeszéd fontosságáról” [Tree felling in the Orczy district—a voice of future generations on the importance of professional-social dialogue], Office of the Commissioner for Fundamental Rights, <https://www.ajbh.hu/-/fakivagasok-az-orczy-kertben-a-jovo-nemzedekek-szoszoloja-a-szakmai-tarsadalmi-parbeszed-fontossagarol>.

553 “Jacuzzi vagy a Balaton? Tovább küzdenek az aligaiak a szabadstrandokért” [Jacuzzi or Lake Balaton? Balatonaliga continues to fight for open beaches], *168 Óra*, December 13, 2021, <https://168.hu/itthon/jacuzzi-vagy-a-balaton-tovabb-kuzdenek-az-aligaiak-a-szabadstrandokert-221286>.

554 “Látogatási tilalom is védte a részben kivágott évszázados ősbükköst” [Previously, even visitor ban protected the partially felled centuries-old ancient beech], *168 Óra*, May 6, 2019, <https://168ora.hu/itthon/latogatasi-tilalom-is-vedte-a-reszben-kivagott-evszazados-osbukkost-167709>.



program on the massive Sopron-Fertő development project, declaring it a “strategic touristic area.”<sup>555</sup> The area includes Fertő tó, the lake home to protected animals and migrating birds. The construction is planned for the uninhabited Hungarian side of Fertő tó (Neusiedler See in German) divided by Hungarian-Austrian border, and includes the building of a huge luxury hotel with 16 tennis courts and whole infrastructure (water, electricity, road, etc.) at the lake’s shore. The investment has started despite controversy and local and Austrian protest,<sup>556</sup> with at least 300 trucks coming and going daily, managed by Lőrinc Mészáros’s company.<sup>557</sup>

Similar moves have been taken for Lake Balaton, for example, cutting down (without prior notice) protected forests for the sake of a local mayor’s son<sup>558</sup> and removing highly protected reeds at the Balaton for the purposes of building condominium housing.<sup>559</sup> Similar destruction occurred on the historical and European-protected peninsula called Tihany at Lake Balaton where building was formerly forbidden (and still is). The protected area has been (is being) largely

555 1862/2016. [XII. 27.] Korm. határozat a Sopron-Fertő kiemelt turisztikai fejlesztési térség meghatározásáról és a térségben megvalósítandó egyes fejlesztések megvalósításához szükséges források biztosításáról [Government resolution on the definition of the Sopron-Fertő priority tourism development area and on the provision of the resources necessary for the implementation of certain developments in the area], [https://net.jogtar.hu/getpdf?docid=A16H1862.KOR&targetdate=fffff4&printTitle=1862/2016.+%28XII.+27.%29+Korm.+hat%C3%A1rozat&referer=http%3A//net.jogtar.hu/jr/gen/hjegy\\_doc.cgi%3Fdocid%3D00000001.TXT](https://net.jogtar.hu/getpdf?docid=A16H1862.KOR&targetdate=fffff4&printTitle=1862/2016.+%28XII.+27.%29+Korm.+hat%C3%A1rozat&referer=http%3A//net.jogtar.hu/jr/gen/hjegy_doc.cgi%3Fdocid%3D00000001.TXT); Györgyi Balla, “A Balatont már elvitte a NER, most a Fertőtől következhet” [The Balaton has been already taken by the NER, now the Fertő lake is on the agenda], *HVG*, October 31, 2018, [https://hvg.hu/gazdasag/20181031\\_Mindenkinek\\_je\\_lesz\\_higgyetek\\_el\\_az\\_allam\\_kinezte\\_maganak\\_a\\_Fertotavat\\_is](https://hvg.hu/gazdasag/20181031_Mindenkinek_je_lesz_higgyetek_el_az_allam_kinezte_maganak_a_Fertotavat_is).

556 Katalin Erdélyi, “Helyi lakosokkal és Ausztriával is konfrontálódik a kormány a Fertő-tavi oriasberuházás miatt” [The government confronts both local residents and Austria over the giant investment in Lake Fertő], *Átlátszó*, August 19, 2019, <https://atlatzo.hu/2019/08/19/helyi-lakosokkal-es-ausztriaval-is-konfrontalodik-a-kormany-a-ferto-tavi-oriasberuhazas-miatt/>; Györgyi Balla, “Túlzottan beépített, forgalmas—a Fertő tavi beruházást kifogásolja egy nemzetközi szervezet” [Overdeveloped, overcrowded—an international organization criticizes the Lake Fertő project], *HVG*, March 3, 2021, [https://hvg.hu/ingatlan/20210303\\_Tulzottan-beepített\\_forgalmas\\_a\\_Ferto\\_tavi\\_beruhazast\\_kifogolja\\_egy\\_nemzetkozi\\_szervezet](https://hvg.hu/ingatlan/20210303_Tulzottan-beepített_forgalmas_a_Ferto_tavi_beruhazast_kifogolja_egy_nemzetkozi_szervezet).

557 “Közel 2 milliárdot nyert kikötőfejlesztésre Tiborc és Mészáros cége” [Tiborc and Mészáros’ company wins nearly billion HUF for port development], *Index*, April 1, 2020, [https://index.hu/gazdasag/2020/04/01/appeninn\\_kikoto\\_kisfaludy\\_program/](https://index.hu/gazdasag/2020/04/01/appeninn_kikoto_kisfaludy_program/).

558 Sándor Czinkóczi, “Védett területen volt az a Balaton-parti erdő, amit a polgármester fiának kedvéért taroltak le” [A forest on the shores of Lake Balaton was a protected area, but it was cleared for the mayor’s son], *444*, March 21, 2019, <https://444.hu/2019/03/21/vedett-területen-volt-a-a-balaton-parti-erdo-amit-a-polgarmester-fianak-kedveert-taroltak-le>.

559 Gábor Tenczer, “Védett nádat irtottak az épülő balatoni villaparknál” [Protected reeds were cleared at the Balaton Villa Park under construction], *Index*, March 4, 2019, [https://index.hu/belfold/2019/03/04/balatonakali\\_nadirtas\\_termeszetvedelem/](https://index.hu/belfold/2019/03/04/balatonakali_nadirtas_termeszetvedelem/); Máté Vaskor, “Letarolták a kiemelten védett nádat Balatonakali volt kempingjének partján” [A highly protected reed was cleared on the shore of the former campsite in Balatonakali], *24.hu*, March 4, 2019, <https://24.hu/belfold/2019/03/04/balatonakali-kemping-part-nadas-irtas/>.

privatized and the natural habitat destroyed for the leisure of the political-economic elite. This process is going on either undercover or locally legalized.<sup>560</sup>

Budapest does not escape either from this destructive momentum. Historic large trees have been destroyed<sup>561</sup> in the framework of the Liget (City Park) Project in the capital. The purpose is to make room for huge buildings in Hungary's largest public park, as ordered by the government. Meanwhile, the government is criminalizing those who demonstrate against this destruction and expose themselves to Fidesz-financed paramilitary forces.<sup>562</sup> Construction for an upcoming athletic world championship in another district requires more trees to be cut down.<sup>563</sup> So do constructions subordinated to the cabinet and Orbán personally for the Slovak-Hungarian European handball championship<sup>564</sup> and a tennis stadium in Budapest and other cities in Hungary. The construction of a rowing center at the Danube required the removal of several hectares of forests.<sup>565</sup> These investments even expand to Natura 2000 nature protection areas.<sup>566</sup>

- 560 "A Fidesz különbejáratú luxusszigetet csinálna a Tihanyi-félszigetből" [Fidesz would turn the Tihany peninsula into a luxury private island], *HVG*, July 12, 2020, [https://hvg.hu/gazdasag/20200812\\_A\\_Fidesz\\_kulonbejaratu\\_luxusszigetet\\_csinalna\\_a\\_Tihanyifelszigetbol](https://hvg.hu/gazdasag/20200812_A_Fidesz_kulonbejaratu_luxusszigetet_csinalna_a_Tihanyifelszigetbol); "Törvénytelen luxusépítkezésekkel rombolja a tájat a NER-elitTihanyban" [The NER elite destroys the Tihany landscape with illegal luxury constructions], *ezalenyeg.hu*, July 2, 2020, <https://ezalenyeg.hu/kozugy/torvenytelen-luxusepitkezesekkel-rombolja-a-tajat-a-ner-elit-tihanyban-7542>; "Mészáros Lőrincék félmilliárdért vettek medencés nyaralónak látszó gyümölcsöst Tihanyban" [Mészáros family bought a luxury villa officially as a fruit orchard for half a billion HUF], *444*, August 12, 2020, <https://444.hu/2020/08/12/meszaros-lorincek-felmilliardert-vettek-medences-nyaralonak-latszo-gyumolcsost-tihanyban>.
- 561 Gábor Tenczer, "33 fát kivágnak a Városligetben és rózsákat ültethetnek a helyükre" [33 trees will be cut down in the Városliget and replaced by roses], *Index*, February 28, 2019, [https://index.hu/belfold/budapest/2019/02/28/33\\_fat\\_kivagnak\\_a\\_varosligetben\\_es\\_rozsakat\\_ultethetnek\\_a\\_helyukre/](https://index.hu/belfold/budapest/2019/02/28/33_fat_kivagnak_a_varosligetben_es_rozsakat_ultethetnek_a_helyukre/); "Miért ültetik át a Városliget 100 éves fáit? . . . miért nem vágják ki mindjárt?" [Why are 100-year-old trees in the City Park being replanted? . . . why not cut them down at once?], *Greenfo*, January 9, 2019, <https://greenfo.hu/hir/miert-ultetik-at-a-varosliget-100-eves-fait-miert-nem-vagjak-ki-mindjart/>.
- 562 "Az erőemberek átvették a hatalmat a Városligetben" [The strongmen have taken over the City Park], *444*, June 9, 2016, <https://444.hu/2016/07/09/az-eroemberek-atvettek-a-hatalmat-a-varosligetben>.
- 563 "Atlétika: Magyarország rendezi a 2023-as világbajnokságot!" [Athletics: Hungary to host the 2023 World Championships], *Nemzeti Sport*, December 4, 2018, <http://www.nemzetisport.hu/atletika/atletika-magyarorszag-rendezi-a-2023-as-vilagbajnoksagot-2672627>; "Egész erdőket irt ki a kormány csepeli sportprogram kedvéért" [Government to clear entire forests for Csepel sports program], *Népszava*, February 6, 2019, [https://nepszava.hu/3024434\\_egesz-erdoket-irt-ki-a-kormany-csepeli-sportprogram-kedveert](https://nepszava.hu/3024434_egesz-erdoket-irt-ki-a-kormany-csepeli-sportprogram-kedveert).
- 564 "Férfi kézilabda: Magyarország Európa-bajnokságot rendez!" [Men's handball: Hungary to host European championships!], *Nemzeti Sport*, June 20, 2018, <http://www.nemzetisport.hu/kezilabda/ferfi-kezilabda-magyarorszag-europa-bajnoksagot-rendez-2642439>.
- 565 H.H., "Több hektár erdőt irtanak ki a csepeli sportközpont miatt" [Several acres of wood is going to be erased to build the sports center], *Index*, February 6, 2019, <https://index.hu/belfold/2019/02/06/tobb-hektar-erdot-irtanak-ki-a-dunai-evezos-kozpont-miatt/>.
- 566 Adrien Jakál, "Luxusberuházás a Fertő tónál: fakivágásokat engedélyeztek Natura 2000-es területen, a többi titok" [Luxury investment on Lake Fertő: tree felling authorized in Natura

A luxury hotel and underground garage built by Orbán's son-in-law, Tiborcz, also required trees to be removed.<sup>567</sup> Most of these investments are declared by the government as strategic with simplified public administration.<sup>568</sup> The destruction of the natural areas, in most cases, occur suddenly, without prior warning or local consultations.

The Danube River itself, which divides Budapest and is the longest river in Europe, after the Volga in Russia, is also the object of expansion and diffusion. A planned mobile dam at the banks of the Danube against occasional floods requires the removing of 1,500 several-hundred-year-old trees along the bank of the river.<sup>569</sup> A building permit was already given for one of Orbán's cronies (István Garancsi) for the shore to be protected by the dam, while permits for others were denied.<sup>570</sup> A small peninsula on the Danube (Kopaszi gát) has also been seized by the same cluster member. The construction, having been appointed as strategic investment, received a special permit from the government for a high-rise that towers over all other buildings in Budapest.<sup>571</sup> The government is planning a new bridge across the Danube as well. The bridge would open to a road that crosses the local district's basic green area called "Small Wood," which was to be eliminated. The plan was finally suspended under the pressure of local protests and

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2000 area, the rest is a secret], *VIP*, March 25, 2021, <https://thevip.hu/2021/03/25/luxusberuhazas-a-ferto-tonal-fakivagasokat-engedelyeztek-natura-2000-es-teruleten-a-tobbi-titok/>.

- 567 Márton Végh, "Veszteséges lett Tiborcz István milliárdokból felújított kastélyszállója" [István Tiborcz's castle hotel, renovated with billions of HUF, is unprofitable], *MFOR*, June 17, 2021, <https://mfor.hu/cikkek/makro/bertamogatással-is-veszteseges-tiborcz-istvan-kastelyszalloja.html>; "Luxushotel miatt kell a József nádor téri garázs?" *24.hu*, March 17, 2016, <https://24.hu/kozelet/2016/03/17/luxushotel-miatt-kell-a-jozsef-nador-teri-garazs/>.
- 568 361/2019. [XII. 30.] Korm. rendelet Egyes nemzetgazdasági szempontból kiemelt jelentőségű beruházásokra vonatkozó kormányrendeleteknek a fővárosi és megyei kormányhivatalok egyszerűsítésével összefüggő módosításáról" [Amending certain government decrees on investments of major importance to the national economy in connection with the simplification of the government offices of the capital and counties], *Magyar Közlöny* 220, December 30, 2019, p. 10583.
- 569 Gyula Szűcs, "Eldől: 1500 fát vágnak ki a Római-parton" [Decided: 1500 trees to be cut at the Danube bank for building the mobile dam], *Index*, April 4, 2016, [https://index.hu/belfold/budapest/2016/04/16/1500\\_fat\\_vagnak\\_ki\\_a\\_romai-parton\\_budapest\\_tarlos\\_istvan\\_mobilgat\\_gatgate/](https://index.hu/belfold/budapest/2016/04/16/1500_fat_vagnak_ki_a_romai-parton_budapest_tarlos_istvan_mobilgat_gatgate/).
- 570 "Miután a Garancsi-féle lakópark megkapta az építési engedélyeket, változtatási tilalmat rendeltek el a Római-parton" [After the Garancsi housing estate received the building permits, a ban on changes was imposed on the Rome Coast], *444*, October 15, 2016, <https://444.hu/2016/10/15/miutan-a-garancsi-fele-lakopark-megkapta-az-epitesi-engedelyeket-valtoztatasi-tilalmat-rendeltek-el-a-romai-parton>.
- 571 "A Mol felhőkarcolóját építik fel a Kopaszin, kivásárolták a projektet Garancsiéktól" [Mol's skyscraper is being built in Kopasz, the project has been bought out from the Garancsi], *Forbes*, October 2, 2017, <https://forbes.hu/uzlet/kpaszi-mol-hernadi-garancsi/>; Gábor Tenczer, "Zöld utat kapott Garancsi 120 méteres felhőkarcolója" [Garancsi's 120-meter skyscraper gets the green light], *Index*, December 7, 2016, [https://index.hu/belfold/budapest/2016/12/07/zold\\_utat\\_kapott\\_garancsi\\_120\\_meteres\\_felhokarcoloja/](https://index.hu/belfold/budapest/2016/12/07/zold_utat_kapott_garancsi_120_meteres_felhokarcoloja/).

publicity.<sup>572</sup> In 2020, a forest in the city of Göd, outside Budapest, was slated to be removed for the expansion of a Samsung factory. Despite wide local and nationwide protests, the Constitutional Court, where complaints were addressed, did not find the expropriation unconstitutional.<sup>573</sup> The investment has been declared strategic.<sup>574</sup> To avoid similar conflicts and free the path for similar occupations, a new bill was submitted to the parliament in March 2021 that gives free hand for the government for such actions, including nature protected areas, in any location of the country.<sup>575</sup>

Under Rogán's management, in collaboration with Orbán's eldest daughter Ráhel,<sup>576</sup> tourism has become locally uncontrollable and skyrocketing in Budapest.<sup>577</sup> The tourism business suffocates the capital, inundating the downtown area with tourist buses, increasing pollution and illness in the city. Rogán, as the delegated owner of a Swiss-Hungarian shipping company, also packs the Danube River with large tourist ships, and the Danube's bank with tourist buses, which bring tourists en masse for waterside and downtown amusement. Increased fluvial traffic causes traffic jams, air pollution along the Danube

572 Tamás Fábrián, "Autópálya lehet a budapesti kiserdő helyén" [A motorway could be built on the site of a small forest in Budapest], *Index*, September 14, 2017, [https://index.hu/belfold/2017/09/14/budapest\\_kiserdo\\_autopalya/](https://index.hu/belfold/2017/09/14/budapest_kiserdo_autopalya/); Karina Csengel, "Féltik az erdőt az új Duna-hídtól a helyiek, a kormányzat el se ment az egyeztető fórumra" [Locals fear the destruction of their forest by the new Danube bridge, the local government did not even attend the coordinating forum], *Mérce*, February 13, 2019, <https://merce.hu/2019/02/13/feltik-az-erdot-az-uj-duna-hidtol-a-helyiek-a-kormanyzat-el-se-ment-az-egyezteto-forumra/>.

573 "Nem alaptörvény-ellenes a gödi különleges gazdasági övezet kijelölése" [It is not against the fundamental law to designate a special economic zone at Göd], Constitutional Court of Hungary, February 19, 2021, <https://www.alkotmanybirosag.hu/kozlemeny/nem-alptorveny-ellenes-a-godi-kulonleges-gazdasagi-ovezet-kijelolese>.

574 "A forest was cut down to allow the Samsung factory to expand," *Átlátszó*, May 17, 2019, <https://english.atlatszo.hu/2019/05/17/a-forest-was-cut-down-to-allow-the-samsung-factory-to-expand-locals-protest-the-decision/>.

575 <https://www.parlament.hu/irom41/15397/15397.pdf>.

576 <https://2015-2019.kormany.hu/en/cabinet-office-of-the-prime-minister/news/government-s-goal-is-to-turn-hungary-into-region-s-leading-tourism-centre>; "2018. évi XLIX. törvény a Budapest és az agglomeráció fejlesztésével összefüggő állami feladatokról, valamint egyes fejlesztések megvalósításáról, továbbá egyes törvényeknek a Magyarország filmszakmai támogatási programjáról szóló SA.50768 számú Európai Bizottsági határozattal összefüggő módosításáról" [Act XLIX of 2018 on State tasks related to the development of Budapest and the agglomeration, and the implementation of certain developments, and amending certain laws in connection with the European Commission Decision SA.50768 on Hungary's film support program], *Jogtár*, June 30, 2018, <https://mkogy.jogtar.hu/jogszabaly?docid=A1800049.TV>.

577 Batka, "Kétmilliárdot kap egy Tiborc-közi cég a turisztikai ügynökségtől, ahol Orbán Ráhel tanácsadó," [https://nepszava.hu/3032739\\_ketmilliardot-kap-egy-tiborc-kozeli-ceg-a-turisztikai-ugynoksegto-ahol-orban-rahel-tanacsado](https://nepszava.hu/3032739_ketmilliardot-kap-egy-tiborc-kozeli-ceg-a-turisztikai-ugynoksegto-ahol-orban-rahel-tanacsado); Marianna Kovács-Angel, "Orbán Ráhel turisztikai tanácsadó lett, máris csökkenhet a szállásadók áfája" [Ráhel Orbán became tourism consultant, so VAT on tourism may be decreased], *24.hu*, June 8, 2018, <https://24.hu/fn/gazdasag/2018/06/08/orban-rahel-afa/>.

River,<sup>578</sup> and deadly accidents.<sup>579</sup> Since the accident, when a large joint-owned Swiss-Hungarian ship whose ownership management was delegated to Rogán by the minister of Asset Management subordinated to Orbán, ran over a smaller Hungarian ship drowning 33 South-Korean passengers and 2 staff, no regulation has been changed to decrease traffic, and those responsible have suffered no legal consequences so far.<sup>580</sup>

Not only has the natural but also the built environment fallen prey to the insatiable wealth accumulation of the members of the central cluster and their clients. Through the political capture of public assets, with the parliament's, the government's, and the cabinet's institutional support, and personally of Orbán, built public wealth is disposable.<sup>581</sup> The government has repeatedly decreased the number of protected buildings. Several of those that have lost this status, have often lost any reason for protection, owing to their neglect. Such is the Radetzky Barracks acquired by the business circle of one the government's regional

578 Júlia Halász, "Olyan szennyezett a levegő a Duna-parton, mint csúcsgalomban a Blahán" [The air on the banks of the Danube is as polluted as it is on the Blaha at rush hours], *444*, August 14, 2019, <https://444.hu/2019/08/14/olyan-szennyezett-a-levego-a-duna-parton-mint-csucsforalomban-a-blahan>; "Megdöbbentő légszennyezést mutattak ki a pesti Duna-part mentén" [Staggering air pollution detected along the Danube in Pest], *NLC*, September 23, 2019, <https://nlc.hu/ezvan/20190923/legszenneyezes-hajok-ahang-peticio-also-duna-part-rak-part-ujlipot/>.

579 József Spirik, "Nagyon gáláns volt a kormány a Viking Sigyn hajót üzemeltető céggel" [The government was very generous to the company operating the Viking Sigyn], *24.hu*, June 7, 2019, <https://24.hu/belfold/2019/06/07/dunai-hajobaleset-viking-sigyn-viking-cruises-mahart/>; "Közös cége van a magyar államnak Rogán Antalón keresztül a Hableányt elsüllyesztő szállodahajó svájci tulajdonosával" [The Hungarian state, through Antal Rogán, has a joint company with the Swiss owner of the hotel ship that sank the Hableány], *168 Óra*, May 31, 2019, <https://168ora.hu/itthon/kozos-cege-van-a-magyar-allamnak-rogan-antalon-keresztul-a-hableanyt-elsullyeszto-szallodahajo-svajci-tulajdonosaval-169040>; "Hiába kérte Dél-Korea a Viking halálhajó lefoglalását Magyarország elengedte a svájci üzlettársa érdekeltségét" [South Korea's request to seize the Viking death ship was in vain: Hungary released its Swiss partner's ship], *estiujsgazdasag.hu*, June 3, 2019, <https://estiujsgazdasag.hu/programok/hiaba-kerete-del-korea-a-viking-halalhajo-lefoglalasat-magyarorszag-elengedte-a-svajci-uzlettarsa-erdekeltseget>; "Jelentésben figyelmeztették a városvezetést, túlszűfolt a Duna Budapestnél" [Experts warned in dismissal, Danube overcrowded at Budapest], *HVG*, June 13, 2019, [https://hvg.hu/itthon/20190613\\_NYT\\_dunai\\_hajobaleset](https://hvg.hu/itthon/20190613_NYT_dunai_hajobaleset).

580 "A Hableány tragédiája sem volt elég ahhoz, hogy bármi változzon a Dunán" [The Hableány's tragedy was not sufficient to change any rules on the Danube], *HVG*, May 29, 2020, [https://hvg.hu/itthon/20200529\\_Hableany\\_evfordulo\\_Duna\\_hajozas\\_szabalyozas](https://hvg.hu/itthon/20200529_Hableany_evfordulo_Duna_hajozas_szabalyozas).

581 Gabriella Horn, "Heinrich-udvar: újabb budapesti műemlék átépítését tették lehetővé kormányrendelettel" [Heinrich Court: another protected heritage in Budapest to be reconstructed by government decree], *Átlátszó*, May 8, 2020, <https://atlatzo.hu/2020/05/08/heinrich-udvar-ujabb-budapesti-muemlek-atepiteset-tettek-lehetove-kormanyrendelettel/>; Gabriella Horn, "A Mahart-ház és a Heinrich-udvar után a Radetzky-laktanyát is kormányközeli befektetők bonthatják" [After the Mahart House and Heinrich Court, the Radetzky Barracks could be demolished by government-affiliated investors], *Átlátszó*, October 13, 2020, <https://atlatzo.hu/2020/10/13/a-mahart-haz-es-a-heinrich-udvar-utan-a-radetzky-laktanyat-is-kormanykozeli-befektetok-bonthatjak/>.

development commissars.<sup>582</sup> Similar is the fate of the deteriorating buildings of Budapest's Jewish quarter (Perczel 2007), in danger since the early 2000s,<sup>583</sup> where not even the façade is kept. Local opposition is repeatedly inhibited from acting, as the government frequently declares such investments as strategically important, which exempts them from national and local regulations. The government also cancels the historical protection of former industrial sites and even buildings of cultural-historical value, turning them over to Fidesz-connected entrepreneurs, who either demolish them completely or keep only the façade. For example, the old public butchery, a museal industrial complex, was erased by Orbán's Turkish friend.<sup>584</sup> It will be replaced by hotels and office buildings. Another example is the historic UNESCO-protected building of the Hungarian Shipping Society and two neighboring buildings in the heart of Budapest purchased by Orbán's son-in-law Tiborcz. This move was supported by an 8.4 billion HUF state bank loan<sup>585</sup> for hotel construction that will keep only the façade of the original building.<sup>586</sup> Similar is the fate of the historic trade building complex

582 "Mégis bontható a Radetzky laktanya?" [Can Radetzky barracks still be demolished?], *Octagon*, June 4, 2020, <https://www.octagon.hu/epiteszet/megis-bonthato-a-radetzky-laktanya/>; Gabriella Horn, "Szabad kezet kap a műemlék Radetzky-laktanya átalakításához a kormánybiztos érdekeltsége" [The business close to the government commissioner in the conversion of the Radetzky barracks monument is given a free hand], *Átlátszó*, August 13, 2020, <https://blog.atlatszo.hu/2020/08/szabad-kezet-kap-a-muemlek-radetzky-laktanya-atalakitashoz-a-kormanybiztos-erdekeltsege/>.

583 Géza Dobó, "A pesti zsidónegyed kísértetházai" [Ghost buildings of the Jewish quarter in Pest], *Index*, September 23, 2014, [https://index.hu/urbanista/2014/09/23/a\\_pesti\\_zsidonegyed\\_kisertethazai/](https://index.hu/urbanista/2014/09/23/a_pesti_zsidonegyed_kisertethazai/); "Amihez buldóziert hívtak. Az eltüntetett zsidónegyed" [For which bulldozer was called: The disappearing Jewish quarter], *HVG*, May 6, 2009, [https://hvg.hu/sorkoveto/20090506\\_pesti\\_zsidonegyed\\_ovas\\_rombolas\\_epites](https://hvg.hu/sorkoveto/20090506_pesti_zsidonegyed_ovas_rombolas_epites); Hanna Csatlós and Ádám Fekő, "A fideszes önkormányzat még engedélyezte a volt Wichmann-kocsma lebontását, a mostani már nem dönthet róla" [The Fidesz municipality still allowed the demolition of the former Wichmann pub, the current one can no longer decide], *HVG*, January 6, 2021, [https://hvg.hu/itthon/20210106\\_kazinczy\\_utca\\_hotel\\_lefkovics\\_gyorgy\\_budapest](https://hvg.hu/itthon/20210106_kazinczy_utca_hotel_lefkovics_gyorgy_budapest).

584 Lőrinc Tólos, "Bontják az egykori Közvágóhidat" [The once-protected Public Butchery is being demolished], *Építészforum*, October 8, 2019, <http://epiteszforum.hu/bontjak-az-egykori-kozvagohidat-galerival/>; Miklós Vincze, "Orbán török milliárdos barátjának álma miatt tűnik el a védettséget élvező Közvágóhid" [Orbán's Turkish billionaire friend's dream has led to the disappearance of the protected Public Bridge], *24.hu*, December 5, 2019, <https://24.hu/kultura/2019/12/05/kozvagohid-muemlek-torok-milliardos-adnan-polat-erdogan-orban-tiborcz-istvan/>.

585 Gabriella Horn, "Állami hitelből rombolják a műemlék házakat Tiborczék szállodájához Budapest belvárosában" [State loan to demolish listed buildings for Tiborczs' hotel in downtown Budapest], *Átlátszó*, December 27, 2019, <https://blog.atlatszo.hu/2019/12/allami-hitelbol-romboljak-a-muemlek-hazakat-tiborczek-szallodajahoz-budapest-belvarosaban/>.

586 Dávid Dercsényi, "Tiborczék a Mahart-székház világító tetejével veszélyeztetik a világörökségi besorolást" [Tiborczs risk World Heritage status with the illuminated roof of the Mahart House], *HVG*, September 3, 2019, [https://hvg.hu/itthon/20190903\\_Tiborcz\\_a\\_Mahartszekhaz\\_tetejen\\_ejszaka\\_vilagito\\_kockakkal-veszelyeztetne\\_a\\_vilagoroksegi\\_besorolast](https://hvg.hu/itthon/20190903_Tiborcz_a_Mahartszekhaz_tetejen_ejszaka_vilagito_kockakkal-veszelyeztetne_a_vilagoroksegi_besorolast).



and its internal yard named after its original owner, the Heinrich family.<sup>587</sup> It has been bought by the ex-college roommate of the minister of finance, Mihály Varga, and plans for its internal demolition are going forward.<sup>588</sup> Another example is the process of occupation of public parks and neighboring buildings by the expanding Fidesz-created National University of Public Service. This expansion has forced the Hungarian Natural History Museum out of its building by government order. The museum and all its subtle and sensitive collections are to be relocated to Debrecen. All together 10 million specimens have to be transferred 200 kilometers away to the Fidesz-privileged city.<sup>589</sup> However, the government's university neighboring the Museum in Budapest is ready to expand,<sup>590</sup> and the mayor of Debrecen is happy to receive what remains of the museum's difficult journey.<sup>591</sup>

Historical Roman, medieval, and baroque cultural heritage sites are being remodeled according to Orbán's taste under Rogán's supervision (fig. 1.2 and fig 1.3). The most telling example of the forced redeployment function of the government's development programs and its destructive consequences is the Castle Hill development project. This project is connected to a far-reaching cultural and architectural "ramification" of a number of other large government development projects (Liget Project, Museum Quarter, Steindl Project). This site in Budapest is a world heritage, protected by UNESCO. According to the UNESCO website, it is a complex of outstanding universal cultural values. It includes the Hungarian National Gallery, Budapest Historic Museum, the National Széchenyi Library, and the National Heritage Office. The site has several other museums, cellars, and tunnels connected to natural caves, historic houses, ruins, a subterranean hospital, and churches. In the name of the Castle Quarter reconstruction program, directly subordinated to the cabinet and Orbán,<sup>592</sup> almost all of the

587 "Ismeretlen Budapest: Évszázados kereskedőudvar az Iparművészeti Múzeum árnyékában" [Unknown Budapest: centuries-old merchant's courtyard in the shadow of the Museum of Applied Arts], *24.hu*, November 18, 2017, <https://24.hu/kultura/2017/11/18/ismeretlen-budapest-evszazados-kereskedoudvar-az-iparmuveszeti-muzeum-arnyekaban/>.

588 "Csúszik a bontás, a beruházó halasztaná a párbeszédet is" [Demolition delayed, the investor would rather also postpone the dialogue], July 20, 2020, <https://jozsefvaros.hu/hir/75182/cszuk-a-bontas-a-beruhazo-halasztana-a-parbeszedet-is>.

589 "Outcry over Plan to Move Hungarian Natural-History Museum to Remote Town," *nature.com*, February 24, 2020, <https://www.nature.com/articles/d41586-020-00490-x>; Ábrahám Vass, "Hungarian Scientists Oppose Moving Natural History Museum to Debrecen," *Hungary Today*, June 7, 2020, <https://hungarytoday.hu/scientist-scholar-oppose-move-natural-history-museum-debrecen/>.

590 "Már biztos, hogy Debrecenbe költözik a Természettudományi Múzeum" [It is already fixed that the Museum of Natural History has to move to Debrecen], *24.hu*, June 10, 2020, <https://24.hu/belfold/2020/06/10/debrecen-koltozes-termeszettudomanyi-muzeum/>.

591 "Debrecen Welcomes Natural Science Museum's Relocation," January 23, 2020, <https://daily-newshungary.com/debrecen-welcomes-natural-science-museums-relocation/>.

592 "Ilyen lesz a megújult budai várnegyed" [This is what the renewed Buda Castle District will look like], *PestBuda*, August 29, 2019, [http://pestbuda.hu/cikk/20190829\\_ilyen\\_lesz\\_a\\_meguult\\_budai\\_varnegyed](http://pestbuda.hu/cikk/20190829_ilyen_lesz_a_meguult_budai_varnegyed).



prior cultural or scientific functions have been, or will be, ousted. Science buildings were subordinated to the Ministry of Innovation and Technology, research staff was moved out.<sup>593</sup>

The list of other sites in the castle to be emptied is long, with functions devastated and without alternative buildings provided. Even the National Office for the Protection of Cultural Heritage, with its entire archive collection, including a unique cadastre of all historical data and objects and a unique collection of historic documents,<sup>594</sup> was also forced to move out from its historic home. It did not have a suitable building to move into, to protect the rare public objects. Storage was temporarily held in the cellar of the old building where a water pipe accidentally broke and many documents became soaked.<sup>595</sup> The Heritage Office was not only ousted from a historic building, but it was also practically abolished and its functions stripped and scattered among different central and local government organizations (Lővei 2012, 2017).<sup>596</sup>

It is not only museums from the Castle Hill, but also the Folklore Museum that will be relocated from its strategic and valuable building facing the parliament to the Museum Quarter.<sup>597</sup> The latter is part of the process of space occupation of the elite, seizing all the valuable buildings close to the parliament and the downtown business quarter. These buildings were earlier renovated with billions of forints from state budget in the framework of the building renovation project named Steindl.<sup>598</sup> Owing to the moving offices, underground parking lots for the government staff are being built caved into the castle hill, endangering the

593 “Elfogadta az Országgyűlés a Magyar Tudományos Akadémiát érintő törvényjavaslatot” [Parliament adopts the bill concerning the Hungarian Academy of Sciences], July 2, 2019, [https://mta.hu/mta\\_hirei/elfogadta-az-orszaggyules-a-magyar-tudomanyos-akademiaterinto-torvenyjavaslatot-109862](https://mta.hu/mta_hirei/elfogadta-az-orszaggyules-a-magyar-tudomanyos-akademiaterinto-torvenyjavaslatot-109862).

594 “Építésügyi és Örökségvédelmi Hivatal” [Office for Architecture and Heritage Protection], <http://www.kormanyhivatal.hu/hu/szakigazgatasi-szervek/epitesugyi-hivatal-es-oroksegvedelmi-hivatal>.

595 Fruzsina Mesterházy, “Kérdéseivel kapcsolatban az alábbi tájékoztatást tudjuk adni” – Beázás a Forster Központban” [“We can provide the following information regarding your queries” – Forster Centre flooding], *Art Portal*, February 16, 2017. <https://artportal.hu/magazin/kerde-eseivel-kapcsolatban-az-alabbi-tajekoztatast-tudjuk-adni-beazas-a-forster-kozpontban/>.

596 <http://www.kormanyhivatal.hu/hu/szakigazgatasi-szervek/epitesugyi-hivatal-es-oroksegvedelmi-hivatal>; “Ha mindez így marad, akkor ez ennek a 140 éves történetnek a vége” [If all this remains as it is now, then we have arrived at the end of this 140-year story] [Gábor Klaniczay talks with Pál Lővei about the dissolution of the Office for the Protection of Cultural Heritage], *BUKSZ Budapesti Könyvszemle* 24, 3–4 [2012]: 254–268.

597 “Költöznek a Néprajzi Múzeum műtárgyai” [The Ethnographic Museum’s artefacts are being moved], *Világgazdaság*, August 14, 2019, <https://www.vg.hu/kozelet/kozeleti-hirek/koltoznek-a-neprajzi-muzeum-mutargyai-1689577/>.

598 “A Steindl Imre program” [The Steindl program], <http://www.sipzrt.hu/a-steindl-imre-program/>.

centuries-old tunnel system within the hill, destroying medieval fortress walls and erasing trees.<sup>599</sup>

Concluding this section, I have demonstrated the characteristics of the central cluster nested in the network of diffused political capture, privileged by forced resource redeployment through so-called reforms and developments. Analysis underlies the deep embeddedness of the cluster in the diffused network of political capture. The cluster's structure and interacting dynamics simultaneously show the narrower interpretation of political capture connecting the economy and political subsphere, and the more complex systemic structure, through which the diffusion of political capture occurs to all social fields, where government and business relationships are nested and operate. The diffused channels provide the routes for the insatiable drive for wealth accumulation of the central cluster, cronies, and clients.

I have also illustrated the destructive consequences of institutionalized corruption and politically selective overinvestment due to open-ended diffusion of political capture and forced resource redeployment in public and private fields. The above examples served to illustrate that behind the luster of revolution, reforms, developments, economic growth, and claims for national identity and the moral elevation of culture, lies the destructive impact of political capture and its diffusion: politically selective extraction and distribution, uncontrolled investments, institutionalized corruption, and overall destruction where it infiltrates.

Politically oriented resource redeployments nested in political capture lead to malfunctions in social fields: poverty and racial segregation, growing ratio of those left behind, increasing gap between upwardly mobile strata and those marginalized (Czibere, Gerő and Kovach, 2017). Expertise is missing in all subfields, the remaining ones are overburdened. Infrastructure is run down, technically unprepared both for current and future operation. Forced resource redeployment to reproduce the centralized pattern increases social tensions. These are manifested in grievances, demonstrations, labor shortages, out-migration (Varga, 2017; Hárs and Simon, 2015; 2020) or transfers from public to private fields. Alternatives and grassroot initiatives are starved out and drastically constrained.

Each of the above factors could be sufficient for wide-spread social mass mobilization. However, demonstrations and social grievances do not connect. Solidarity is missing. Fidesz and personally Orbán, has won the highest ratio in the 2022 elections for the fourth consecutive governing period. Orbán's motivations for power and wealth are limitless, already aspiring and actively working to

599 "Szőlőskertnek álcázott mélygarázs épül a Budai Vár oldalába: várfalat bontanak, és fákat vágják ki" [Underground car parks disguised as vineyards are being built on the side of Buda Castle: the castle wall is being demolished and trees cut down], *Átlátszó*, February 8, 2021, <https://atlatzso.hu/kozpenz/2021/02/08/szoloskertnek-alcazott-melygarazs-epul-a-budai-var-oldalaba-varfalat-bontanak-es-fakat-vagnak-ki/>.

rule over a cultural era that evolves from a system, into a uniform “spiritual order, a kind of prevailing mood, perhaps even taste.”<sup>600</sup> In the next section, I shall detail the socioeconomic factors that legitimize forced resource redeployment, and systemic stability despite institutionalized corruption and overall destruction in the social, natural, and built environment.

## **Domestic and External Factors Fueling Persistent Systemic Evolution and Self-Reproduction**

### ***Social Acquiescence to Centralized Power and Institutionalized Corruption: Awareness***

And our two-thirds victory in 2018 is nothing short of a mandate to build a new era. It is important to remind ourselves, however, that an era is always more than a political system. An era is a special and characteristic cultural reality. An era is a spiritual order, a kind of prevailing mood, perhaps even taste—a form of attitude. A political system is usually determined by rules and political decisions. An era, however, is more than this. An era is determined by cultural trends, collective beliefs and social customs. This is now the task we are faced with: we must embed the political system in a cultural era.<sup>601</sup>

Prime Minister Orbán Viktor’s speech at  
Tusnádfürdő, July 28, 2018

Based on the experiences of the dynamics of diffusion of political capture up to that time, Orbán’s promise of a new cultural era in 2018 envisaged an accelerated diffusion of political capture into the cultural, educational, and scientific spheres. And so it happened, with the usual methods from other subspheres: centralizations, umbrella institutions, and forced redeployments, enabled by laws and constitutional amendments; and the stripping of state wealth and its privatization, positioning Fidesz-affiliated cadres and providing politically selective privileges leading to overinvestment and the eradication of alternatives (Bajomi and Bozóki 2020).

The consequences of government intervention are individually palpable day by day in every social field, though its depth and ramifications are invisible to the public. So is corruption through the expanding ramifications of political capture. However, public awareness of corruption is demonstrated in a 2017 survey of

600 Prime Minister Viktor Orbán’s speech at the 29th Bálványos Summer Open University and Student Camp on July 29, 2018, <https://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-29th-balvanyos-summer-open-university-and-student-camp>.

601 <https://2015-2019.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-29th-balvanyos-summer-open-university-and-student-camp>.

EU countries—the Special Eurobarometer 470<sup>602</sup>—using a sample representative of each country’s population. The survey, which included questions on petty and institutional corruption, reveals that Hungarians show the highest percentage in the EU of having experienced or been directly exposed to corruption (25 percent versus 7 percent EU average). Awareness of institutionalized corruption is apparent from the following responses: 56 percent of Hungarian respondents scored as first, and higher than EU average (at 53 percent), the perception of corruption among politicians at the central and local levels. Also 56 percent of them scored corruption in political parties second, same as the EU average. Corruption in public tenders came as third in the ranking, evaluated by 48 percent of Hungarians as high, compared to 43 percent of the EU average. A much higher ratio of Hungarians score corruption in healthcare than the EU average: 49 versus 31 percent.

Awareness is confirmed in Hungarian business circles as well. In 2019, the Eurobarometer carried out a representative flash survey that dealt with the attitudes of businesses toward corruption in Europe by country.<sup>603</sup> Forty-eight percent of Hungarian businesspeople marked higher than the EU average (37 percent) two issues as problems encountered when doing business: corruption, and patronage and nepotism (41 versus 38 percent). Their awareness of the institutional background of corruption was also reflected by the fact that in contrast to the EU average (44 percent), Hungarian businesspeople are much less likely to believe (29 percent) that corrupt action will be reported to or actors will be caught by the police. Conversely, 56 percent of the questioned Hungarian businesspeople gave a higher than EU average (50 percent) probability that corrupt practices will not be caught. Moreover, even if caught, the likeliness that they will not be prosecuted was judged by 55 percent of the Hungarian businesspeople versus 48 percent of EU average. Even if prosecuted, the percentage of those Hungarians who marked the unlikeliness of being imprisoned was as high as the EU average (53 versus 55 percent). Moreover, according to 62 percent of the Hungarian businesspeople, versus 56 percent of the EU average, those prosecuted will not be appropriately punished. A similar attitude of resignation toward institutionalized corruption is reflected by the prior-mentioned survey sample (Special Eurobarometer 470) representative of the whole population.<sup>604</sup> In this survey, only 35 percent of Hungarians thought that corruption is unac-

602 “Special Eurobarometer 470, Report: Corruption,” European Commission, 2017, [https://manueldelia.com/wp-content/uploads/2018/03/ebs\\_470\\_en.pdf](https://manueldelia.com/wp-content/uploads/2018/03/ebs_470_en.pdf).

603 “Flash Eurobarometer 482: Businesses’ Attitudes towards Corruption in the EU,” data.europa.eu, December 9, 2019, [https://data.europa.eu/euodp/en/data/dataset/S2248\\_482\\_ENG](https://data.europa.eu/euodp/en/data/dataset/S2248_482_ENG); Bence Stubnya, “A magyarok már el sem tudják képzelni, hogy lehet nem korrump országban élni” [Hungarians cannot imagine how can one live in a country without corruption], *G7.hu*, June 14, 2020, <https://g7.hu/adat/20200614/a-magyarok-mar-el-sem-tudjak-kepzelni-hogy-lehet-nem-korrump-oroszagban-elni/>.

604 “Special Eurobarometer 470, Report: Corruption,” European Commission, 2017, [https://www.kpk-rs.si/kpk/wp-content/uploads/2018/03/2017\\_Eurobarometer-on-corruption\\_ebs\\_470\\_en.pdf](https://www.kpk-rs.si/kpk/wp-content/uploads/2018/03/2017_Eurobarometer-on-corruption_ebs_470_en.pdf).

ceptable, compared to around 80 percent of EU respondents (except Latvia with 34 percent). Compared to the EU average (14 percent), 45 percent of the Hungarians thought that giving money to public servants for favorable decisions is acceptable.

Despite public awareness of elite corruption, no politicians have been forced by public pressure in Hungary to leave office on corruption charges. The few who did have to leave office were involved in publicly admitted extreme cases that did not fit Fidesz's public moral image.<sup>605</sup> In fact, it is not just corruption that the Hungarian people have failed to publicly protest about. Except for government-organized pro-government peace marches, nationwide mass protests around any public issue have been few in frequency, constrained in scope, and limited in the number of participants. Demonstrations have been overwhelmingly localized to Budapest or some larger cities, and have been exhausted within some days with poor or no results. They have also not been physically supported by the presence of other social groups with similar problems.

The repeated effort to organize a popular ballot to extend the limitation for corruption offenses in 2017 was circumvented by a parliamentary vote before submission.<sup>606</sup> The second in the same year, by the same person, was first rejected by the election board, but approved by the supreme court forum (Curia).<sup>607</sup> However, according to the election board, the valid signatures did not reach the 200,000 threshold.<sup>608</sup> Individual corruption cases of leading Fidesz politicians or families have been rejected by the attorney general, Péter Polt.

Why don't people protest against corruption, and overall destruction, despite public awareness? Why have people voted for the same party four times consecutively, bringing the corrupt elite into power, perpetuating corruption, destruction, nepotism, and forced resource redeployment? The approach to these questions matches the complexity of the issue at stake.

605 Such was the case of plagiarism in the former President Pál Schmitt's master thesis, and two leaked sex orgies: one of a major city (Győr) mayor, the other of a founding Fidesz politician and representative in the EU. Fanni Facsar, "Hungary's President Quits over Alleged Plagiarism," *CNN*, April 2, 2012, <https://edition.cnn.com/2012/04/02/world/europe/hungary-president-resigns/index.html>; Chris Kitching, "Sex Tape Emerges Showing Mayor in Orgy with Prostitutes on Luxury Yacht," *Mirror*, October 13, 2019, <https://www.mirror.co.uk/news/world-news/sex-tape-emerges-showing-mayor-20570009>; Daniel Boffey and Shaun Walker, "Right-Wing Hungarian MEP Resigns for Attending 'Sex Party' That Broke Belgian Lockdown," *The Guardian*, December 1, 2020, <https://www.theguardian.com/world/2020/dec/01/belgian-police-arrest-25-men-including-mep-as-sex-party-breaks-curfew-coronavirus>.

606 Zsolt Sarkadi, "A Fidesz is egyetért a korrupcióellenes népszavazás céljával" [Fidesz also agrees with the goal of anticorruption plebiscite], *444*, September 17, 2017, <https://444.hu/2017/09/17/a-fidesz-is-egyeteret-a-korrupcioellenes-nepszavazas-celjaval>.

607 <https://kuria-birosag.hu/en>.

608 "A Fidesz a korrupcióellenes népszavazás gondolatától is irtózik, még törvényt is módosítana, hogy megakadályozza" [Fidesz abhors even the idea of an anticorruption referendum, and would even amend the law to prevent it], *Magyar Narancs*, September 18, 2017, <https://magyarnarancs.hu/belpol/a-fidesz-egyeteret-a-korrupcioellenes-nepszavazas-celjaval-ezert-gulyas-gergely-szerint-eleg-lenne-egy-torvenymodositast-benyujtani-106498>.

First, corruption cases and the destruction brought by corruption are just reflections of institutionalized corruption. These cases are institutionally enabled by forced resource redeployment through the diffused channels of political capture. As Sajó (2019) affirms, citizens are “cheated” through rule of law. Visible actions are all legalized, based on bills, confirmed by the parliament, approved by the president, and if necessary, set in stone as an additional amendment to the constitution. Packed organizations of checks and balances do not question them. The packed and centralized government apparatus executes them. Alternatives are legally abolished or starved out in the name of reforms and development, or centralized and suppressed in the name of political, ideological order, and democratic control.<sup>609</sup> Thus, what individuals confront is an authoritarian system in each public corruption and destruction case. Also, recognition of institutionalized corruption is selective, owing to an information monopoly and media dominance by the government, a public field that has suffered a similar diffusion of political capture as all other subfields, also directly subordinated to the cabinet (Bajomi-Lázár 2013). This impact is reinforced by unequal news consumption, and uneven disposal of electronic devices among the population according to age, region, and regional development, which further constrains options for independent information. Consequently, exposure to and reception of populist propaganda in the media is selective.<sup>610</sup> However, either aware or unaware, atomized individuals face this system, rather than collective actors, which makes potential pressure negligible. Concluding the above, despite awareness, people adapt, as corruption is systemic; the institutionalized network of diffused political capture through which corruption is channelled is invisible; individuals face a whole system in each corruption case—atomized rather than collectively; information flow is monopolized and alternatives are limited in number and constrained regionally. Next I will demonstrate that atomization is systemic exacerbated by institutionalized populism and individual integration drives into the channels of diffused political capture.

609 The public reaction of a privileged theater director to the centralization move: “Vidnyánszki: demokratikus módon kezelné a kormány a színházak évtizedes problémáit” [Vidnyánszki: the government would address the decades-old problems of theaters in a democratic way], *HVG*, December 9, 2019, [https://hvg.hu/kultura/20191209\\_Vidnyanszky\\_kormany\\_szinhazi\\_torveny](https://hvg.hu/kultura/20191209_Vidnyanszky_kormany_szinhazi_torveny).

610 The clearest example of an information monopoly combined with media dominance is the latest public opinion survey among the population during the third wave of the COVID-19 pandemic [April 14, 2021], where Hungary produced one of the highest death tolls in the world relative to the size of the population. According to the survey results, two-thirds of all those questioned were not aware of the number of deaths, while 79 percent of Fidesz voters were satisfied with the government’s crisis management versus 40 percent of those who voted for the opposition. “Fáradnak és megosztottak a járványkezelés megítélésében a magyarok” [Hungarians are getting tired and divided on judging epidemic management], *HVG*, April 14, 2021, [https://hvg.hu/360/20210414\\_Median](https://hvg.hu/360/20210414_Median).

***Moral Legitimation of Centralized Power,  
Forced Resource Redeployment, and Corruption  
through Institutionalized Populism***

Former President Donald J. Trump endorsed Hungary's prime minister, Viktor Orbán, on Monday, formally pledging his "complete support" to a far-right foreign leader who has touted turning his country into an "illiberal state." . . . In his endorsement on Monday, Mr. Trump hailed Mr. Orbán as a "strong leader" who has "done a powerful and wonderful job in protecting Hungary, stopping illegal immigration, creating jobs, trade, and should be allowed to continue to do so in the upcoming election."<sup>611</sup>

Shane Goldmacher, *The New York Times*, January 3, 2022

Hungarians' silence in the face of mass corruption, inequality, and destruction is also connected to the impact of institutionalized populism on atomization. Orbán is skillfully adapting the standard instruments of populism (Salmella and Scheve 2017; Kopper et al. 2017) to the characteristics of centralized authoritarian power (Szemere 2020), for example, naming individuals, groups, or institutions as scapegoats, and ridiculing or criminalizing them. Orbán's domestic speeches and declarations also contain the standard psychological populist devices: downgrading and morally annihilating his target(s). These groups are usually presented as minorities who want to dominate the Hungarian majority.

Scapegoats in Hungary have been flexibly interchanged domestically, according to actual goals. The scale has been broad: civil groups, religious communities, racial minorities, opposition parties, journalists, teachers, trade unions, political leaders, potential parliamentary or local political competitors, intellectuals, the poor, those with a disabilities, drug addicts, homeless people, women suffering from domestic violence, LGBTIQ people, and more.

At the same time, Orbán, like other populists, elevates an abstract moral majority, for its heroic tendencies and uniqueness. Kopper et al. (2017), content analyzing Orbán's speeches between 2010 and 2015, concludes that naming scapegoats as abstract, "ambiguous" enemies (them, those, others, etc.) increases uncertainty and suspicion. Uncertainty and suspicion contributes to the segregation of social groups or individuals and to the suppression of solidarity amongst them. Populist discourse also stabilizes the gap among various scapegoats and those not targeted.<sup>612</sup> Moreover, suspicion may evolve against an

611 <https://www.nytimes.com/2022/01/03/us/politics/trump-endorses-viktor-orban-hungary.html>.

612 Márton Neményi, "Ki nem találnád, kiktől félnek a legjobban Európában!" [You'll never guess who the most feared people in Europe are!], 24.hu, August 1, 2015, <https://24.hu/kulfold/2015/08/01/ki-nem-talalnad-kiktol-felnek-a-legjobban-europaban/>; Nóra Dioszeghi-Horváth, "Mitől fél a magyar?" [What is a Hungarian afraid of?], Vasárnapi Hírek, May 15, 2011, [https://www.vasarnapihirek.hu/fokusz/rendorseg\\_ciganyasag\\_orban\\_fidesz\\_kutatas/](https://www.vasarnapihirek.hu/fokusz/rendorseg_ciganyasag_orban_fidesz_kutatas/); "A stop Soros törvénycsomag" [The Stop Soros bill package], *Index*, November 16, 2021, <https://index.hu/>



individual's own scapegoated social group, making some individuals willing to align themselves with the elevated abstract moral mass against their own self-interests.<sup>613</sup> Moral shift extinguishes group identity and solidarity, and further increases atomization. Uncertainty and scapegoating build suspicion against civil groups and institutions as well, which otherwise would represent interests based on solidarity and collectivity. All of these factors contribute to the demobilization of any form of collective opposition.

Simultaneously, regarding external "threats," roles change. Socially atomized individuals in populist discourse are transformed into an abstract but united nation. In the Hungarian case, this is taken as a small but moral mass with strong national identity—led by the chosen leader—in constant heroic fight against the immoral and evil external enemy (Soros, Brussels, EU, EU representatives of the domestic opposition, migrants, etc.). In this discourse, the people together will overcome the external enemy, despite the latter's incessant effort to annihilate the united nation. External scapegoats are also connected to domestic ones for further segregation. In Orbán's populist discourse, these domestic scapegoats hinder the nation's fight against common enemies, and serve the external scapegoats' evil goals.<sup>614</sup> Solidarity with external scapegoats expands the domestic enemies of the nation, stigmatized for example, as Soros mercenaries. Condemnation for standing with the nation's external enemy stabilizes moral segregation. Through moral segregation, solidarity is decreased, and atomization is further increased. Thus, while fears and suspicions are diverted toward

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aktak/stop\_soros\_civil\_szervezetek\_kormany\_fidesz\_soros\_gyorgy\_kulfoldi\_tamogatas\_btk\_bevandorlas/; Tamás Boros and Gergely Laki, "A magyar rémálom: Milyen félelmek élnek a magyar társadalomban?" [The Hungarian nightmare: What fears prevail in Hungarian society?], May 2018, <https://library.fes.de/pdf-files/bueros/budapest/14556.pdf>.

613 "AB: Nem alkotmányellenes a plakáttörvény" [Constitutional Court: The poster bill is not unconstitutional], December 19, 2018, <https://jogaszvilag.hu/szakma/ab-nem-alkotmanyellenes-a-plakattorveny/>; Zsófia Blaskó, "A Kitörés túra előtt horogkeresztet fújtak Vérmezőn a náci csapatok ellen harcoló katonák emlékművére" [Before the Eruption Tour, a swastika was blown on the memorial to soldiers who fought against Nazi troops on the Field of Blood square], February 7, 2020, <https://merce.hu/2020/02/07/a-becsulet-napja-elott-horogkeresztet-fujtak-vermezon-a-naci-csapatok-ellen-harcolo-katonak-emlekmuve-re/>; "Tömegével engedné be Magyarországra Gyurcsányné és a balliberális ellenzék a migránsokat" [Mrs Gyurcsány and the liberal opposition would let migrants into Hungary in droves], *Origo*, September 20, 2019, <https://www.origo.hu/itthon/20190920-sulyos-ara-lehet-gyurcsanyne-es-a-balliberlis-oldal-igergeteseinek.html>; Bence Apáti, "Nácibarátság" [Nazi friendship], *Magyar Nemzet*, February 12, 2020, <https://magyarnemzet.hu/ahelyzet/nacibaratsag-7768838/>.

614 "Hazaáruló ellenzék és elszovjetesedő EU—miről beszél Orbán október 23-án?" [Traitorous opposition and a Pro-Soviet EU—what will Orbán talk about on 23 October?], *Privátbankár*. hu, October 20, 2017, <https://privatbankar.hu/makro/hazaarulo-ellenzek-es-elszovjetesedo-eu-mirol-besz-el-orban-oktober-23-an-313267/>; "A 'karrier hazaáruló' ellenzék mára már nem a Magyar politikai élet része, hanem a brüsszelié!" [The "career treasonous" opposition is no longer part of Hungarian political life, but of Brussels!], *Pesti Sracok*, October 2, 2019, <https://pestisracok.hu/a-karrier-hazaarulo-ellenzek-mara-mar-nem-a-magyar-politikai-let-resze-hanem-a-brusszelie/>.

external threats (Brussels, Soros, migrants),<sup>615</sup> these feelings are reinforced by domestic scapegoats (humanitarian civil groups, opposition parties, opposition party leaders, etc.).<sup>616</sup>

In the evolving centralized authoritarian system, the standard dynamics of populist discourse become institutionalized, shaped by the systemic context of political capture, and its diffusion. In this respect, institutionalized populism acquires a systemic function: the mental impact of populism legitimizes political capture and forced resource redeployment, institutionalized corruption, and, consequently, the centralized authoritarian pattern of power distribution. Institutionalized populism is a political-institutional device of the authoritarian system that shapes, stimulates, and sustains the integration drives of atomized actors. It uses centrally disseminated monopolized information through the politically captured media. It achieves structural stability of individual integration drives by morally legitimizing and justifying social inequalities and their reproduction through politically selective extraction from scapegoats, and politically selective redistribution to those morally elevated. Thus, institutionalized populism serves structural stability by driving the society to the mental and moral acceptance of forced resource redeployment and respective political selectivity of extraction and redistribution, in other words that of institutionalized corruption.

Politically selective extraction is combined with moral and political stigmatization. It is sufficient to elevate any issue as part of the national identity to score all those against it as traitors of the nation and their accomplices.<sup>617</sup>

615 Bálint Bordács, “A Soros-szervezetek megint támadást indítottak Magyarország ellen Brüsszelben” [Soros organisations attack Hungary again in Brussels], *Origo*, December 11, 2019, <https://www.origo.hu/nagyvilag/20191210-magyarorszag-kedd-meghallgatas-europai-bizottsag.html>; Lóránt Sümeghi, “Brüsszel majdnem százszor annyit költ Soros szervezeteire, mint a határvédelmünkre” [Brussels spends almost a hundred times more on Soros’ organizations than on our border protection], *888.hu*, September 3, 2019, <https://888.hu/kinyilott-a-pitypang/brusszel-majdnem-szazszor-annyit-kolt-soros-szervezeteire-mint-a-hatarvedelmunkre-4200119/>;

“Orbán Viktor a Kossuth Rádió ‘180 perc’ című műsorában” [Viktor Orbán on Kossuth Radio’s “180 Minutes” program], September 22, 2018, <https://2015-2019.kormany.hu/hu/a-miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-a-kossuth-radio-180-perc-cimu-musoraban-20171006/>; Rafael Petróczi, “A Sargentini jelentés csak egy része a Fidesz univerzumának” [The Sargentini report is only a fraction of Fidesz’s universe], *Azonnali*, September 22, 2018, [https://azonnali.hu/cikk/20180922\\_a-sargentini-jelentes-csak-egy-resze-a-fidesz-univerzumanak](https://azonnali.hu/cikk/20180922_a-sargentini-jelentes-csak-egy-resze-a-fidesz-univerzumanak).

616 “A baloldal vért kínál az embereknek olaj helyett” [The left offers blood instead of oil], *Szeretlek Magyarország*, March 31, 2022, <https://www.szeretlekmagyarorszag.hu/hirek/orban-viktor-a-baloldal-vert-kinal-az-embereknek-olaj-helyett/>; “Az ellenzék már az orosz gázból sem kér, inkább fagyjunk meg” [The opposition already does not want Russian gas, rather we should freeze], *Pesti Srácok*, March 1, 2022, <https://pestivp.pestisracok.hu/2022/03/01/az-ellenzek-mar-az-orosz-gazbol-sem-ker-inkabb-fagyjunk-meg/>.

617 Edina Juhász, “Támogatták a CEU-t, aztán kevesebb pénzt kaptak” [They supported CEU, then got less money], *Index*, December 15, 2019, [https://index.hu/belfold/2019/12/15/ceu\\_tamogatas\\_forrasmegvonas/](https://index.hu/belfold/2019/12/15/ceu_tamogatas_forrasmegvonas/); MTI, “Soros embere bevándorláspárti polgármesterekkel telepítené be

Thus, institutionalized populism contributes to stability also through the demobilization of potential open dissatisfaction (Szabó and Oross 2018) against government decisions, or mass protests on social injustice caused by them.

### ***Persistent Integration and Adaptation Drives Crystallized into Social Stratification***

But if Hungarian public life comes to the point where the economic players want to make economic policy on a party basis, we will tear the country apart. Because the economy requires unity and cooperation. There is no successful economic policy without cooperation and unity, and it is not possible to create this kind of unity in the world of party politics. This can only be created through partnership policies, so that there are islands in Hungarian society—the Academy of Sciences, the Academy of Arts, the Chamber of Commerce and Industry—where these aspects, the party political aspects, are not eliminated, but are self-repressed, or are pushed into the background, and so the government has the opportunity to make decisions together with authentic representatives of an important area.<sup>618</sup>

Viktor Orbán's speech at the Chamber of  
Commerce and Industry's year-opening meeting,  
February 28, 2017

A third factor in the Hungarian people's relative acquiescence to massive public and private corruption is connected to system dynamics. With the metamorphosis of Fidesz into a system, and the continuous expansion of diffusion of political capture, beneficiaries of central redistribution expand, while sources for extraction and instruments of resource distribution multiply. The constantly expanding centralized diffusion of political capture provides the structural pattern and institutional context that actors atomized by populism can count on, align with, and adapt to. Thus, the social field is dynamically shaped by the expansion of centralized diffusion of political capture in different subfields. With the advancement of political capture and its centralized diffusion, increasing numbers of individuals, groups, activities, and organizations located in both the public and private spheres reproduce their social status from resources originating

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a migránsokat" [Soros's man would settle migrants with pro-immigration mayors], Origo, October 4, 2019, <https://www.origo.hu/itthon/20191004-soros-embere-bevandorlasparti-polgarmesterekkel-telepítettne-be-a-migránsokat.html>; Imre Fónai, "Az ellenzéki polgármesterjelöltek migránsokat telepítenek be"—így manipulálják vidéken a közvéleményt ["Opposition mayoral candidates are settling migrants"—this is how public opinion is manipulated in the countryside], *Magyar Narancs*, August 30, 2019, <https://magyarnarancs.hu/kismagyarország/az-ellenzeki-polgarmesterjelöltek-migránsokat-telepítenek-be-sugallja-a-kozvelemeny-kutatásnak-alcazott-országos-manipuláció-122587>.

618 <https://miniszterelnok.hu/orban-viktor-beszede-a-magyar-kereskedelmi-es-iparkamara-gazdasagi-evnyito-rendezyenyen/>.

directly or through intermediaries, from central and local redistribution. This advancement and diffusion also swell the number of those actors in both the public and private spheres participating in re-redistribution intermediated by those primarily privileged through the diffused channels (Gerő and Kovach, chapter 2 in this book; Kovach et al. 2017). The different intensities of integration into the diffused channels of political capture create different bargaining capacities that shape individuals' resource extracting, attracting, redistributing, and resisting capacities to intervention in the centralized pattern. These different capacities result in the respective social statuses and social stratification of integrated actors shaped by diffused political capture. Consequently, central sources allocated through both social redistribution, project-based redistribution, and recombinant redistribution (Gerő and Kovach, chapter 2 in this book), strongly interact on the social level according to the intensity of integration and its drives into the diffused channels. Political capture and its expanding diffusion in different subfields are combined with the interacting types of redistribution, and the politically selective extraction and allocation within their realms. Together they will conclude in the stability of social stratification according to the intensity of integration into the network.

Kovach and his associates in 2017 categorized social stratification according to social groups' chances to integrate into the network created by—in my terms—the diffused political capture. These groupings do not coincide with the homogeneous social categories from traditional classification perspectives. Instead, Kovach et al. have distinguished seven social groups in their integration model, adapted to the evolution of the Hungarian authoritarian system since 2010.<sup>619</sup> Chances of integration among these groups decline from the first to the seventh, in my interpretation, representing declining bargaining capacities in the diffused network. The first two categories are those cumulatively integrated into the diffused channels to different depths, and the last three are the least integrated, even socially excluded. This approach fits the stratified bargaining capacities of those unevenly integrated into the channels of diffused political capture. Thus, different intensities of integration into the channels simultaneously define the actors' resource extracting, attracting, allocating, and resisting capacities reflecting their sociopolitical status and stratification described in the integration model of Kovach and his colleagues.

I interpret the status of the first two groups defined by Kovach and his colleagues (2017), as the actors with the highest bargaining capacities. They are those who are privileged by forced resource redeployment through the closed channels of the network. They might be primary or secondary beneficiaries of

619 These groups are categorized according to the strength of their possible political, social, central, and local connections (integration). The seven groups are (1) rich in connection and active politically, (2) locally integrated, (3) integrated into the labor market, (4) systemically integrated, (5) weakly integrated, (6) disintegrated norm followers, and (7) disintegrated (socially excluded (see details in Kovach et al. 2017, 25–29).

central or local government development programs in the building industry, or recipients of resources for infrastructure building. They may be operators of public infrastructure chosen by local Fidesz-run governments, or the preferred local subcontractors of central government development programs won by Orbán's cronies. In other words, they are the subjects of the expansion of the diffusion of political capture privileged by the redistribution of public and foreign resources into private investments and wealth accumulation.

At the other end of the ranking spectrum<sup>620</sup> we find three groups that Kovach and his colleagues score as weakly integrated, while the last two groups are socially "disintegrated," and even excluded. However, from the perspective of the centrally diffused network, social exclusion does not mean that the network is not attached to them. Instead, even those socially excluded are connected to the network of diffused political capture, but with very few lines and atomized along the few threads of the network they are attached to. Therefore, they have low, or no, resource attracting, allocating, or extracting capacity, nor capacity to resist interventions. Thus, without bargaining capacity and social capital, and minimal chances for more intensive integration, they are totally exposed to the closed channels of the network. They are defenseless against individual holders of the local dependency threads, exposed to politically selective extraction and redistribution and moral segregation by populism.

Lacking alternatives, they suffer all the handicaps of the public welfare system's diminishment, and malfunctioning, including chances for education and school segregation. Their lack of social integration also determines their future chances for labor mobility. Long-term disadvantageous central decisions on vocational education and education more generally (Hermann et al. 2020; Köllő and Sebők 2020) are reinforced by dropouts as a result of government decisions on decreasing compulsory school-leaving age (Hermann 2020). They are exposed to politically selective information through local media outlets. They are the most vulnerable to harsh regulations regarding the distance of health-care infrastructure from residence, the lack of nearby public transport, lack of elementary schools (or are forced into socially segregated ones), lack of local regular work, and lack of local family doctors. They are defenseless to denial of services based on race. They are exposed to public wages and pensions below the subsistence level. There are only a few, politically and financially weakened civil organizations that support their civil rights, while exposed to local expectations through the network binding them.

Stratified capacities and drives to integrate into the diffused channels are stabilized by institutionalized populism that shapes accommodating social

620 I do not address the third and fourth groups defined by Kovach and his colleagues. The reason is that their integration into the network is overwhelmingly through their workplaces (for those who are active in the labor market) and those who have retired. They depend on the position of the organizations where they are employed, rather than their individual bargaining capacities in the network.

behavior. Therefore, institutionalized populism provides the government unlimited space for extraction from those less integrated as it makes morally acceptable the forced resource redeployment from those exposed. Examples of such redeployment of resources away from the least integrated are countless. They include denying sterile needle assistance for drug-addicted individuals and supporting civil organizations;<sup>621</sup> removing laws against domestic violence against women;<sup>622</sup> implementing pension constraints for the handicapped;<sup>623</sup> rejecting the increase of homecare support for family members;<sup>624</sup> terminating the lease of a public building used as a hospital for homeless people in Budapest on short notice during the third wave of the pandemic, without providing an alternative location;<sup>625</sup> criminalizing homelessness and ordering police to imprison homeless people and burn their belongings;<sup>626</sup> refusing to raise the small number of pensions that are well below the threshold of the legal minimum;<sup>627</sup> rejecting a law against the eviction from their homes of indebted families with many

621 Veronika Munk, “Több az intravénás drogos, kevesebb a steril tű” [More intravenous drug users, fewer sterile needles], *Index*, April 3, 2013, [https://index.hu/belfold/2013/04/03/tobb\\_az\\_intravenas\\_droghaszno\\_kevesebb\\_a\\_steril\\_tu/](https://index.hu/belfold/2013/04/03/tobb_az_intravenas_droghaszno_kevesebb_a_steril_tu/).

622 Kétségbeesítő kép Magyarországról az emberi jogi biztos új jelentésében” [Despairing picture of Hungary in new report of Human Rights Commissioner], *Átlátszó*, May 2019, <https://blog.atlatszo.hu/2019/05/ketsegbeesito-kep-magyarorszagrol-az-emberi-jogi-biztos-uj-jelenteseben/>.

623 “Megszünteti a kormány a fogyatékkal élők és a nyugdíjasok szociális üdültetését” [Government to end social holidays for the disabled and pensioners], *Index*, June 11, 2019, [https://index.hu/gazdasag/2019/06/11/megszunteti\\_a\\_kormany\\_a\\_fogyatekkal\\_elok\\_es\\_a\\_nyugdijasok\\_udulteteset/](https://index.hu/gazdasag/2019/06/11/megszunteti_a_kormany_a_fogyatekkal_elok_es_a_nyugdijasok_udulteteset/); Dániel Kovács, “11 milliárdot költött az állam a fürdőre, Lőrinc 2,3 milliárdért megvette, és nem fogadja benne a tb-kártyás betegeket” [The state spent 11 billion on the spa, Lőrinc [Mészáros] bought it for 2.3 billion, and does not accept patients with health insurance cards], *alfahir.hu*, October 16, 2018, [https://alfahir.hu/2018/10/16/meszaros\\_lorinc\\_furdo\\_egerszalok](https://alfahir.hu/2018/10/16/meszaros_lorinc_furdo_egerszalok).

624 “A Fidesz leszavazta az otthonápolási díjak emeléséről szóló javaslatot” [Fidesz voted down the proposal to increase home care fees], *HVG*, June 12, 2019, [https://hvg.hu/itthon/20190612\\_A\\_Fidesz\\_leszavazta\\_az\\_otthonapolasi\\_dijak\\_emeleserol\\_szolo\\_javaslatot](https://hvg.hu/itthon/20190612_A_Fidesz_leszavazta_az_otthonapolasi_dijak_emeleserol_szolo_javaslatot); PJ, “Az autisták megkaphatják az otthonápolási díjat, a downosok és epilepsziások nem” [Autistic people may get homecare fees, those with Down and epilepsy don’t], *Index*, June 25, 2019, [https://index.hu/belfold/2019/07/25/gyod\\_otthongondozasi\\_dij\\_apolasi\\_dij\\_otthonapolas/](https://index.hu/belfold/2019/07/25/gyod_otthongondozasi_dij_apolasi_dij_otthonapolas/).

625 “Karácsony: a tomboló járvány idején akarják bezárni a hajléktalanok kórházát” [Karácsony (Gergely): they want to close the hospital for the homeless during the raging epidemic], *HVG*, March 26, 2021, [https://hvg.hu/itthon/20210326\\_karacsony\\_gergely\\_hajlektalanok\\_jarvanyhelyzet\\_korhaz\\_szabolcs\\_utca\\_budapest](https://hvg.hu/itthon/20210326_karacsony_gergely_hajlektalanok_jarvanyhelyzet_korhaz_szabolcs_utca_budapest).

626 “Ab: Nem alkotmányellenes a hajléktalantörvény, mert senkinek nincs joga szegénynek lenni” [Constitutional court: Homelessness law not unconstitutional because no one has the right to be poor], *24.hu*, June 6, 2019, <https://24.hu/kozelet/2019/06/06/ab-nem-alkotmanyellenes-a-hajlektalantorveny-mert-senkinek-nincs-joga-szegenynek-lenni/>

627 “Meghökkenítő nyugdíjszámok, és ami mögötte van” [Astonishing pension figures and what is hidden behind them], *24.hu*, September 24, 2019, <https://24.hu/fn/gazdasag/2019/09/24/nyugdij-meghokkentonyugdijstatisztika/>.

children<sup>628</sup> or with an ill or elderly parent, and lifting the eviction moratorium during the pandemic;<sup>629</sup> reducing the number of humanitarian organizations authorized to feed the poor on the street;<sup>630</sup> and abolishing the law regarding organized holidays for retired and the handicapped.<sup>631</sup> There was no public reaction to the total centralization of foster homes and resource extraction, which led children in foster homes to becoming victims of drug dealers, violence, and prostitution, as well as professional staff shortages;<sup>632</sup> no outcry for using police officers to accompany refugees to the hospital<sup>633</sup> or handcuffing pregnant refugee women to hospital beds;<sup>634</sup> and in general, no public protests for the government not fulfilling international humanitarian responsibilities concerning those who are most needy, including letting them starve at the borders in containers set up

628 “Lesöpörte a napirendről a kisgyermekes családok kilakoltatása elleni javaslatot a Fidesz” [Fidesz swept the proposal against the eviction of families with young children off the agenda], *168 Óra*, February 19, 2018, <https://168ora.hu/itthon/lesoport-e-a-napirendrol-a-kisgyermekes-csaladosok-kilakoltatasa-elleni-javaslatot-a-fidesz-145504>; “Több ezer kilakoltatás jöhet szerdától, Heves megyében is megszűnik a kilakoltatási moratorium” [Thousands of evictions to come from Wednesday, as the eviction moratorium ends in Heves County], *egriugyek.hu*, November 30, 2019, <http://egriugyek.hu/mindenki-ugye/tobb-ezer-kilakoltatas-johet-szerdatol-heves-megyeben-is-megszunik-a-kilakoltatasi-moratorium>; Csaba Tibor Tóth, “Itt az új kilakoltatási moratórium—jövő áprilisig tart” [Here is the new eviction moratorium—until next April], *Mérce*, November 15, 2018, <https://merce.hu/2018/11/15/matol-nem-lehet-utcara-tenni-senkit-itt-a-kilakoltatasi-moratorium/>;

Bálint Misetics, “Gyerekekkel az utcára?” [Evicted with children to the streets?] *HVG*, February 14, 2018, [https://hvg.hu/itthon/20180214\\_gyerekekkel\\_utcara\\_misetics\\_torvenymodositas](https://hvg.hu/itthon/20180214_gyerekekkel_utcara_misetics_torvenymodositas); Krisztina Boros, “Devizahitelesek—Még mindig százezreket fenyeget a kilakoltatás” [Foreign currency borrowers—Hundreds of thousands still at risk of eviction], *RTL*, April 7, 2016, <https://rtl.hu/rttklub/hazonkivul/devizahitelesek-meg-mindig-szazezreket-fenyeget-a-kilakoltatas>;

<https://nlc.hu/otthon/20190716/kilakoltatas-devizahitel-otthonapolas-andrea-nandi/>.

629 “Kilakoltattak egy csepeli férfit és beteg édesanyját” [An eviction of a man and his sick mother in Csepel], *24.hu*, November 3, 2020, <https://24.hu/belfold/2020/11/03/csepel-kilakoltatas-video/>.

630 “Meg akarja tiltani az Emmi, hogy civilek és pártok ételt osszanak?” [Is the ministry willing to forbid NGOs and political parties to distribute food?], *Magyar Narancs*, November 27, 2017, <https://magyarnarancs.hu/villamnarancs/meg-akarja-tiltak-az-emmi-hogy-civilek-es-partok-etelt-osszanak-107885/?pageId=16>.

631 “Megszünteti a kormány . . .,” [https://index.hu/gazdasag/2019/06/11/megszunteti\\_a\\_kormany\\_a\\_fogyatekkal\\_elok\\_es\\_a\\_nyugdijasok\\_udulteteset/](https://index.hu/gazdasag/2019/06/11/megszunteti_a_kormany_a_fogyatekkal_elok_es_a_nyugdijasok_udulteteset/).

632 György Balavány, “Drog, bűnözés, erőszak és kaosz uralkodik a fővárosi gyermekotthonokban” [Drugs, crime, violence and chaos in the capital’s children’s foster homes], *24.hu*, November 18, 2019, <https://24.hu/belfold/2019/11/18/drog-bunozes-fovarosi-gyermekotthon-szakemberhiany/>.

633 Kenneth Roth, “Magyarország: események 2018-ból—az EU fejezet része” [Hungary: Events in 2018—part of EU chapter], *hrw.org.hu*; World Report, 2019, <https://www.hrw.org/hu/world-report/2019/country-chapters/325728>.

634 Viktoria Serdült, “Egy terhes nő 17 ór kísért vizsgálatra a tranzitónában” [A pregnant woman was accompanied by 17 guards for an examination in a transit zone], *HVG*, July 17, 2019, [https://hvg.hu/itthon/20190717\\_Egy\\_terhes\\_not\\_17\\_or\\_kisert\\_vizsgalatra\\_a\\_tranzitonaban](https://hvg.hu/itthon/20190717_Egy_terhes_not_17_or_kisert_vizsgalatra_a_tranzitonaban).



by the Hungarian authorities.<sup>635</sup> Orbán also succeeded in minimizing the negative public reaction of workers themselves to the new law that gives preference to large international enterprises regarding labor force requirements under shortages. As mentioned earlier, this law compels workers to work 400 hours extra over a three-year period without interim compensation.<sup>636</sup> During the pandemic, the government redirected resources away from the healthcare system through a law that deprives about 70,000 Hungarian citizens the right to get “free” medical care if they had not paid any social security tax for six months before needing to access medical care.<sup>637</sup> This law was ratified despite high unemployment rates and difficult health conditions during the third wave of the pandemic in 2021.<sup>638</sup>

Institutional populism shapes accommodating social behavior that keeps the cohesion of the structure, while stabilizing stratification according to the atomized integration that drives into it, enhancing further diffusion. It also forges the reasons for the structural freezing of political stances, as social stratification directly translates into stable polarization in the trust and fear populism propagates (Timmer et al. 2018). These, in turn, determine revolving voting preferences, reinforced by the social need of a charismatic leader to provide stability, security by firmly reigning over the chaos the populist media itself propagates, and to direct frustrations to and suspicions on actual scapegoats (Kopper et al. 2017).

The system-stabilizing role of social stratification according to intensities of integration into the network of political capture is empirically supported by a repeated representative sociological survey (Gerő and Szabó 2017; Szabó and Gerő 2019). The purpose of the survey in 2017 and 2018 was to reveal the Hungarian population’s social preference for democracy or dictatorship, as well as to determine who deserves social trust and who/what is to be feared. “Perceived dangers” and “responsible persons,” as identified by respondents, were grouped into clusters according to similar responses. These clusters revealed extreme political polarization in the society and divided political discourse. One portion of the population cites problems in public policy, increasing inequality, corruption, and destruction of democracy as “dangers.”

635 András Földes, “Kamu a migrációs válsághelyzet, a kormány maga szállítja a migránsokat, állítja az ENSZ” [The migration crisis is fake, the government itself is importing migrants, says the UN], Index, June 18, 2017, [https://index.hu/belfold/2019/07/18/ensz\\_jelentestevo\\_felipe\\_gonzales\\_morales\\_migracios\\_valshhelyzet\\_migracio\\_tranzitzona\\_magyar\\_kormany\\_idegenelleneseg/](https://index.hu/belfold/2019/07/18/ensz_jelentestevo_felipe_gonzales_morales_migracios_valshhelyzet_migracio_tranzitzona_magyar_kormany_idegenelleneseg/).

636 “Elfogadta a parlament a rabszolgatörvényt” [The Parliament accepted the slave law], *Portfolio*, December 12, 2018, <https://www.portfolio.hu/gazdasag/munkaugy/elfogadta-a-parlament-a-rabszolgatorvenyt.307615.html>.

637 “Hetvenezer Magyar maradhat TAJ-kártya nélkül” [Seventy thousand Hungarians could be left without social security card], *Portfolio*, February 4, 2021, <https://www.portfolio.hu/gazdasag/20210204/hetvenezer-magyar-maradhat-taj-kartya-nelkul-468212>

638 “T/4221. számú törvényjavaslat az egészségbiztosítási pénztárakról és a kötelező egészségbiztosítás természetbeni ellátásai igénybevételének rendjéről” [T/4221. Bill No. on Health Insurance Funds and the Procedure for Taking Benefits in Kind from Compulsory Health Insurance], October 2007, <https://www.parlament.hu/irom38/04221/04221.pdf>.

This group names the political-economic elite and the Orbán government as responsible. The other group fears loss of national sovereignty, terrorism, and migration. Correspondingly, this group sees George Soros and those organizations financed by the Soros Foundation, international monetary organizations, bureaucrats of the EU and Brussels, liberals, the former socialist prime minister Ferenc Gyurcsány, and former left-wing governments as responsible.

Trust, fear, and those responsible are consistent according to these two polarized constituency groups. Those who are pro-Fidesz trust the police and the legal system, the parliament, and the politicians more than the average (Szabó and Gerő 2019, 43, table 4). Those who are taken by Orbán's populist identity politics and who accept the blame on scapegoats have trust in the politically captured institutional structure and urban and rural judiciary. They are devoted to the packed institutions of checks and balances (turned executive). They also highly appreciate the social order propagated by Orbán and executed by the police. They believe in the principle of a work-based society as propagated by Orbán, instead of a welfare society.

Higher trust is not only polarized by political stance on the right, but also by social status. Those who have finished high school or have a diploma trust the current government and its members and policies more than the average. So too do those who locate themselves as middle class and on higher social levels (Szabó and Gerő 2019, 44–45, tables 5 and 6).<sup>639</sup>

Polarization of responses reflecting ideological differences can also be perceived according to the size and rank of the administrative location of the respondent. The smallest is the ratio of the political left residing in small, rural villages and towns with county administrative rights and centers. This is followed by Budapest and other cities, as well as villages (Szabó and Gerő 2019, 23, figure 3). This confers with the integration models' stratification approaches.

Orbán's stable constituency is not only composed of those who are more intensively integrated into the network, but also those living in poor rural towns, with no bargaining capacity, directly dependent on the decisions of the local government, and exposed to selective extraction and allocation locally and centrally. Compared to the aggregated 49 percent of Fidesz votes in 2018, 58 percent of those living in poor villages voted for the Fidesz-KNDP coalition.<sup>640</sup> Pro-Fidesz votes in villages in 2018 were more than eight points higher than the national

639 A more recent study sharply reflects this same political polarization and accordance of ratios of positive or negative judgment to political and social issues. Polarization depends on being pro-Fidesz or pro-opposition (Bíró-Nagy and Laki 2018).

640 Bálint Fabók, "A legszegényebb magyarok között több mint 80 százalékot szerzetta Fidesz" [Fidesz scores over 80 percent among the poorest Hungarians], *g7.hu*, April 9, 2018, <https://g7.hu/kozelet/20180409/a-legszegenyebb-magyarok-kozott-tobb-mint-80-szazalekot-szerzett-a-fidesz/>.

average, followed by Jobbik (then considered a far-right party) at three points higher than the national percentage.<sup>641</sup>

Moreover, the ratio of Fidesz-KNDP votes strongly and oppositely correlates with level of development. According to a complex indicator defined by the National Election Office, the lower the level of local development, the higher the percentage of those who voted for Fidesz. The highest ratio is 65 percent compared to the national 49 percent. The same tendency is evident from the level of education: the lower the level, the larger the percentage of Fidesz votes.<sup>642</sup>

These tendencies are also reflected in the size of the respondents' settlements: the larger the settlement, the lower Fidesz's winning ratio. This also suggests that these tendencies are interrelated with a high level of atomization, spatial segregation, a low level of integration into the network, directed information exposure, and existential dependence. A Fidesz preference among those with the lowest education was higher in 2018–2019 than it was in the previous years (Róna et al. 2021, table 3). It is also radically higher than in other social strata (Róna et al. 2021, tables 1 and 6). Moreover, it is the double compared to the average among the lowest educated who feel their economic situation has deteriorated in the last year and do not expect improvement in the next 12 months. This ratio triples the average in case of the Roma population (Róna et al. 2021, table 7). This strata of the population in 2018 brought Fidesz 300,000 more votes on the national level than in the 2014 elections. This amount has outnumbered the 216,120 valid letter votes by minority Hungarians from abroad.

Thus, due to their local exposure, confirmed low social and labor status, the least integrated members of the Hungarian community potentially form a large Fidesz constituency, confirming the system.<sup>643</sup> This correlation stands for voters living in the countryside, in poor settlements where the number of public workers per capita is the highest and Fidesz mayors are in the majority (Róna et al. 2021). This Fidesz constituency will endure until minimal sources provided by public work are available or are drained by labor shortage.<sup>644</sup> This argument is reinforced by a current research (Gáspár, Gyöngyössi and Reizer 2021) that demonstrates that public work provision may be connected to political support of local mayors, and local voters may be mobilized by receiving public work, decided by the local mayor.

641 Tamás Szémann, "Szegénység és falvak: innen jön a Fidesz kétharmad" [Poverty and villages: hence the Fidesz two-thirds], Index, April 4, 2018, [https://index.hu/belfold/2018/valasztas/2018/04/10/orszagszakadas\\_amig\\_a\\_fidesz\\_elkiszagzasodni\\_a\\_baloldal\\_kinyirta\\_magat\\_videken/](https://index.hu/belfold/2018/valasztas/2018/04/10/orszagszakadas_amig_a_fidesz_elkiszagzasodni_a_baloldal_kinyirta_magat_videken/).

642 Szémann, "Szegénység és falvak,," [https://index.hu/belfold/2018/valasztas/2018/04/10/orszagszakadas\\_amig\\_a\\_fidesz\\_elkiszagzasodni\\_a\\_baloldal\\_kinyirta\\_magat\\_videken/](https://index.hu/belfold/2018/valasztas/2018/04/10/orszagszakadas_amig_a_fidesz_elkiszagzasodni_a_baloldal_kinyirta_magat_videken/).

643 Mónika Pál, "Miért szavaztak a legszegényebbek a Fideszre?" [Why did the poorest vote for the Fidesz?], *24.hu*, April 28, 2018, <https://24.hu/kozelet/2018/04/29/miert-szavaztak-a-leg-segenyebbek-a-fideszre/>.

644 Zsugorodó közfoglalkoztatás? A számok ezt mutatják! [Shrinking public employment? The numbers show it!], *agroforum.hu*, April 23, 2019, <https://agroforum.hu/agrarhirek/agrarkozelet/zsugorodo-kozfoglalkoztatasi/>.

On the other hand, the larger the settlement and the higher its level of development and education, and the more economic ventures and chances for labor and healthcare and schooling,<sup>645</sup> the lower was Fidesz's winning ratio. Therefore, conservation of social and spatial segregation, atomization, lower education, monopolized media and information and exposure to local and central distribution are factors that may stabilize pro-Fidesz votes shaped by political capture for the long term. This was confirmed in the first statistics of the 2022 national elections in the Fidesz landslide victory. Thus, the Fidesz constituency is based on stratified integration into the diffused channels of political capture of both those most intensively and those least intensively integrated into those channels.

Conservation of this stable constituency of both integrated beneficiaries, and those socially disintegrated, is of major interest to the political-economic elite. Therefore, Orbán personally and institutionally “punishes” every effort at deviation from the preferred line. Misbehavior and disloyalty both turn politically selective distribution into politically selective extraction (Győri et al. 2020). The nature of political revenge in selective extraction is reinforced by politically selective privileges to Fidesz-connected local governments. Such were (and are) the bitter, punitive, and long-term legal, financial, and nonfinancial consequences of unexpected opposition advancement in the 2019 local elections.<sup>646</sup> For example, Orbán's resource centralizing decisions are apparently normative, reaching all local governments in the name of “healthcare emergency” measures, owing to the pandemic. Its punitive character is revealed by the consecutive redistribution of individually compensating resources either strictly to Fidesz-led local governments or strongly biased towards them.<sup>647</sup> Punitive reactions ranged from major to petty ones, for example, rejecting the promised contribution in

645 See the results of the 2019 local elections, where in most of the major cities Fidesz lost to the opposition parties that had united for election coalitions.

646 Gábor Győri, “Hungarian Politics in 2019,” 2020, <http://library.fes.de/pdf-files/bueros/budapest/15945.pdf>; “Így alakult a nagyvárosok térképe” [This is how the political map of large cities has evolved in local elections], *Mandiner*, October 13, 2018, [https://mandiner.hu/cikk/20191013\\_igy\\_alakult\\_a\\_nagyvarosok\\_terkepe](https://mandiner.hu/cikk/20191013_igy_alakult_a_nagyvarosok_terkepe); “Lifting the Veil of Fidesz's Invincibility,” October 30, 2019, [https://www.politicalcapital.hu/pc-admin/source/documents/fes\\_pc\\_valasztasok\\_2019\\_eng.pdf](https://www.politicalcapital.hu/pc-admin/source/documents/fes_pc_valasztasok_2019_eng.pdf);

“Szavazott az ország: nagy változásokat hozott az önkormányzati választás” [The nation has voted: local elections brought big changes], *Portfolio*, October 14, 2019, <https://www.portfolio.hu/gazdasag/20191014/szavazott-az-oroszag-nagy-valtozasokat-hozott-az-onkormanyzati-valasztas-403753>; “Megtört a Fidesz legyőzhetlenségének mítosza” [The myth of invincibility of Fidesz has been discouraged], *politicalcapital.hu*, October 29, 2019, [https://www.politicalcapital.hu/hireink.php?article\\_read=1&article\\_id=2463](https://www.politicalcapital.hu/hireink.php?article_read=1&article_id=2463); Gábor Miklósi interview with Gábor Tóka, “Hogyan tévedhettek ekkorát a közvéleménykutatók?” [How could the pollsters have been so wrong?], *Index*, October 31, 2019, [https://index.hu/belfold/2019/10/31/toka\\_gabor\\_kozvelemenykutatasi\\_partpreferencia/](https://index.hu/belfold/2019/10/31/toka_gabor_kozvelemenykutatasi_partpreferencia/).

647 “Több milliárd forintot dobott szét a fideszes nagyvárosok között a kormány” [The government has thrown billions of forints among the Fidesz governed cities], *HVG*, December 24, 2020, [https://hvg.hu/gazdasag/20201224\\_fidesz\\_nagyvaros\\_tamogatás](https://hvg.hu/gazdasag/20201224_fidesz_nagyvaros_tamogatás).

financing of badly needed public healthcare investments in Budapest;<sup>648</sup> withdrawing social investments in an opposition-led city since 2019, while financing large investment projects in an Fidesz-led city based on the same central development program;<sup>649</sup> and centralizing most of the remains of local taxes, or levying local taxes in the name of a pandemic emergency<sup>650</sup> that are especially crucial income elements for Budapest and larger cities. Individual and new legalized resource extraction has pushed opposition-led local governments close to bankruptcy and stronger dependence on the center. Local opposition governments either cannot fulfill basic tasks or file for bankruptcy.

Political capture, institutionalized populism, and different intensities of integration into the network formed by the central diffusion of political capture, stabilizes the centralized pattern of power distribution (Palonen 2009, 2018). It also legalizes the centralized patterns' mode of self-reproduction: the forced resource redeployment through politically selective resource extraction and redistribution, thereby institutionalizing corruption.

A structured survey by Gerő and Mikola (2020) separated petty corruption from institutional corruption. They correlated the latter with party preferences in two consecutive years, 2017 and 2018. The questionnaire focused on the general population's perception of corruption rather than that of businesspeople. They found that people's opinions depend more on media consumption preferences rather than on personal experience. The ratios of rejecting petty corruption were essentially unanimous. However, the correlation between the threat of institutionalized corruption and trust in institutions was negative. The more trust, the less the institutional corruption was marked as a threat. Sixty-eight percent of those who do not trust institutions marked institutional corruption as a threat. Meanwhile, only 34 percent of those trusting institutions did the same. Moreover, mistrust in the population in general decreased in 2018, while the structural difference between the two groups persisted (Gerő and Mikola 2020).

However, even larger is the gap between those who are satisfied and those who are dissatisfied with democracy when choosing institutional corruption as a threat. The degree of perception of institutional corruption strongly differs according to the scale from left to right (self-definition), though the gap

648 Zita Szkopkó, "10 milliárddal megvágta a kormány három ellenzéki kerület egészségügyi fejlesztéseit" [The government has cut healthcare developments of three districts with opposition governance], *Átlátszó*, January 12, 2021, <https://blog.atlatszo.hu/2021/01/10-milliarddal-megvagta-a-kormany-harom-ellenzeki-kerulet-egeszsegugyi-fejleszteseit/>.

649 Bálint Fabók, "A fideszes települések közel 500-szor több turisztikai támogatást kaptak, mint az ellenzékiek" [Fidesz municipalities received nearly 500 times more tourism aid than opposition municipalities], *g7.hu*, February 19, 2021, <https://g7.hu/kozelet/20210219/a-fideszes-telepulesek-kozel-500-szor-tobb-turisztikai-tamogatast-kaptak-mint-az-ellenzekiek/>.

650 "Itt vannak Orbán bejelentései: felére csökkentik az iparűzési adót a kkv-knak és az egyéni vállalkozóknak" [Here are Orbán's announcements: halving business tax for SMEs and self-employed], *HVG*, December 19, 2020, [https://hvg.hu/gazdasag/20201219-Itt\\_vannak\\_Orban\\_bejelentesei\\_felere\\_csokkentik\\_az\\_iparuzesi\\_adot](https://hvg.hu/gazdasag/20201219-Itt_vannak_Orban_bejelentesei_felere_csokkentik_az_iparuzesi_adot).

narrowed by 2018 (Geró and Mikola 2020, table 6). Trust and satisfaction with democracy and political stance positively correlate with Fidesz-KNDP preferences. In both surveyed years, the perception of corruption of those who prefer Fidesz-KNDP in their voting was 30 percentage points lower than that of those choosing any of the other parties. This is true despite the fact that the perception of institutional corruption dropped 10 points between the two years studied (Geró and Mikola 2020, figure 13).

In conclusion, trust and satisfaction are captured morally, institutionally, socially, and politically through institutionalized populism and atomized integration drives into the diffused channels of political capture. This directly translates into legitimization of institutionalized corruption through politically selective forced resource redeployment according to party preference. Institutionalized populism and atomized integration guarantee the prevalence of institutionalized corruption and the persistent separation of trust and fear according to party preferences, and thereby, the probability of re-election of Fidesz, and the reproduction of the centralized authoritarian pattern (Bíró-Nagy and Laki 2018).

Systemic guarantees of the cohesion of the centralized pattern derive from power distribution. In centrally diffused political capture, compared to other patterns of power distribution in authoritarian systems, atomized actors' capacity to resist is structurally low. Due to atomization, tensions only accumulate individually, without the capacity or awareness of collective resistance. This section has shown how the standard characteristics of populism increase atomization of social actors. Integration into the diffused network of political capture transforms individual atomization into a structural form. Institutionalized populism solidifies atomization among social groups through mental acceptance of politically selective extraction and redistribution, in other words, institutionalized corruption. The lower the individual's capacity for resistance against extraction, the longer the resources are extractable for selective redistribution without meeting hardening structural constraints socially and financially. Stratification according to the intensity of integration into the diffused channels of political capture directly translates into trust and mistrust in institutions of the centralized authoritarian rule, and respective fixed political stances. Any deviation from it is punished through openly forced redeployment.

Next, I demonstrate that besides the aforementioned domestic structural factors leading to prolonged self-reproduction and expansion of the centralized diffusion of political capture through forced redeployment and institutionalized corruption, there are also external sources contributing to its persistence.

### ***Conservation and Reproduction of Systemic Status Quo through Soft External Constraints***

[In the past 10 years] we have also learnt that Europe is not in Brussels. We are Europe, and we don't need to adhere to the expectations of the tired

Brussels elite. [ . . . ] Earlier we believed that Europe was our future; today we already know that we are the future of Europe.<sup>651</sup>

Prime Minister Viktor Orbán, February 17, 2020

Cohesion and reproduction of the status quo may not only be maintained through the manipulation of domestic sources but also from the flow of external ones. Both domestic (structural) and external sources may flow unconstrained or may meet hardening constraints. External and domestic (structural) constraints may become harder or softer either alternatively, or simultaneously (Csanádi 2015, 2016). These conditions may endure for short or long periods. Moreover, structural and external constraints strongly interact. All of these combinations incite different adaptive reactions from governments and lead to different results concerning their capacity for self-reproduction (Csanádi 2006; Csanádi and Gyuris 2020b). Reactions also depend on the actors' bargaining capacities in the given distribution of power and on the government's bargaining capacity relative to its external partners in attracting foreign direct investment (FDI) and other foreign resources. The soft flow of external resources prolong the period of unconstrained operation or evolution domestically (Csanádi 2006, 2015; Csanádi and Gyuris 2020b).

According to macroeconomic indicators, and international business and financial ratings, the performance of the Hungarian economy was outstanding before the onset of the pandemic in March 2020. Behind the positive macroeconomic scene, in the context of political capture, disaggregated data become more differentiated. According to a complex retrospective study by the Hungarian think-tank institute GKI Economic Research Co. in 2017,<sup>652</sup> the 14 trillion HUF worth of EU funds in the distribution period of 2007 and 2013 had a crucial positive economic and social impact in several dimensions of the Hungarian economy. The GKI<sup>653</sup> analyzed the economic importance of EU resources in the period of 2007 to 2013. It concluded that without these EU resources, compared to the 2006 level, several macro indicators would have worsened. For example, the GDP, instead of 4.6 percent growth, would have declined by 1.8 percent. Consumption, instead of 5 percent growth, would have declined by 11 percent. Investments instead of seeing 22.8 percent growth, would have declined by 31.3 percent. Unfortunately, I do not have this estimation for the period of 2014–2021. As reported in an analysis covering the investment period between 2007 and 2017, the EU provided 50 percent of Hungarian investment sources (Fazekas and King 2019). What is also known is that Hungary received

651 "The Prime Minister: Hungary before All Else," [kormany.hu](https://2015-2019.kormany.hu/en/the-prime-minister/news/hungary-before-all-else), February 17, 2020, <https://2015-2019.kormany.hu/en/the-prime-minister/news/hungary-before-all-else>.

652 KPMG, "A magyarországi európai uniós források felhasználásának és hatásainak elemzése" [Analysis of the use and impact of EU funds in Hungary], [adko.hu](http://adko.hu/01_files/adotanulmanyok/2017/KPMG-eu-elemzes.pdf), 2017, [http://adko.hu/01\\_files/adotanulmanyok/2017/KPMG-eu-elemzes.pdf](http://adko.hu/01_files/adotanulmanyok/2017/KPMG-eu-elemzes.pdf).

653 [https://www.palyazat.gov.hu/magyarorszag\\_i\\_europai\\_unios\\_forrasok\\_elemzese](https://www.palyazat.gov.hu/magyarorszag_i_europai_unios_forrasok_elemzese).



the second highest amount of support per capita from the structural and investment funds of the EU, which on average provided 4 percent of Hungary's GDP during the period.<sup>654</sup>

However, behind the fact of converging GDP per capita to the OECD average, the gap between GDP and national income increased, and so did labor market polarization. This tendency continued in the following years. Parallel to this tendency, Halpern (2020) demonstrated the estimated impact of innovation on productivity and efficiency had increased until 2010. However, from 2010 on, it has declined and fell to the level of 2005. This declining impact was exacerbated by the continuous decline of the share of innovative firms. Indicators of well-being in Hungary, such as income and wealth, civic engagement, health status, social connections, personal security, and subjective well-being, are among the lowest 20 percent among EU countries (OECD 2019, 20, fig. 2).

The puzzle of these apparently economically inconsistent characteristics becomes more understandable when data are further disaggregated. *Export performance* is overwhelmingly tied to EU sources and foreign-owned subsidiaries of large enterprises settled in Hungary (Voszka 2018). Preliminary statistical data from 2017 shows the impressive mark of foreign subsidiaries in the Hungarian economy (not counting autonomous foreign-owned companies). Regarding production, their share in the Hungarian economy is 56 percent, and in turnover it is 50 percent. These companies are employing more than one-quarter of the domestic labor force. They produce 50 percent of the added value. Moreover, they engage in 43 percent of all investments, partially supported by the state budget.<sup>655</sup>

In 2016, the share of exports in Hungary's domestic turnover was 36 percent, but it was foreign companies that handled over 80 percent of this domestic export.<sup>656</sup> In addition, sectoral homogeneity exacerbates exposure, as a majority of Hungary's large foreign enterprises are subsidiaries in automobile and electronics production.<sup>657</sup> The concentration of the countries of origin further

654 "Korrupció, gazdasági teljesítmény és jogállamiság Magyarországon. A Korrupció Érzékelési Index eredményei 2019-ben" [Corruption, economic performance and rule of law in Hungary Corruption Perceptions Index results 2019], transparency.hu, January 23, 2020. <https://transparency.hu/wp-content/uploads/2020/01/Korrupci%C3%B3-gazdas%C3%A1gi-teljes%C3%ADtm%C3%A9ny-%C3%A9s-jog%C3%A1llamis%C3%A1g-Magyarorsz%C3%A1gon-CPI-2019.pdf>.

655 Péter Bucsky, "Tavaly már 125 milliárdot szórt a cégek közé a kormány hazai forrásból" [Last year the government already injected 125 billion HUF from domestic sources into companies], *g7.hu*, August 24, 2018, <https://g7.hu/kozelet/20180824/tavaly-mar-125-milliardot-szort-a-cegek-koze-a-kormany-hazai-forrasbol/>.

656 KSH, "A Magyarországon működő külföldi irányítású leányvállalatok tevékenysége a 2016. évi végleges és a 2017. évi előzetes adatok alapján" [Operation of foreign-owned subsidiaries in Hungary based on the 2016 final, and 2017 preliminary data], KSH, 2018, <http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/kulfleany16.pdf>.

657 "Milyen árnyoldala lehet a Magyar autóipar sikerének?" [What could be the downside of the success of the Hungarian car industry?], *autopro.hu*, April 9, 2019, <https://autopro.hu/elemezések/Milyen-arnyoldala-lehet-a-magyar-autoipar-sikerenek/30009/>.

augments sectoral sensitivity. Eighty percent of the performance arise from the investments of ten countries. Ninety percent of the employed workforce benefit from their investments.<sup>658</sup> Germany and the US are the major players providing half of the performance and employment (KSH 2017). According to OECD figures, in 2017, one quarter of all imported and exported manufacturing goods was traded with Germany (OECD 2019, 24, figure 6). The Statistical Office report shows that foreign-controlled companies produced over 80 percent of the added value of those in middle and high technologies. Production was concentrated in the manufacturing and other industries in 2016 in Hungary. Concluding from the Hungarian Investment Promotion Agency's success report,<sup>659</sup> the country-specific and sectoral structure of increased value of new investment decisions reinforced the aforementioned tendencies in 2019. Germany and the US remained the leading investors that carried out their major investments in the automobile industry.<sup>660</sup> Thus, multidimensional sensitivity and outstanding national-level GDP and export performance are interrelated with their political importance.<sup>661</sup> In other words, the Hungarian economy is extremely dependent on just a handful of countries and industries. Concentration and political importance is also detectable according to company scale. The larger the enterprise (foreign and domestic), the higher the percentage of those who were able to export.<sup>662</sup>

On the other hand, external and domestic structural sources strongly interact. Export performances are tied domestically to individual support, investment subsidies, public procurement, development programs, tax waves, special regulations and laws, and settlement and expansion support for foreign enterprise, amounting to trillions of forints, from EU funds (fig. 1.5 of this chapter). These were overwhelmingly connected to government infrastructure investments where those most integrated into the diffused network are active. Many of those were related to strategic partnerships, denoted as strategic investments,

658 Márton Kasnyik, "Tizenhatszor annyi beruházást visznek külföldi vállalatok, mint magyarok" [Sixteen times as much investment by foreign companies as by Hungarians], *g7.hu*, September 24, 2018, <https://g7.hu/vallalat/20180924/tizenhatszor-annyi-nagyberuhazast-visznek-kulfoldi-vallalatok-mint-magyarok/>.

659 "Töretlen a Magyarország iránti befektetői bizalom: rekordszámú project és volument 2018-ban is" [Steady investor confidence in Hungary: record number of projects and volumes also in 2018], *hipa.hu*, January 14, 2019, [https://hipa.hu/hu\\_HU/toretlen-a-magyarorszag-iranti-befektetoi-bizalom-rekordszamu-projekt-es-volumen-2018-ban-is](https://hipa.hu/hu_HU/toretlen-a-magyarorszag-iranti-befektetoi-bizalom-rekordszamu-projekt-es-volumen-2018-ban-is).

660 "German-Hungarian Economic Relationships in Dynamic Improvement," *kormany.hu*, February 3, 2020, <https://2015-2019.kormany.hu/en/ministry-for-innovation-and-technology/news/german-hungarian-economic-relationships-in-dynamic-improvement>.

661 "German Economy Records Zero Growth in Fourth Quarter," *Deutsche Welle*, February 14, 2020, <https://world.einnews.com/article/509734297/C2wCF28ZUjhkd-I?afid=777>; "Recession Fears Grow as German Economy 'Could Face the Perfect Storm' Analyst Says," *cncb.com*, February 7, 2020, <https://www.cncb.com/2020/02/07/germany-recession-fears-grow-as-insudrial-data-disappoints.html>.

662 KSH, "A Magyarországon működő," <http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/kulfeany16.pdf>.

won in public tenders on government development projects, privileging Fidesz-connected businesses.

Interrelation is also shown in their mutual dynamics. When external sources poorly flow into the country (hardening constraints), stronger government interventions domestically compensate for it. For example, Tóth and Hajdu's calculations on public tenders suggest a shift from external to domestic sources of funds in 2016 (Fazekas and Tóth 2017). This happened after the threat of potential hardening constraints from the EU, owing to Sargentini and OLAF reports on breaches to the rule of law and corruption, respectively.<sup>663</sup> The ratio of awarded EU sources in the volume of public procurement substantially declined in general, as well as in the case of Orbán's cronies (Tóth and Hajdu, chapter 3, fig. 3.2). Meanwhile, the pace of large investments did not slow, as domestic budgetary expenditures on investments increased.<sup>664</sup> Thus, political capture and politically selective distribution make the domestic and foreign relationships much more complex, stable, and intertwined. But it is also clear that EU funds are indirectly and directly subsidizing institutional corruption in Hungary.

This is suggested in the fact that the impetus for forced resource redeployment did not halt in the first quarter of 2020 despite the outbreak of the COVID-19 pandemic (see Laki, chapter 4, and Tóth and Hajdu, chapter 3 in this book). Neither did it slow after the end of the pandemic's first wave, nor the second, and skyrocketed during the third wave in the name of economic rescue measures. Also channels of institutionalized corruption remained stable and even multiplied. For example, the government touristic program managed by the agency supervised by Rogán, the cabinet minister, extended a non-refundable investment support program for five years. However, within three years the distributed sum reached the originally planned amount of 300 billion HUF for five years. For those who applied between 2018 and 2020, 0.5 percent have received two-thirds of the projected amount. From the 16,000 winners, 0.16 percent have received half of the non-refundable investment support. Those applicants who won could cover 50–90 percent of their project costs.<sup>665</sup> The government has distributed also non-refundable subsidies worth 85 billion HUF in 2021 for the settlements. Those governed by Fidesz received 500 times the volume of touristic

663 "Report on a Proposal Calling on the Council to Determine, Pursuant to Article 7[1] of the Treaty on European Union, the Existence of a Clear Risk of a Serious Breach by Hungary of the Values on which the Union Is Founded [2017/2131(INL)]," [https://www.europarl.europa.eu/doceo/document/A-8-2018-0250\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-8-2018-0250_EN.html).

664 Zoltán Jandó, "Az Orbán-család szállítványozó cégét nem viselte meg a koronavírus" [The shipping company of Orbán family was not affected by the Corona virus], *g7.hu*, August 7, 2020, <https://g7.hu/vallalat/20200807/az-orban-csalad-szallitmanyozo-ceget-nem-viselte-meg-a-koronavirus/>.

665 András Bódis, "Sokkoló: a kormány az igénylők fél százalékának adta a turisztikai támogatások kétharmadát" [Shocking: the government gave two-thirds of tourism subsidies to half percent of applicants], *Válasz Online*, February 26, 2021, <https://www.valaszonline.hu/2021/02/26/turisztika-tamogatások-ugynokseg-mtu-guller-zoltan/>.

subsidies as non-Fidesz governments had.<sup>666</sup> Rogán's new (third) father-in-law bought himself a company for 750,000 HUF shortly before receiving 2.2 billion HUF in EU support.<sup>667</sup> Tiborcz, Orbán's son-in-law, won 3 billion HUF worth of cheap state loans, granted by state-owned banks, refinanced by Matolcsy's National Bank. This development loan program called "Hajrá" was meant to help out troubled micro, small, and medium companies during the COVID-19 crisis, rather than Orbán's billionaire son-in-law.<sup>668</sup>

Not only the distribution, but also the pace of resource extraction continued.<sup>669</sup> For example, in 2020, the IMF surveyed the policy responses to COVID-19, collecting the crisis management plans of all 189 member states. Analyzing the document, Soós (2020) found that there were only 3 among the 189 countries that responded to the crisis with restrictions and resource extraction through tax pressure, rather than support and subsidies, to the economic, social, and institutional system (Soós 2020). Among the 3, the Hungarian government was the most resolute in doing so.

The dominant export and import role played by settled subsidiaries of large foreign enterprises, as well as their decisive sectoral importance, notwithstanding the regular flow of EU funds, further intensifies domestic and external interrelations and entangledness in enhancing and financing institutionalized corruption through strategic partnership and individual investment supports. In fact, through settled foreign capital, and state development projects since 2010, the EU has directly financed the evolution of a centralized authoritarian system based on the process of political capture and its diffusion, forced resource redeployment, and institutionalized corruption. Sources also directly contributed to Orbán and his group's private wealth accumulation and to the politically selective overinvestment, and indirectly to the destruction of the

666 Bálint Fabók, "A fideszes települések," <https://g7.hu/kozelet/20210219/a-fideszes-telepulesek-kozel-500-szor-tobb-turisztikai-tamogatast-kaptak-mint-az-ellenzekiek/>.

667 "Feljelenti Rogán apósát az OLAF-nál a Momentum" [Momentum denounces Rogán's father-in-law to OLAF], *HVG*, February 27, 2021, [https://hvg.hu/gazdasag/20210227\\_hajnal\\_miklos\\_olaf\\_rogan\\_antal](https://hvg.hu/gazdasag/20210227_hajnal_miklos_olaf_rogan_antal).

668 Andras Szabó, "Tiborcz Istvánnak és ismerőseinek is jutott a rászorulóknak meghirdetett olcsó állami Covid-hitelből" [István Tiborcz and his friends have also benefited from the cheap state Covid loan advertised for the needy], *444*, April 14, 2021, <https://444.hu/2021/04/14/tiborcz-istvannak-es-ismeroseinek-is-jutott-a-raszoruloknak-meghirdetett-olcso-allami-covid-hitelbol>.

669 Karina Csengel, "MOK: sem az orvosok tisztas bérét, sem az egészségügy működését nem fedezi a jövő évi költségvetés" [Hungarian Medical Chamber: neither the decent salaries of doctors nor the functioning of the health system will be covered by next year's budget], *merce.hu*, May 30, 2020, <https://merce.hu/2020/05/30/mok-sem-az-orvosok-tisztas-beret-sem-az-egeszsegugy-mukodeset-nem-fedezi-a-jovo-evi-koltsegvetes/>; Zsófia Blaskó, "Indoklás nélkül szavazták le a kormánypartok az egészségügyi dolgozók béremelését" [The governing parties voted down the pay rise for health workers without justification], *merce.hu*, June 9, 2020, <https://merce.hu/2020/06/09/indoklas-nelkul-szavazta-le-a-kormanypart-a-koltsegvet-esi-bizottsag-gyulesen-az-egeszsegugyi-dolgozok-beremeleset/>.

public sphere and built and natural environment in Hungary, while prolonging the cohesion of the system.<sup>670</sup>

Alternative sources to preserve status quo and cohesion emerge from Russian and Chinese governments, as well as from Turkish and Azeri sources. Huge investments in different forms are connected to the members of the political-economic cluster. Turning to Russia has its strong political and economic trade-offs. Meanwhile it also serves to increase the country's bargaining capacity against the EU. Both Russian and Chinese governments are keen to expand their economic and political influence in Europe, and rightly view Hungary as an open door to enter.

In the case of Russia, it is unknown what kind of agreements were signed during Orbán and Putin's 11 bilateral meetings between 2013 and 2019.<sup>671</sup> However, their economic, national, and international security consequences are clearly visible. The most explicit one is revealed by an investigative report mentioned in the preface about the full access of Russian hackers to the Foreign Ministry's complete (domestic and external) cyber network, including the most strategic and secret one since 2010.<sup>672</sup> Not less compromising fact is that the Hungarian government has engaged itself in building a second nuclear power plant in Hungary with Rosatom, the Russian state nuclear corporation.<sup>673</sup> The project is financed through a large Russian loan, which will put Hungary in debt for decades. Consequently, Orbán has signed but does not adhere to the EU sanctions against Russia, breaking EU's unity and strength.<sup>674</sup> Investments have started without a preliminary impact study and security checks, and with disregard to poor international reputations of similar endeavors.<sup>675</sup> Mészáros and

670 Szabolcs Panyi, "Így fűzte be Orbán Európa nagyhatalmát" [This is how Orbán manipulated Europe's great power], 444, September 17, 2020, <https://444.hu/2020/09/17/igy-fuzte-be-orban-europa-nagyhatalmat>.

671 [https://index.hu/belfold/2019/10/30/putyin\\_orban\\_talalkozo\\_gaz\\_atom\\_megallapodas/](https://index.hu/belfold/2019/10/30/putyin_orban_talalkozo_gaz_atom_megallapodas/); <https://www.vg.hu/kozelet/igy-landolt-putyin-budapestben-591703/>; <https://www.bumm.sk/kulfold/2015/01/06/budapestre-latogat-vlagyimir-putyin>; [https://www.napi.hu/magyar\\_valalalatok/putyin\\_ismet\\_budapestre\\_erkezik.687964.html](https://www.napi.hu/magyar_valalalatok/putyin_ismet_budapestre_erkezik.687964.html).

672 Szabolcs Panyi, "Putin's Hackers Gained Full Access to Hungary's Foreign Ministry Networks, the Orbán Government Has Been Unable to Stop Them," *Direkt36*, March 29, 2022, <https://www.direkt36.hu/en/putyin-hekkerei-is-latjak-a-magyar-kulugy-titkait-az-orban-kormany-evek-ota-nem-birja-elharitani-oket/>.

673 "The expansion of Rosatom: spreading Russian influence by building nuclear reactors," *Átlátszó*, July 8, 2019, <https://english.atlatszo.hu/2019/07/08/the-expansion-of-rosatom-spreading-russian-influence-by-building-nuclear-reactors/>.

674 "Ukraine Chides Hungary for Russia Stance, Urges It to Be on 'Right Side of History'" *RFE/RL's Ukrainian Service*, April 7, 2022, <https://www.rferl.org/a/eu-sanctions-russia-invasion/31752636.html>.

675 Márk Herceg, "Egy éve írta alá Orbán titokban" [It has been a year since Orbán signed the agreement] 444, <https://444.hu/2015/01/14/paks-evforulo-2014-2015-orban-putyin-moszkva-kreml-atomeromu-energetika>.

his family have already won public procurement to participate in the investment.<sup>676</sup> Also mentioned from another angle, that the Hungarian government, under the responsibility of Rogán, ran a controversial settlement bond program with offshore intermediaries through which several Russian businesspersons bought settlement bond packages priced 250,000–300,000 euros each.<sup>677</sup> Constrained data on numbers according to countries of origin was published in 2015, at the request of one representative of an opposition party.<sup>678</sup> According to Transparency International's analysis, directors of Russian state-owned enterprises, family members of the head of the Russian foreign intelligence service, a member of the Russian Duma and his family members, a former Russian MP, a private businessman of controversial activity, the director of one of the subsidiaries of Gazprom, and the director of one of the subsidiaries of the Russian airline Aeroflot bought bond packages.

In addition to financial dealings, Orbán also gave way to possible Russian spying in Hungary and the EU by granting the majority Russian-owned bank's staff and visitors total diplomatic immunity, despite Western diplomatic protests.<sup>679</sup> The government exempted them from the constraints of Hungarian laws, facilitating their infiltration into the EU.<sup>680</sup> In 2019, the Hungarian government declared that it supports the bank by providing 10 million euros to help it acquire property in Hungary.<sup>681</sup> The latest information is that the bank will

676 "A Mészáros-gyerekek tervezőcége többmilliárdos munkát kapott a paksi atomerőműnél" [The design firm of the Mészáros children has been awarded a multibillion-euro job at the Paks nuclear power plant], *Átlátszó*, October 19, 2019, <https://blog.atlatszo.hu/2020/10/a-meszaros-gyerekek-tervezocege-tobbmilliardos-munkat-kapott-a-paksi-atomeromunel/>; Zoltán Jandó, "Verseny nélkül kaphatnak nagy munkákat Paks II telkén Mészáros Lőrinc cégei" [Mészáros Lőrinc's companies can get big jobs on the Paks II site without competition], October 19, 2019, <https://g7.hu/kozelet/20191019/verseny-nelkul-kaphatnak-nagy-munkakat-paks-ii-telken-meszaros-lorinc-cegei/>.

677 See CRCB report, 2014 [http://www.crcb.eu/wp-content/uploads/2015/07/legislation\\_2014\\_report\\_150630.pdf](http://www.crcb.eu/wp-content/uploads/2015/07/legislation_2014_report_150630.pdf)

678 Sándor Pintér, "Válasz Szabó Tímea [független] K/6396. számon és K/6397. számon benyújtott írásbeli kérdéseire" [Answer to Tímea Szabó [independent MP]'s questions, submitted on numbers K/6396 and K/6397], *parlament.hu*, <https://www.parlament.hu/irom40/06396/06396-0001.pdf>.

679 András Szabó and Szabolcs Panyi, "Gyorsan aktivizálódik az orosz vezetésű bank Budapesten, hiába van miatta nemzetközi idegeskedés" [The Russian-led bank in Budapest is rapidly becoming active, despite the international furor over it], *Direkt36-444*, April 25, 2019, <https://444.hu/2019/04/25/gyorsan-aktivizalodik-az-orosz-vezetesu-bank-budapest-en-hiaba-van-miatta-nemzetkozi-idegeskedes/>.

680 "Minden kedvezményt megad a magyar kormány az egykori KGST-banknak" [The Hungarian government grants all preferences to the former COMECON bank], *HVG*, February 20, 2019, [https://hvg.hu/gazdasag/20190220\\_Minden\\_kedvezmenyt\\_megad\\_a\\_magyar\\_kormany\\_az\\_egykori\\_KGSTbanknak](https://hvg.hu/gazdasag/20190220_Minden_kedvezmenyt_megad_a_magyar_kormany_az_egykori_KGSTbanknak); Marianna Bíró, "Putin's Bank Gets All the Preferences in the World from Orbán," *Index*, February 20, 2019, [https://index.hu/belfold/2019/02/20/nbb\\_orosz\\_kgst\\_bank\\_budapest\\_kozpont\\_kedvezmenyek/](https://index.hu/belfold/2019/02/20/nbb_orosz_kgst_bank_budapest_kozpont_kedvezmenyek/).

681 Pál Dániel Rényi, "Magyarország 10 millió eurót tesz a Budapestre költöző orosz beruházási bankba, hogy az „versenyképes” legyen" [Hungary puts 10 million euros into Russian

purchase the six-story Lánchíd Palota at the heart of Budapest for 9 billion HUF. This building is known as the most expensive building in Eastern Europe. The deal is set with the private owner who purchased the building in 2014 with huge loans. The Hungarian government will support the bank's establishment by providing one-third of the purchase price.<sup>682</sup>

The compensation for economic transfers from Putin challenges national and EU security in other spheres as well. The Hungarian counterterrorism organization, directly subordinated to Deputy Prime Minister Pintér, found and caught in Hungary Russian gangsters wanted by the CIA for arms trading. However, the gangsters were handed over to Russia instead of the CIA.<sup>683</sup> Charges against a Hungarian far-right MP accused of working for the Russian intelligence service were dropped, as an order that "came down" from higher-level Hungarian politicians.<sup>684</sup> The Hungarian government let the chief agent of the militant extreme right, István Györkös, who had been in the crosshairs of the secret police for 20 years, openly organize armed training through the internet. His website had become an important room for Russian propaganda to influence those in Hungary.<sup>685</sup> His training location was the regular gathering place of Russian

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investment bank moving to Budapest to make it "competitive"], 444, October 15, 2019, <https://444.hu/2019/10/15/magyarorszag-10-millio-eurot-tesz-a-budapestre-koltozo-orosz-beruhazasi-bankba-hogy-az-versenykepes-legyen>; Sándor Czinkóczi, "A Lánchíd Palotát veszi meg székhelynek az orosz háttérű beruházási bank" [Russian-backed investment bank buys Chain Bridge Palace as headquarters], 444, December 17, 2019, <https://444.hu/2019/12/17/a-lanchid-palotat-veszi-meg-szekhelynek-az-orosz-hatteru-beruhazasi-bank>; Zoltán Ágoston, "8,89 milliárdért vehet magának budapesti székhelyet a Kreml-közeli bank, a pénz 40 százaléka gyakorlatilag a magyar adófizetőké" [Kremlin-linked bank buys Budapest headquarters for €8.89 billion, 40 per cent of the money practically belongs to Hungarian taxpayers], 168ora.hu, December 17, 2019, <https://168ora.hu/itthon/nemzetkozi-beruhazasi-bank-budapest-fovarosi-onkormanyzat-epulet-179071>.

682 Peter Szász, "Újabb akadály járul el, hogy a Lánchíd mellé költözzön az orosz háttérű bank" [Another hurdle cleared for Russian-backed bank to move next to Chain Bridge], *napi.hu*, February 8, 2020. [https://www.napi.hu/magyar\\_vallalatok/lanchid-palota-nemzetkozi-beruhazasi-bank.699941.html](https://www.napi.hu/magyar_vallalatok/lanchid-palota-nemzetkozi-beruhazasi-bank.699941.html).

683 "Washington helyett Moszkvának adtuk ki a törbe csalt orosz fegyverkereskedőket" [We handed over Russian arms dealers to Moscow instead of Washington], *Index*, November 23, 2018, [https://index.hu/belfold/2018/11/23/washington\\_helyett\\_moszkvanak\\_adtuk\\_ki\\_a\\_magyarorszagon\\_lebukott\\_orosz\\_fegyverkereskedeket/](https://index.hu/belfold/2018/11/23/washington_helyett_moszkvanak_adtuk_ki_a_magyarorszagon_lebukott_orosz_fegyverkereskedeket/).

684 Szabolcs Panyi, "The Great Escape of KGBéla, Hungarian MEP Accused of Spying for Russia," *Vsquare*, April 10, 2017, <https://vsquare.org/the-great-escape-of-kgb/>.

685 "Nem baráti tűz, hanem a közismert extrémista végzett a rendőrnymozóval Bőnyben" [Not friendly fire, but the well-known extremist killed the police detective in Bőny], *Átlátszó*, February 25, 2017, <https://atlatso.hu/2017/02/25/nem-barati-tuz-hanem-a-kozismert-extremista-vegzett-a-rendornymozoval-bonyben/>.



spies.<sup>686</sup> A raid into the extreme group ended up in the death of a police officer shot by the right-wing chief.<sup>687</sup>

Much less is known regarding the trade-offs Orbán has made to enable the Chinese expansion in Europe through Hungary. By 2019, China had become Hungary's fifth most important trade partner. Chinese OFDI increased since Hungary joined the European Union in 2004. By 2010, almost 90 percent of Chinese OFDI in Europe flew to Hungary. By 2017, about 5,000 Chinese companies settled in Hungary, most of them small and in the service sector, however, major investments are also found in chemical, IT/ICT, electronics, wholesale and retail, banking, hotels and catering, logistics, and real estate sectors. The large companies' purpose is not primarily the Hungarian market but instead to build a regional distribution hub for the European market (Szunomár 2017).<sup>688</sup> In 2019, China's USD 2.9 billion was the tenth largest investment in Hungary.<sup>689</sup> The high investment growth was partly enabled by the controversial offshore intermediated settlement project launched by Orbán and managed by Rogán, attracted not only Russian citizens but also Chinese. Sources referring to government documents list almost 20,000 foreigners (6,543 purchasers and 13,300 family members). Entrants who received permission to settle came from 59 countries, but 81 percent of them were Chinese.<sup>690</sup> Also nine large Chinese companies and banks settled in Hungary are on the list of government set strategic partnership agreements with unknown content.<sup>691</sup> In early 2020, the parliament approved a law on an interstate loan contract between the Hungarian

686 Szabolcs Panyi, "Russian Diplomats Caught Spying in Hungary Get Expelled Quietly as Usual," *Direkt36*, December 20, 2018, <https://www.direkt36.hu/orosz-diplomatakat-ertek-kemkedesen-magyarorszagon-es-szep-csendben-ki-is-szorítottak-oket/>.

687 András Dezsó and Szabolcs Panyi, "Orosz diplomaták gyakorlatoztak a rendőrgyilkos brigádjával" [Russian diplomats were exercising with the brigade of the police killer], October 27, 2016, [https://index.hu/belfold/2016/10/27/orosz\\_hirszerezok\\_gyakorlatoztak\\_a\\_rendorgyilkos\\_harcosaival/](https://index.hu/belfold/2016/10/27/orosz_hirszerezok_gyakorlatoztak_a_rendorgyilkos_harcosaival/).

688 "A keleti nyitás politikája erősíti a magyar-kínai kapcsolatokat" [The opening to the East strengthens Hungarian-Chinese relationship], August 28, 2015, <https://2015-2019.kormany.hu/hu/kulgaszdasagi-es-kulugyminiszterium/parlamenti-allamtitkarsag/hirek/a-keleti-nyitas-politikaja-erositi-a-magyar-kinai-kapcsolatokat>.

689 "China Continues to Show Interest in Hungary, With More Opportunities on the Horizon," *Budapest Business Journal*, March 26, 2022, <https://bbj.hu/politics/domestic/government/china-continues-to-show-interest-in-hungary-with-more-opportunities-on-the-horizon>.

690 Tamás Wiedemann, "59 országból jött magyarországra a húszezer letelepedési kötvényes" [Twenty thousand residency permit holders came to Hungary from 59 countries], *g7.hu*, January 16, 2019, <https://g7.hu/kozelet/20190116/59-orszagbol-jott-magyarorszagra-a-huszezer-letelepedesi-kotvenyes/>.

691 Péter Szijjártó, "Stratégiai partnerségi megállapodások" [Strategic partnership agreements], [kormany.hu](https://www.kormany.hu/hu/kulgaszdasagi-es-kulugyminiszterium/strategiai-partnerségi-megállapodások), December 11, 2021, <https://www.kormany.hu/hu/kulgaszdasagi-es-kulugyminiszterium/strategiai-partnerségi-megállapodások>; China Continues to Show Interest in Hungary, With More Opportunities on the Horizon" *Budapest Business Journal*, March 26, 2022. <https://bbj.hu/politics/domestic/government/china-continues-to-show-interest-in-hungary-with-more-opportunities-on-the-horizon>.

and Chinese governments.<sup>692</sup> This was mentioned as the flagship program of the Belt and Road Initiative to build the Budapest-Belgrade rail for 750 billion HUF. The contract was classified for ten years.<sup>693</sup> However, it was published that Mészáros became the major contractor for planning and carrying out the project for 590 billion HUF.<sup>694</sup> In the pretext of the pandemic crisis in early 2020, the Hungarian government ordered about 18,000 breathing machines from China through unknown intermediaries for 300 billion HUF. Each cost ten times the price of an average purchase, and an overwhelming part of those are in storage for 90 million HUF a month for nearly three years, unused; about 450 were given away to different countries for free.<sup>695</sup> The police have rejected the official request of the opposition to investigate the issue.<sup>696</sup> Another questionable development is in preparation: the Hungarian government plans to build a campus for the Chinese Fudan University in Budapest, the first Chinese campus in Europe. A strategic partnership agreement with the Fudan University has been set, and a contract has been signed with the largest state-owned building company of China and the world (which has a dubious image connected to spying and corruption) to build the Budapest campus.<sup>697</sup> The founding and operating tasks will be delegated to a Hungarian-Chinese asset management fund. Construction costs and real estate are provided by the Hungarian state from the state budget. The company's offer was 338 billion HUF using Chinese workers. The government "bargained" the budget upward to 540 billion HUF, exceeding the overall cost of Hungarian higher education in 2019. The government would directly provide

692 Zsolt Semjén and László Palkovics, "A Budapest-Belgrád vasútvonal újjáépítési beruházás magyarországi szakaszának fejlesztéséről, kivitelezéséről és finanszírozásáról" [Bill on the development, construction and financing of the Hungarian section of the Budapest-Belgrade railway line], parliament.hu, March 31, 2020, <https://www.parlament.hu/irom41/09927/09927.pdf>.

693 Tamás Fábán, "Tíz évre titkosították minden idők egyik legnagyobb magyar vasúti projektjét," [https://index.hu/belfold/2020/05/19/budapest\\_belgrad\\_vasut\\_projekt\\_titkositas\\_szerzodes\\_beruhazas/](https://index.hu/belfold/2020/05/19/budapest_belgrad_vasut_projekt_titkositas_szerzodes_beruhazas/).

694 "Mészáros cége megkötötte az 590 milliárdos szerződést a Budapest-Belgrád vasútvonalra" [Mészáros' company has signed the 590 billion contract for the Budapest-Belgrade railway line], *Index*, June 12, 2019, [https://index.hu/gazdasag/2019/06/12/meszaros\\_cege\\_opus\\_megkototte\\_590\\_milliard\\_szerzodest\\_a\\_budapest-belgrad-vasutvonalra/](https://index.hu/gazdasag/2019/06/12/meszaros_cege_opus_megkototte_590_milliard_szerzodest_a_budapest-belgrad-vasutvonalra/).

695 Lóránd Imre Patthy, "Szabadulna a lélegeztetőgépektől az Orbán kormány, több százat adott ajándékba" [The Orbán government is keen to get rid of ventilators (breathing machines), has given away several hundred for free], *Index*, May 8, 2021, <https://index.hu/belfold/2021/05/08/kormany-lelegeztetogep-ajandek/>.

696 László Szily, "Elutasította a nyomozást a rendőrség a 4-10-szeres áron megvett kínai maszkgyártó gépsor ügyében" [Police reject investigation into Chinese mask-making line bought for 4–10 times the price], *444*, January 11, 2021, <https://444.hu/2021/01/11/elutasította-a-nyomozást-a-rendorseg-a-4-10-szeres-aron-megvett-kinai-maszkgyarto-gepsor-ugyeben>.

697 Szabolcs Panyi, "Kínai hitelből készül a magyar felsőoktatás óriásberuházása. A kormány már oda is ígerte egy kínai cégnek" [A mega-investment in the higher education is carried out from Chinese loan. The government already contacted a Chinese firm], *444*, April 6, 2021, <https://444.hu/2021/04/06/kinai-hitelbol-keszul-a-magyar-felsooktatás-oriasberuhazasa-a-kormany-mar-oda-is-igerte-egy-kinai-cegnek>.

100 billion HUF from the state budget and the remaining 450 billion HUF would be a government loan granted by the state-owned Chinese Development Bank. The responsible person for the management is the same minister László Palkovics, who has carried out the ousting of the CEU from Hungary, divested the Hungarian Academy of Sciences from its research institutes and buildings, and manages the construction of the Budapest-Belgrade train track.

As these examples show, external sources, be they from the EU, Russia, or China, fulfill multiple functions: they extend the timing, when the reproduction of the system meets hardening structural constraints; they contribute to the maintenance of the domestic status quo and cohesion of the power structure; they support the undisturbed evolution and reproduction of authoritarian systemic traits; they contribute to institutional corruption through their centralized distribution along the closed channels of the network of diffused political capture; and they privilege the members of the central cluster, their wealth accumulation, and overinvestment.

## Conclusions

The first part of this book reveals the evolutionary dynamics of the formation of an authoritarian system in a democratic setting. Such a process took place in Hungary after 2010, with the metamorphosis of the Fidesz party into a system after its electoral victory. I describe the dynamics of metamorphosis by structuring empirical events as the reflection of the generation, formation, propagation, and self-reproduction of a network born from the central diffusion of political capture to all social subfields. The political-economic approach toward network propagation is defined by the dynamics of the dependency and interest-promoting relationships between actors.

In order to describe these dynamics, concepts from different academic fields have been adapted and harmonized. *Political capture* represents the basic instrument through which Orbán and his government advances to different social subspheres. Once captured, the specific mode of infiltrating into subfields is interpreted as the diffusion of political capture. The diffusion is envisaged as the dynamics of advancement of the network from the center to the deepest veins of the society, acquiring systemic characteristics. Similarly centralized are the decisions over the extraction and distribution of resources through the diffused channels. Actors in this social context have low resistance capacities, exposed to the uncontrolled extracting and redistributing capacity of the center.

Having nested these analytical methods, categories, and theoretical considerations into the extended analytical framework, one can then follow the sequence of expansion of political capture between 2010 and 2021, and see the mechanisms and devices of operation and expansion. It becomes possible to trace the empirical signs of the evolution of the structure and dynamics of a centralized authoritarian system; to reveal the centralized diffusion of political capture that reaches out to organizational, activity, positional structures, and

individuals in politically captured subfields; and to point out the sequence of gradually expanding political capture according to resisting capacities, diffusing first in the political subfield.

Through diffusion, the Orbán cabinet, using the Fidesz party and its parliamentary two-thirds majority as a device, captured all possible elements of legislative control, from parliamentary committees to the constitution and the president of the country. Next, through parliamentary devices, this political capture stretched out to all national-level institutions of checks and balances, for example, members of the Constitutional Court, the budgetary council, the attorney general, the electoral board and electoral office, the State Audit Office, members of the banking supervision committee, and the head of the National Bank. The packed Parliament, made up of two-thirds Fidesz members, appointed Fidesz-close officials at the request of the cabinet and personally of the prime minister. This move transformed institutions of control into the prime minister's executive apparatus, which then served as instruments of politically bent control of central decisions (fig. 1.1).

Political capture and its diffusion advanced to all other public and private social subfields. The cabinet structurally and functionally absorbed decisions over resource extraction and distribution in any chosen subfield, be it public or private. Absorption simultaneously allowed the centralized diffusion of political capture into selected economic and social subfields. In the centralized distribution of power, centrally managed diffusion of political capture is *open-ended and uncontrolled*. So is centrally managed extraction and distribution of resources through the diffused channels. Open-ended, because in such patterns of power most actors have low capacity to resist state intervention. Open-ended diffusion is uncontrolled due to politically captured checks and balances.

Orbán's executive control over all institutions of checks and balances is complemented by his cabinet's uncontrolled capacities over public assets (fig. 1.2), and centralized and concentrated direct distributive functions in any subfield (fig. 1.3). Their concentration of power includes a centralized executive apparatus headed by the prime minister. The few ministers are heading ministries with an unprecedented number of deputies in order to hold merged functions of abolished ministries, and even local and grassroots (formerly) autonomous bodies. *Mechanisms of diffusion are uniform: forced resource redeployment* is the characteristic instrument in centralized distributions of power. This mechanism prevails in any social subfield, no matter if these are categorized as state and society, politics and economics, public and private spheres, legal or illegal, formal or informal. *Politically selective forced resource redeployment* is shaped by the level of intensity of integration of actors into the diffused network. Thus, political selectivity is shown in the following: the more intensively integrated into the diffused channels, the more chance for being privileged in the distribution. The less intensively integrated, the higher the chances of being exposed to resource extraction. Therefore, political selectivity of extraction and distribution shows the *direction of forced redeployment*. For example, from less integrated toward more integrated; from grassroots

autonomies to government-created alternatives; from state-owned assets into private hands through privatization or donation; from privately owned assets to publicly owned; or a double twist through starving out a market competitor, then nationalization and reprivatization; public revenues transferred to private ones through individual development subsidies, and through the development projects of central and Fidesz-lead local governments; from local revenues to central ones through individual punitive regulations; from the starving out social fields and transferring resources to development projects won by privileged actors; selective destitution and selective redistribution of the operation of social infrastructure from private to privileged private through administrative regulation; and from national wealth to private wealth accumulation through central transfer.

*Diffusion* of political capture into subfields, however, is *not uniform in time, in space, or in speed*. Political capture within public and private spheres advances according to economically preferred subsectors and strategic fields, gradually sucking away the space from those not integrated or weakly integrated. The less integrated, the higher the speed of diffusion. In rare cases of resistance, government instruments, ranging from bent laws to militarized pressure may be deployed. Dates of documented events reveal the sequence of political capture of different social fields. The different density of events represent the different speed of diffusion in time during the advancement of political capture.

*Methods of forced resource redeployment* in different subfields also differ camouflaged with government-lead reforms and developments, apparently implementing the instruments of a developmental state. In the politically captured social context, these two government functions become separately deployed in public and private spheres. In the public sphere, it is structural reforms that serve the pretext of forced resource redeployment (fig. 1.4). In private spheres, government led development takes this role (fig. 1.5). In the public sphere, umbrella organizations subordinated directly to the cabinet or superministries are carrying out forced resource redeployment under the name of structural reforms. In the private sphere, development projects subordinated to the cabinet or ministries are doing the same.

During the evolution of political capture and its centralized diffusion, the different mechanisms materialize through the deployment of different *government policy devices*. These are implemented in different subspheres. In the meantime, they strongly interact and accumulate, shaped by the diffusing channels. Government devices are legal or legalized, and typical instruments of a public administration, such as government regulations, laws, purchase offers, nationalization, privatization, transfer of public assets, administrative restructuring, deployment of the police force, subsidies, redistribution, and development projects. However, when exerted, politically selective pressures emerge as government devices are implemented in the politically captured context. These government devices may be deployed at any time. They interact and, in different combinations, promote the centralized expansion of political capture in all subfields and are simultaneously shaped by it. For example, politically selective

(re)distribution is supported by tailor-made laws and individual government decisions. These instruments serve to *exempt* those politically privileged from the rules of the market economy.

The most common institutionalized instruments are the following: (1) declaring economic units as strategic enterprises. This government measure allows the center to redeploy a unit or function to those privileged through a special paragraph of the bankruptcy law. The list is open-ended, depending on emerging opportunities. (2) Making strategic partnership agreements with large foreign and domestic enterprises. This move, decided by the cabinet, attracts undisclosed mutual privileges. (3) Distributing central resources (domestic and foreign) through government projects to the privileged. Sources are allocated through public procurement or through direct individual support, declaring the investment as strategic. In such cases, there are no legal chances to intervene or claim unfair competition. Once declared strategic, local social resistance and opposing local government intervention are legally inhibited. These instruments simultaneously serve to extend the diffusion of central political capture through those exempted, setting the basis for institutionalized corruption and boundless accumulation.

The consequences of politically selective decisions on extraction and redistribution gradually both embrace and structure the economy. They also determine *social stratification* according to the intensity of integration into the centrally diffused closed channels of the network and enhance the motivations for integration into these networks. Clusters in the centralized pattern of power distribution are few. I have identified those actors who are the most intensively integrated into the diffused network (see its specific empirical consequences in Tóth and Hajdu, chapter 3, and Laki, chapter 4 in this book). They are the ones most privileged by forced resource redeployment through politically selective distribution. They form a central cluster in the centrally diffused network of political capture. Results are based on the political and economic logic of the system dynamics, so far supported by empirical facts: the revealed centralized institutional and organizational arrangements, the centrally diffusing political capture, and a retrospective logic based on all these. This systemic approach allows me to pitch the cluster as a logical construct, embedded in the systemic context and its empirically described operation.

The *central cluster* is composed of *political leaders* who, due to their central position in the politically captured institutional structure, are institutionally and organizationally capable of resource extraction, attraction, and distribution; wealth accumulation; and disposing of national assets. Other members are leaders who can legally and financially protect the political leaders' institutionally corrupt actions. The cluster includes *economic actors* selected to be privileged by the political members of the cluster for common gain. In such an extremely centralized institutional construct they otherwise would not be able to accumulate, or persistently win over funds, subsidies, public tenders, and so on. The common characteristics of their social and economic entanglements show the intensity

of their integration into the centrally diffused network. We can also specify the non-market characteristics in their economic expansion in the background of the dynamics of their uncontrolled and unconstrained growth through distribution, leading to politically selective overinvestment. The cluster's structure and interacting dynamics simultaneously show the narrower interpretation of political capture connecting the economy and political subspheres (see Magyar 2016, 2019; Kornai, 2019), and the more complex systemic through the diffusion of political capture to all social fields where government and business relationships are nested and operate. Diffused political capture demonstrates the systemic character of political favoritism and kleptocracy through institutionalized corruption.

Politically motivated economic drives for integration for the sake of privileged distribution enhance the reasons for the emergence of those who are *secondarily privileged*. These are the actors who get a share from central sources as the partners, friends, family members, hometown or condominium mates, and subcontractors of those centrally privileged intermediaries. Politically selective extraction and distribution and uncontrolled accumulation incite rampant corruption that has an overall destructive impact on the economy. The destructive consequences of politically selective extraction and distribution are also illustrated in three public spheres: the built environment, the natural environment, and the state's long-term public welfare functions.

The *metamorphosis* of Fidesz into a system *is close to an end*. System characteristics of a centralized pattern of power distribution have evolved. Political capture of all subfields has been concluded and reinforced by the fourth consecutive landslide victory of Orbán-led Fidesz. However, as the cohesion of the system requires continuous forced resource redeployment, open-ended diffusion of political capture is proceeding into the deepest veins of the Hungarian society, and expansion of diffusion is also advancing abroad through government development programs. *Domestically*, politically selective extraction and distribution is legitimized by *institutionalized populism* through politically captured information and media dominance. Institutionalized populism secures the *moral legitimation* of politically selective forced resource redeployment and thereby institutionalized corruption that maintains the stability of the distance among stratified social groups. Stability of the system is socially legitimized through the *drive for intensified integration* into the diffused network, to participate in politically selective redistribution. Institutionalized populism and the overall drive for integration grant and conserve the mental conditioning of the population's trust, fears, sentiments, and consequent voting behavior. Deviation from pro-Fidesz behavior is openly punished by politically selective extraction, and politically selective redistribution to those who adapt. Thus, despite overall destruction, the stability of political capture and diffusion through forced resource redeployment is granted systemically.

The evolved structure and dynamics are also *supported and stabilized by external sources*. This role is fulfilled by both the structural and emergency



funds provided by the EU, the foreign companies settled in Hungary, and sources received from Russia and China through government agreements. The EU's efforts to slow Orbán's advancement based on either individual corruption cases or combined with the complex criteria of democratic values will probably remain inefficient. Such cases emerge day by day. They are all products of a politically captured centralized authoritarian system. Attention should be shifted *from cases to the evolution* of the aforementioned systemic, pattern, and reproduction characteristics. These are: political capture and its central diffusion to all subspheres, forced resource redeployment through reforms and development, institutionalized corruption through the diffused channels of political capture shaping extraction and distribution, social stratification based on the intensity of integration into the diffused channels, and institutionalized populism, mentally and morally adapting society to the above. Until then, the EU remains an active promoter of the metamorphosis of a populist party into a politically captured authoritarian system. Regardless of Hungary's small size and declining representation of the Fidesz in the EU, the applied mechanisms and instruments in Hungary may serve as a prototype for similar transformations in any democratic setting in the EU or elsewhere. Only in case of timely recognition of systemic factors and applied defensive structural measures could prevent or block the germination of authoritarian systemic factors within democratic settings. Otherwise, with the uninterrupted evolution of systemic elements, the process of the metamorphosis of a party into a centralized authoritarian system cannot be halted. It will reproduce itself until external and domestic resources are available. However, at this stage of evolution, in historical perspective, persistent hardening of external and domestic constrains and following loss of cohesion may lead to abrupt collapse rather than gradual transformation.



## Part II

# REPRODUCTION THROUGH REDISTRIBUTION



## REDISTRIBUTION AND INTEGRATION

*MÁRTON GERŐ AND IMRE KOVÁCH*

### **Introduction**

The aim of the study is to analyze how the operation of redistribution systems affects the integration of Hungarian society. Of course, redistribution is an important integration factor in all societies (see Tilly 2003); nevertheless, the Hungarian case, with the centralization tendencies of recent years, is particularly suitable for presenting these mechanisms. Following Dupcsik and Szabari (2015), we interpret social mechanisms, primarily connected to power relations and economy, as a multidimensional framework that also helps to become familiar with and understand the rationale for inequalities in today's Hungarian society. Dupcsik and Szabari (2015), based on Parsons, Habermas, and Giddens, and connecting theoretical traditions, recommended research into five integration mechanisms: (1) employment (occupation)-based integration mechanisms; (2) compliance with formal and informal norms; (3) mechanisms related to knowledge; and (4) various social relations and social capital; and (5) political integration mechanisms.

We analyze these in context (as in a multidimensional framework) with the types of redistribution-related integration as we define them. A review of all five integration mechanisms would go beyond the scope of one study. However, we believe that the various mechanisms converge in integration/disintegration mechanisms related to employment, income generation, and the source of material and intellectual goods needed for social reproduction. In short, we argue that, in the integrative and disintegrative conditions of redistribution, the mechanisms of access to different capital, employment, and material goods, and political integration appear simultaneously, and well represent the complex and intricate system of their interaction. Classic, occupation-based stratification schemes obscure the role of organizations, institutions, and relationships in social reproduction. Therefore, we argue that the reproduction conditions of Hungarian society and the mechanisms that enforce them have changed significantly in recent decades, and that greater integration mechanisms are needed to reinterpret the current functioning of the market, redistribution, the state, and the economy (Gerő and Kovách 2015).

To analyze the mechanisms that shape the relevant characteristics of social groups, we recommended the study of the interpersonal and organizational networks and the interactions between them at two levels. We hypothesize that the mechanisms that play a key role in the organization of the magnitude and

manner of integration and disintegration act through organizations. These mechanisms create social resources that can be accessed and mobilized, primarily through individual and organizational relationships, for which organizations provide the framework. In this study, as a first step, we address redistribution mechanisms that have a decisive influence on the integrity and disintegration of society, in the context of the market, public organizations, and the economy.

Redistribution and the ongoing reforms of its institutions are understandably at the heart of public interest and research. Following our theoretical work (Gerő and Kovách 2015), our study assumes three types of redistribution: state-led welfare redistribution; project-based resource allocation (project-based redistribution); and recombinant redistribution, which is the redistribution of capital and property for political purposes and by political means. Research on redistribution is hampered by several factors. Despite the importance of the research topic, there is surprisingly few analyses available, and even basic data may only be obtained with a significant research investment. The types of redistribution operate in an analytically pure manner by no means; they assume and combine with each other. In many cases, projects serve as a resource basis for welfare systems and institutions. Without the use of a project form exploiting EU funds, a politically driven division of wealth, property, and markets would not be feasible. Without projects, the economy would not work, but neither would the state itself. The project is the engine of the economy, but the policy decides on its call, content, and beneficiaries. And economic actors do everything they can to influence the political institutions and individuals who dispose the allocation of economic resources. The information available on the extent and modalities of recombinant redistribution is inherently scarce and almost invariably secondary.

The different forms of redistribution were therefore studied through different data. Whereas the extent of welfare redistribution, and state redistribution in general (more precisely, the extent to which society benefits from it), is estimated on the basis of a representative, large-sample survey,<sup>1</sup> the characteristics

1 For the analysis we used the data collected in the survey of integration and disintegration processes in the Hungarian society (Kovách et al. 2017). Personal questionnaire surveys were conducted among the adult population in Hungary in spring 2015. The number of respondents in our initial sample was 2,687. This sample is representative (on the basis of age, sex, settlement type, region, and education level), with subsequent stratification. In the data of the integration research, we basically used the income types and employment status to determine the scope of those involved in welfare and social care. This could also be done for the respondents and household members, as the household table of the questionnaire shows the labor market status of the household members and also whether they received any income from welfare redistribution. Old-age and invalidity pensions, family support, childcare benefits (GYED, GYES, family allowance), unemployment benefits, and scholarships were considered income from the welfare system. If the respondent or a member of a household was registered as unemployed or just a public worker at the time of the response, we classified him to a group of recipients of unemployment benefits. In the following, the available information is presented at both individual and household level. Due to the specifics of the sampling, only individually relevant data can be considered representative.

of project-based redistribution are presented primarily with the help of project data on the use of European Union (EU) funds.

### Welfare Redistribution, Social Integration, and Inequalities

The welfare allowances mapped in our database actually take into account two aspects: employment status, and whether or not there is a child in the family. These two aspects are due to the fact that Hungarian welfare benefits are primarily determined by the state on this basis (Szikra 2018). Thus, we first looked at how the proportion of those in the sample are entitled to different benefits changes. The largest group of recipients of income from the welfare system are pensioners, while the fewest are those who receive various insurance-based (GYED) and non-insurance-based (GYES) childcare allowances after the birth of a child. In the sample, a higher proportion of students and those who classified themselves as unemployed were included (table 2.1).

Incomes do not fully coincide with employment status. In the case of pensioners and the unemployed as well, we find that they receive a pension or receive unemployment benefits at a rate 2 percent higher than the group defined by the labor market status. In the case of a scholarship, the opposite is true: about half of the students receive some form of scholarship or student loan benefit. There is a significant positive difference in childbirth benefits. This is probably due to the fact that this income category also includes family allowance, which is due to children up to the age of 18 (or later, in the case of tertiary education), as opposed to GYES-GYED, and is not linked to inactive labor market status.

The number of children is already explicitly household-level data. About a quarter of the households of the respondents (24%) have at least one child under the age of 18 and—together with the respondents—7.5 percent of students aged 18–20, who may also be entitled to family allowance. The households of 78.6 percent of the sample may claim some type of family allowance.

Income was asked according to the larger income groups: the category of pension income also includes old-age, disability pension, and widow's benefit. Unemployment benefits have been consolidated; here we included participation in the public works program and the job-seeker's allowance, as well as other

**Table 2.1** Proportion of those entitled to welfare benefits in theory, by labor market status

<i>Labor market activity</i>	<i>Persons</i>	<i>%</i>
Pensioner	781	29
Unemployed	188	7
Childcare benefit, childcare allowance	109	4
Student	163	6

Source: authors' calculations based on Integration Research Data (2015)



unemployment-related benefits. Social benefits include family allowance, child-birth benefits (GYES, GYED), and orphan's pension. Scholarships and student loans were asked about in one question, so they are included together.

More than half of the respondents receive financial benefits from one of the welfare-social redistributions. If this is supplemented by the income of household members, an even larger proportion of respondents, a total of 66 percent, receive some form of income from welfare redistribution.

Regarding the integration role of the state, not only the data on welfare redistribution is important, but also the percentage of respondents for whom the state is the employer. Forty percent of those in our sample work or have worked in a (partly) state-owned place. Among the currently active, this proportion, including companies in mixed ownership, is 31 percent.

Taking welfare-related redistribution and state-owned jobs together, 77 percent of respondents receive state resources in some way, either directly or through the income of their household members, which clearly indicates the importance of the integrative effect of redistribution in Hungarian society.

### ***Household Income Structure***

Households are not homogeneous according to their source of income. By income structure we mean the type of income (redistribution or work) received by the respondent and their household. Due to the structure of the data, we used a simple three-category variable: households with a pure labor income, mixed households with a share of both labor income and redistribution, and households with a purely redistributive income.

One-third of the respondents in the household obtain income exclusively from labor income. Thirty-eight percent of them have a mixed-income structure, that is, both labor income and redistributive income is received by the household, and 28 percent of households have only welfare redistribution as their source of income (table 2.2).

We find a strong, nonlinear relationship between income structure and household size. Households earning income only from redistribution sources

**Table 2.2** Household income homogeneity

<i>Type of income</i>	%
Only labor income	34.6
Labor income and redistribution	37.7
Redistribution only	27.7
Total	100.0
<i>N</i>	2680

Source: authors' calculations, based on Integration Research Data (2015)

have the smallest household size. This may be closely related to the average age, as the highest average age is 65, that is, it is mainly pensioners and the elderly.

The size of mixed-income families is the highest. This may be related to the higher average number of children (0.74 compared to 0.16 and 0.19 for the other two categories). Accordingly, social care (children aid) is a more significant form of redistribution in this category.

According to education, we find the highest number of graduates (24%) among those living exclusively on labor income, and the least among those living only from redistributive sources, in which we obviously have to account for an age effect. However, there are also significant differences in education between the two categories of the same average age: the proportion of graduates in the mixed category is much lower and the proportion of graduates with up to eight classes of primary school is higher (tables 2.3 and 2.4).

The distribution of the subgroups of the three groups (those with only labor income, mixed, and only redistributive income) shows significant territorial peculiarities. Households living exclusively on redistribution are, of course, older, mainly of retirement age. There is no difference in mean age between the

**Table 2.3** Household size, average number of children, and age of respondents, by income structure (average)

	<i>Household size (average)</i>	<i>Average number of children</i>	<i>Age of the respondent (average)</i>
Only labor income	2.40***	0.19	41***
Labor income and redistribution	3.31***	0.74	42***
Redistribution only	1.81***	0.16	65***
Total	2.58***	0.38	48***
N	2680	2680	2680

Source: authors' calculations based on Integration Research Data (2015)

\*\*\*:  $p < 0.01$

**Table 2.4** The respondent's education according to the income structure

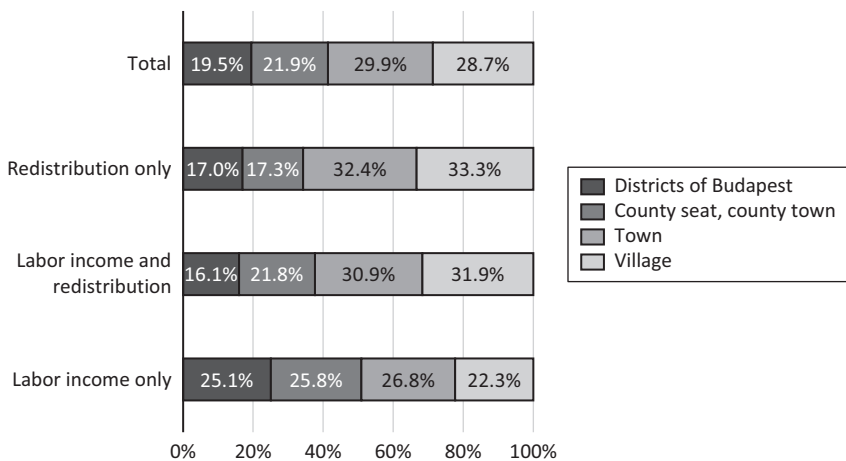
	<i>At most 8 primary school classes</i>	<i>Vocational training, vocational school</i>	<i>Graduation</i>	<i>Degree</i>
Only labor income	7.3%	29.5%	38.9%	24.2%
Labor income and redistribution	20.0%	30.2%	34.4%	15.4%
Redistribution only	40.2%	27.5%	22.5%	9.7%
Total	21.2%	29.2%	32.7%	16.9%

Source: authors' calculations based on Integration Research Data (2015)

$\chi^2 = 62.776; p = 0.000$

other two categories. Equivalent per capita income is highest for those living exclusively on labor income, while it is lowest for those living exclusively on redistribution. The settlement slope is clearly reflected in the income structure. Among those with a purely labor income, the proportion of those living in the capital city and towns with county status is the highest, and that of those living in rural areas is the lowest. Those with both labor income and redistributive income are basically distributed among the individual settlement types in line with the average, while those with only redistributive income are underrepresented in the capital and towns with county status and somewhat overrepresented in villages (fig. 2.1).

The ownership structure of the workplace—or the last workplace in the case of the inactive—also shows a significant correlation with the income structure. Among those working in other (e.g., nonprofit organizations) and state-municipally owned workplaces, we find most of those with only redistribution income. A significant part of the current pensioners have retired from such a company or institution. Public workers also strengthen this group. A significant proportion of those working in privately owned companies live in households where they earn only private income, and this proportion is even higher than in employees of mixed-ownership companies. Presumably, the ownership structure significantly influences the type, age, and occupation of employees that an organization attracts. On the one hand, purely state-owned organizations are often bureaucratic organizations rather than companies established for market production or services. Employees in these organizations can spend more time; have a more secure, long-term contract; and have easier access to information on



**Figure 2.1** Distribution of income structure types by settlement type in 2015. Source: authors' calculations, based on Integration Research Data (2015)

**Table 2.5** Income structure according to the form of ownership of the respondent's workplace

	<i>Only labor income</i>	<i>Labor income and redistribution</i>	<i>Redistribution only</i>	<i>N</i>
State and local government	23.4%	32.7%	44.0%	860
Privately owned	44.2%	39.6%	16.1%	1314
Mixed	48.5%	34.0%	17.5%	103
Other	13.6%	24.5%	61.8%	110
Total	35.5%	36.2%	28.3%	2387

Source: based on authors' Integration Research Data (2015)  
 $\chi^2 = 286.063$ ;  $p = 0.000$

redistributive benefits. It also shows that the type of income shows a significant concentration in the case of households (see table 2.5).

Analyzing the correlations between the integration model (Kováč et al. 2017) and the income structure, it is not surprising that the integration model and the income structure show a relatively strong correlation (Cramér's  $V = 0.403$ ). The groups with a purely redistributive income are found mainly in the less integrated groups: the *norm-following disintegrated* (62.5%); the *socially excluded, disintegrated* (42.5%); and households with the highest proportion of purely redistributive income (55.5%) may be found in the older "system-integrated" group, which is mainly integrated by political participation. In the case of the latter, old-age pensions; in the case of the former, pensions and public employment or other unemployment benefits, are sources of redistributive income. Mixed-income households are close to the average in all integration groups. There are two exceptions to this: the *norm-following disintegrated* category has the highest proportion of purely redistributive households and by far the lowest proportion of households with only labor income. In this group, we find fewer than average mixed-income households. The other exception is the group of *highly integrated politically active* people, where the proportion of mixed-income people is higher than average (41.9%). Households with a higher-than-average proportion of purely labor income are those integrated into the labor market, those *highly integrated politically active* and those *moderately integrated*, as these groups are most present in the labor market (table 2.6).

### Project-Based Redistribution

In accordance with the principles and rules of EU development policy, the project has been the almost exclusive means of allocating resources since the period of Hungary's preparation for EU membership. The projectification of development policy is a well-known fact, with multifaceted consequences (Sjöblom

**Table 2.6** Income structure according to the groups of the integration model

	<i>Only labor income</i>	<i>Labor income and redistribution</i>	<i>Redistribution only</i>	<i>N</i>
Highly integrated politically active	50.2%	41.9%	8.0%	313
Locally integrated	38.0%	34.8%	27.3%	187
Integrated in the labor market	59.8%	37.4%	2.8%	470
System integrated	5.7%	38.8%	55.5%	353
Moderately integrated	45.6%	36.1%	18.3%	327
Norm-following disintegrated	5.8%	31.7%	62.5%	259
Socially excluded, disintegrated	20.4%	37.2%	42.5%	113
Total	35.4%	37.1%	27.4%	2022

Source: based on authors' Integration Research Data (2015)

$\chi^2 = 656.494$ ;  $p = 0.000$

2006; Czibere and Kovách 2013). Among them, in addition to the transformation of public administration and power relations (Sjöblom 2006; Andersson 2009), networking (Csurgó et al. 2008), disruption of democratic decision-making, intensification of abuses, and recombinant redistribution (Csurgó and Kovách 2013), projecting of political practice, changes in the functioning of organizations (Czibere 2013), the literature attributes key importance to the change in the system of social reproduction (Ray 2001; Kovách 2000) and the shaping effect of project-based development on social inequalities (Shucksmith 2000, 2004; Darvas-Ferge 2013; Megyesi 2015; Shortall 2004, 2008). From the point of view of integration/disintegration, the listed topics are all of great relevance, as the system of political/power relations, political control of resource allocation independent of democratic institutions, and the rapid progress of networking have a direct impact on the degree and quality of social integration and disintegration. In this chapter, we try to find an answer to the question of whether the redistributed development and other resources in the form of a project have consequences for the formation, perpetuation, and survival of social groups.<sup>2</sup>

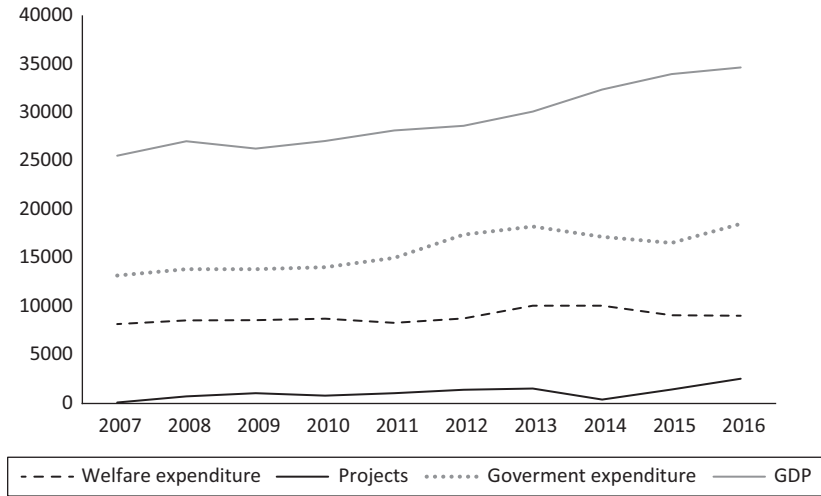
2 The analysis is complicated by two factors. Project decisions, the list of users of grants awarded, mostly contain public and identifiable information but, due to the general design and the intertwined project networks, it is quite complicated to show the actual use of resources in detail. Public tasks are also performed according to the logic of the projects, in which the public and private sector, the public institution, the market company, and the nongovernmental organization operate in symbiosis, with actors changing from project to project. Another difficulty of the research is that through survey data collection, participation in the project and the collection of income of individuals or households directly or indirectly from project sources is practically unfeasible.

Our first question is how much is allocated in the form of a project, how large and extensive the project-based redistribution is. In her study, Éva Voszka estimated that two-thirds of the money spent on development, institution maintenance, and other public purposes was spent on publicly announced projects, but a significant part of the remaining one-third was also spent on projects for local governments and public institutions. According to Voszka (2006), state subsidies in the economy decreased in the 1980s, but this trend stopped in the early 1990s; in 1987 redistribution only within the economy was 12.3 percent, which changed to 1.7 percent by 1996. Taking other amounts into account, redistribution within the economy has not declined since 1992 and has fluctuated between 0.9 and 4.9 percent of the gross domestic product (GDP). In 2002, it was 3.7 percent of the GDP. Between 2004 and 2006, the amount of grants related to EU funds was 3.8 billion euros, that is, 952 billion forints, which was distributed within the framework of the projects of the tender systems. In addition to this amount, the project logic also prevailed in the distribution of domestic resources. The comprehensive nature of projectification, covering the economy and spending of the public sector, is well illustrated by the fact that 46,000 applications were submitted in the first two years of EU membership and 45.7 percent of the project funds went to the state administration and local governments (Voszka 2006). The economy also received significant domestic subsidies. According to the summary of Voszka's data, the size of domestic resources distributed according to the redistribution logic could have amounted to HUF 600–800 billion between 2003 and 2006. These development subsidies were distributed through tenders or by circumventing them, but in the vast majority of cases in the form of projects.

According to a study on the analysis of the use of EU funds, HUF 14,000 billion had been paid to beneficiaries in Hungary by 2016. The importance of the subsidy is shown by the fact that, without EU funds, the GDP would have decreased by 1.8 percent compared to the 2006 level, while an increase of 4.6 percent was achieved with subsidies (KPMG 2017a). Consumption, which was already declining, would have been 11 percent lower instead of 5 percent, while investment would have declined by 31.3 percent instead of 2.8 percent. It also affected employment, with KPMG calculating that, instead of an increase of 280,000, only 105,000 would have been achieved without the funds. Despite the subsidies, Hungary's competitiveness has deteriorated significantly over the last 10–15 years. Of the Visegrád Four countries, Hungary ranks last in 10 pillars in the World Economic Forum's (WEF) 12-pillar competitiveness list (while in 2006 it was in the top two in 7 pillars).

Information on the resources allocated in the project subsidy schemes after 2006 may also be found in the mandatory published data on project decisions.<sup>3</sup>

<sup>3</sup> In March 2017, we collected data on the successful projects between the first months of 2007–2017 from the EU 2007–2013, the NEW Széchenyi Plan, and the Széchenyi 2020 program application databases available on the Government Portal.



**Figure 2.2** Volume of GDP, general government, and welfare expenditures, projects (BHUF). Source: Hungarian Central Statistical Office

A total of 75,105 projects have been added to our database. The total value of the projects awarded is 11,256.6 billion HUF (BHUF). This amount does not cover subsidies used in the form of projects in Hungarian development systems; it provides information on about 80 percent of them.<sup>4</sup> The European Union's budget relations plan for 2017 envisages an expenditure of €2,239.1 billion, accompanied by an additional €416.7 billion in extrabudgetary EU subsidy. The data of the 75,105 projects we collected and organized into a database are adequate for the analysis of the project-based redistribution system, with the constraint that more projects are run in the country than those analyzed and the amount of redistribution is higher. We considered it important to highlight all this because the number of projects is certainly higher than that shown in the following tables and graphs.

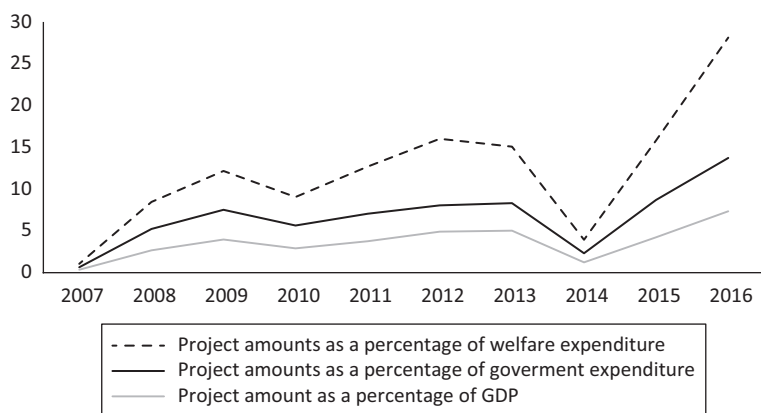
The amount of redistributive resource allocation through policy decisions has been steadily increasing since 2007 (fig. 2.2). In 2014, there was a break in the increase in the amount of projects, which was for purely technical reasons: it was a year of switching to new programs. Between 2007 and 2016, project

<sup>4</sup> The National Office for Research, Development and Innovation (NKFI) supported research and development projects with HUF 495 billion in the relevant period. NKFI projects are also made public, but for technical reasons their data cannot be combined with the information on the 75,105 projects. A significant part of agricultural subsidies is not included in the application database of development programs either. For example, area payments represent a significant annual amount of HUF 310–330 billion, the details of which were also published in a research-ready form until 2014 (Kováč 2016), but could not be organized into the same database with the 75,105 projects.



amounts changed from 86.6 billion to 2550.8 billion. There are two more definite trends in the changes in GDP; general government and welfare expenditures, and the volume of projects expressed in HUF billion. The size of the GDP and the amount of projects using mainly EU funds is changing at a similar pace (the tide of technical projects in 2014 does not break the trend). GDP growth is consistently lower compared to the increase in the project amounts. From 2013, and especially after 2014, there is an inverse proportionality between public finances, and welfare expenditure in particular, and the amounts spent on projects. In 2013 and 2014, the amount of general government and related welfare expenditures decreased significantly. This decline in welfare expenditure has not stopped, but the amount of general government expenditure has risen sharply again since 2015. Welfare spending fell by 1,029 billion between 2013 and 2016, while the project amounts increased by 1,330 billion over the same period. Only a more detailed analysis could reveal the extent to which the increase in public funding for projects was a consequence of the reduction in welfare expenditure and whether the increase in public expenditure was due to the reduction in project money and welfare expenditure. Figure 2.2 suggests that a spectacular increase in project-based redistribution goes against welfare spending. This is true not only for the amounts spent, but also for the users, because while the beneficiaries of expenditure from the welfare system are, in principle, the majority of society, the project money goes to much fewer.

The ratio of the project amounts to GDP, government, and welfare expenditures (fig. 2.3) also shows the intensification of project-based redistribution. Except for the 2014 technical project transition period, the ratio of project amounts to GDP, general government, and welfare expenditures multiplied between 2007 and 2016. Project-based redistribution amounts to 7.36 percent of the GDP in 2016, nearly double the 2002 figure. The ratio of the project amount



**Figure 2.3** Project amounts as a percentage of GDP, government expenditure, and welfare expenditure. Source: Hungarian Central Statistical Office

to GDP is about 60 percent of the socialist era's economic redistribution to GDP. Projects, together with government expenditure, were around two-thirds of the GDP in 2016. A significant part of public finance and welfare expenditure is used as part of a project. The strongest indicator of projecting in figure 2.3 is the ratio of project amounts to welfare expenditures, which exceeded 28 percent by 2016. A significant part of public and welfare expenditure is also used in the form of projects. Project-based redistribution is increasingly interweaving economic, state, and municipal resource consumption.

In connection with the relationship between redistribution in projects and social integration, our second question is whether the projects contribute to reducing or increasing social inequalities, or whether their effect is to freeze them. It is a fairly clear statement in the literature (Shucksmith 2000, 2004; Shortall 2004, 2008) that projects significantly increase social disparities, although the reduction of social disadvantages also takes the form of projects. According to the Scandinavian literature, the function of a project is to ensure social control over the use of resources, while Central European analysts tend to write about the dangers of expropriating project resources. Others see the creation or strengthening of new social groups, the radical rearrangement of power relations, the effect of projecting, or the assumption that the whole system of social reproduction has transformed as a result of new types of redistribution (Bruckmeier 2000; Andersson 2009; Ray 2001; Kovách-Kucerova 2006, 2009; Csurgó and Kovách 2013). According to Csanádi (see chapter 1 in this volume), forced resource redeployment used in a centralized power distribution is a way of reproducing a given power distribution and one of the fundamental tools of politically selective subtraction and distribution.

The unique opportunity offered by the 14 trillion HUF subsidy did not bring a breakthrough and, due to the lack of concentration of resources, the effects of structural changes were missed in several important areas (e.g., healthcare, public administration, education). According to a KPMG report, grants were disbursed through 13 areas of intervention, 300 types of measures, and 1,100 different purpose schemes and titles. The largest amount flowed into agriculture through normative (area payments) and investment (rural development) subsidies. Significant sums have also been spent on the development of transport, environmental and social infrastructure, and company subsidies. All of these, in turn, were used in a fragmented, meaningless concentration, resulting in the absence of the structural changes mentioned earlier. Thirty percent of payments went to agriculture, yet only 23 percent of the total GDP effect and only 20 percent of the employment effect are due to agricultural subsidies. The actual economic development impact of the normative subsidies, which are the largest item, is minimal.

EU funds have also been able to contribute only moderately to reducing regional disparities and regional cohesion. Although the inequality index of GDP per capita between counties decreased by 3.4 percent, the differences between counties in the field of employment did not decrease. In the least

developed microregions, resources were less effective and increased productivity less than in more developed regions. According to the analysis, in the most disadvantaged regions, “the traditional, tender-based approach to development policy may be less effective, and targeted programs that take into account the local economic and social characteristics of the microregions (e.g. economic relations with the surrounding, more developed microregions) may be more effective” (KPMG 2017a, 5).

The number of employed increased from 3.9 million to 4.2 million (7.2%) between 2006 and 2015. The increase is primarily the combined result of the expansion of the public work program and the increase in the number of employed in the public sector, and not the increase in the employment efficiency of the business sector (the level of employment in the business sector in 2015 is only slightly higher than in 2006). The significant increase in the proportion of those taking up long-term employment abroad was initially accompanied by a decrease in unemployment, but later also in employment. Without EU funding, the employment rate would have been 4.5 percent lower in 2015.

According to the report of the State Audit Office (Állami Számvevőszék 2015), in the 2007–2013 grant period, a significant part of the funds flowed into the public sector (ministries, domestic public institutions, local governments); 72.2 percent of payments, almost HUF 3,000 billion, were realized in this sector. For four operational programs, the public sector’s share of payments exceeded 85 percent, and in only 2 of the 15 operational programs did it not reach 50 percent. These ratios also affected the revenue and expenditure structure of general government, sometimes causing significant discrepancies between the statutory plan figures for the year and the actual final accounts data.

Of the 13 areas of intervention,<sup>5</sup> we highlight 2, the primary aim of which is to reduce social inequalities and improve the situation of disadvantaged social groups through welfare redistribution: promoting employment and social cohesion.

### ***Employment Promotion***

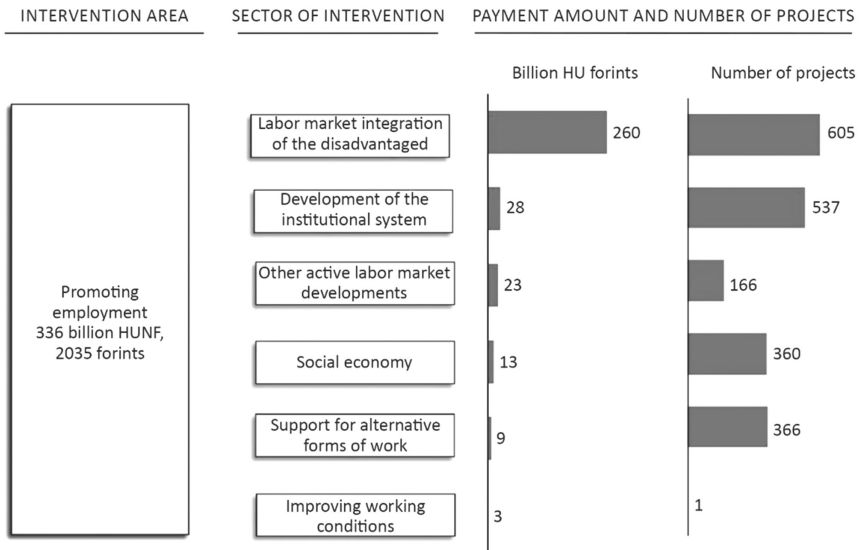
Among the diversified social impacts of EU funds, KPMG’s (2017a) analysis highlights successful employment growth, the social conditions of which have been largely strengthened by human developments, such as social infrastructure, human capital, increased employment and institutional capacity-building, and the development of transport infrastructure. At the same time, there is no breakthrough to be detected in education and healthcare thanks to EU funding. The aim of increasing employment is to increase the productivity of the

5 Subsidies for farmers; business development; research and development; tourism; transport infrastructure; energy infrastructure; environmental infrastructure; infocommunication technology; social infrastructure; human capital; employment promotion; social cohesion; institutional capacity.

workforce through various training, education, and healthcare projects, and at the same time to reduce the differences between the individual social strata (SAO 2015). Among the six priorities, the two most important priorities in terms of social redistribution were to improve the employability of unemployed and inactive people, and to lay the foundations for the most disadvantaged (LHH) areas to catch up. The basic goal of the program was to prevent the reproduction and transmission of social disadvantages, and the ultimate goal was to eradicate extreme poverty, especially child poverty (SAO 2015).

According to figure 2.4, the redistribution of projects to promote employment was highly focused on the labor market integration of the disadvantaged, both in the number of subsidized projects and in the magnitude of the subsidies paid. It is noteworthy, however, that although much smaller in terms of amount, the second largest area of subsidy in terms of the number of projects was the development of the institutional system.

According to the SAO (2015) report, some of the development goals targeting disadvantaged groups, such as vocational training and adult training, the development of the infrastructure for active job search and employment support services, and the reduction of regional disparities in access and quality in social services, significantly overperformed, for example, five times the planned public services were made accessible (2,421 cases), and the 5,311 TISZK (Regional Integrated Vocational Training Centre) classrooms and workshops renovated and built also rose above the 2015 targets. It is critical, however, that



**Figure 2.4** Sectoral breakdown of the employment promotion intervention area by payments and number of projects. Source: KPMG (2017b, 424)



**Figure 2.5** County distribution of payments in the programming period (employment promotion). Source: KPMG (2017b, 425)

an insufficient number of social and child protection institutions have been renovated, with only 24 percent of the planned 9,000 target being met.

Returning to the employment promotion program, we find a rather unequal distribution from a regional point of view (fig. 2.5). Disproportionately, most payments were made in Budapest, taking the location of the projects into account.

According to KPMG’s analysis, this extremely disproportionate distributional inequality, meaning the capital’s significant predominance in funding, is due to the fact that 76 percent of payments financed projects belonging to the Ministry for National Economy. At the same time, the regional gap between the capital and all other regions is not so great, considering that these projects were implemented in a decentralized manner, not only in Budapest.

In the 2007–2015 period, the “Employment Promotion” intervention area also contributed only to a lesser extent to the results of the national economy, due to its relatively low share of resources. Both GDP volume and output would have been only 0.1 percent lower without the use of resources in this area (KPMG 2017b).

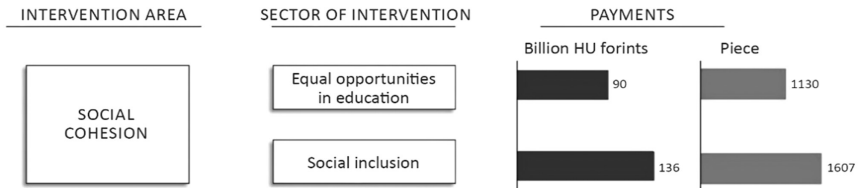
### Social Cohesion

The intervention area of social cohesion is also one of the measures of the Social Renewal Operational Programme. Its main goal is to integrate the most disadvantaged areas (LHH) in a comprehensive way and to promote the social,

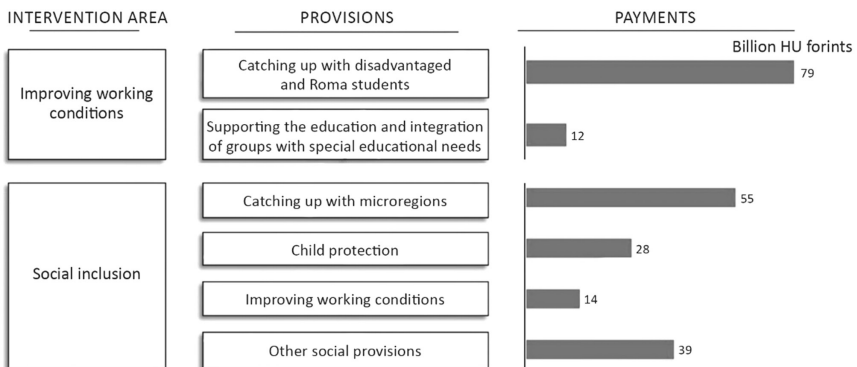
educational, labor market reintegration, and equal opportunities of disadvantaged groups, as well as the development of local communities. KPMG’s (2017b) analysis discusses social cohesion programs along the logic of priorities in two main classes. The objectives of the “Equal Opportunities in Education” class include improving the educational situation of disadvantaged young people and promoting the integration of young people with special/different educational needs. The “Social Catch-up” class includes six measures to support the social and labor market integration of particularly disadvantaged groups.

According to figure 2.6, in the field of social cohesion, the volume of projects and payments in the sector of social inclusion was higher, exceeding the amount of resources allocated to equal opportunities in education by almost 30 percent. In the field of social cohesion, 2,737 projects were financed in the amount of 226 BHUF in the period under review.

Welfare and social purpose redistributive interventions (fig. 2.7) in the field of educational inequalities were primarily aimed at creating equal opportunities for children with multiple disadvantages and Roma pupils, primarily by reducing school segregation and promoting further education. Also included are the integration of children with special and different educational needs, the



**Figure 2.6** Sectoral breakdown of the social cohesion intervention area by payments and number of projects. Source: KPMG (2017b, 448)



**Figure 2.7** Definition of representative types of measures (social cohesion). Source: KPMG (2017b, 448)

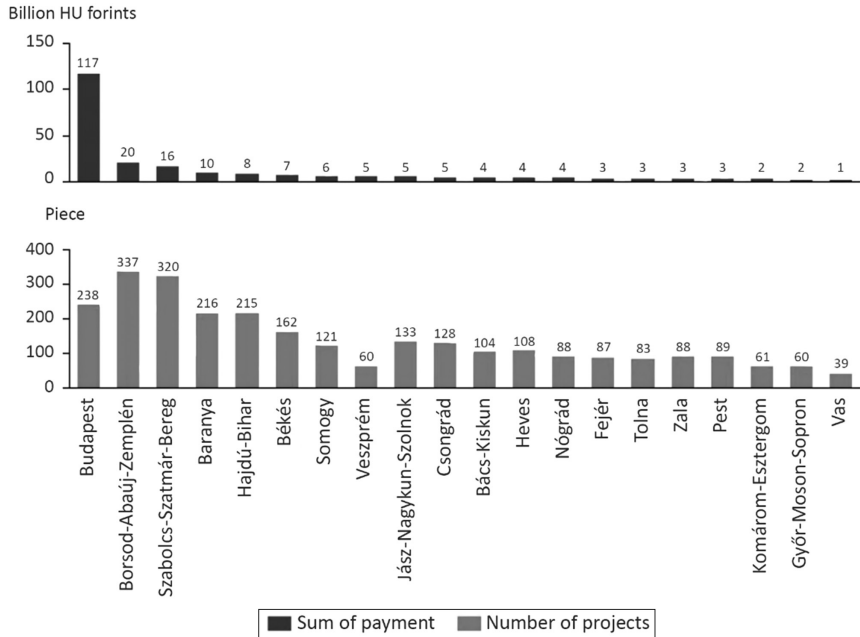
promotion of the education of refugee and ethnic pupils, and the nurturing of talents in schools.

Based on KPMG's categorization of social disadvantages, interventions have been carried out in four areas: interventions planned for increasing the chances of integration of those living in the most disadvantaged microregions (young people and adults); protecting children, and reducing child poverty and preventing youth deviancy; so-called social employment, that is, the reintegration of members of excluded social groups (long-term unemployed, prisoners, the homeless, etc.); and, in the group of other social measures, mainly projects promoting antidiscrimination and volunteering, or, for example, projects that achieved accessibility goals.

Of the funds spent on compensating for educational disadvantages, the largest amount of payments were used to improve the educational opportunities of disadvantaged and Roma children in the amount of HUF 79 billion, while on social expenditures, most money was spent on supporting the catching up of LHH microregions.

Figure 2.8 shows the county-level territorial distribution of projects for social cohesion. We have previously described that this construction is primarily one of the means of overcoming territorial disadvantages, therefore the volume of the resources intended to support the most disadvantaged microregions is on average higher than the volume of the other intervention areas. A number of call-for-tender conditions also play a role in this; these stipulated that projects must be implemented in the given LHH microregion. As a result, KPMG (2017b) reports that 22 percent of subsidies paid went to the country's 47 most disadvantaged microregions. At the same time, this value seems to be an unrealistically low rate, given the goals. Here again, the question arises as to why support for the most disadvantaged areas and social groups was concentrated in the capital city in the largest amount. In Budapest, 117 BHUF of tender funds may be detected in the field of social cohesion out of the total expenditure of 226 BHUF; the share of the other counties is between only 1 and 20 BHUF. Not approaching the magnitude of the amounts of support in the capital city, the two dominant counties are Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg, where there were more than 300 projects in each field of reducing disadvantage and combating poverty, with 20 and 16 BHUF, respectively, in support (fig. 2.8). KPMG's analysis mentions that the nature of the subsidies would justify higher payments in disadvantaged areas, but the data are somewhat distorted by the fact that priority, high-budget projects benefited Budapest-based organizations (e.g., Klebelsberg Institution Maintenance Centre (KLIK), Human Resources Grant Manager, István Türr Training and Research Institute). In the context of these projects, it was typical that, in several cases, these projects were redistributed to additional beneficiaries, thus the winning applicant and the final beneficiaries were different, which, on the one hand, visibly distorts the results and, on the other hand, raises further concerns in terms of the targeting and enforcement of allocation principles of funding.





**Figure 2.8** County distribution of payments in the programming period (social cohesion). Source: KPMG (2017b, 454)

Table 2.7 shows that the proportion of aid flowing to the disadvantaged and most disadvantaged microregions is disproportionately low (7% and 3%, respectively) and that the amount of aid per capita is much lower than in nondisadvantaged microregions, to where the highly significant 71 percent of aid paid out went. The most disadvantaged microregions are home to 5 percent of the population, while only 3 percent of the subsidies went to such areas.

With regard to social redistribution subsidies, it is clear that, based on per capita calculations, the situation of people living in the most disadvantaged microregions to be assisted by the comprehensive program is given priority. Of all the microregional categories, this type has the highest amount of project grants per capita (HUF 45,677/person). However, only 19 percent of project funds went to areas in this situation.

In the field of developing the human capital of the most disadvantaged areas, the most popular application goal under this program was training supporting integration into the labor market. The primary goal of these projects for highly disadvantaged target groups was to achieve higher employment. However, when examining unemployment indicators, it is difficult to assess their actual impact because of problems with the Public Employment Act, which was renewed in 2011, and the 2013 extension of public employment. KPMG's analyses also confirm that the improvement in unemployment results in a given region is

**Table 2.7** Distribution of subsidies by microregions (social cohesion)

<i>Classification of microregion</i>	<i>Population distribution (%)</i>	<i>Distribution of aid paid out (%)</i>	<i>Aid paid out (HUF/person)</i>
A microregion with no disadvantage	69	71	23,541
Disadvantaged microregion	16	7	9931
Most disadvantaged microregion	5	3	14,182
Most disadvantaged microregion to be assisted by a comprehensive program	9	19	45,677

Source: authors' calculations, based on KPMG (2017b, 454)

presumably due to a greater extent to the public employment programs distributed in each microregion than to the EU funds used in the aforementioned form. Over the whole project period examined, the proportion of the unemployed in the eight nongeneral LHH areas decreased by 31.85 percent in the assisted LHH areas; however, the data show that, in the nonassisted LHH areas, it also decreased by 25.47 percent (39 out of 47 LHH areas received aid) (KPMG 2017b). Similar trends may be observed in the decline in long-term unemployment. The number of long-term unemployed fell by 51 percent during the payment period, but the public works program extended in 2013 is also to blame for the significant decline in this case, which also follows from the fact that LHH areas not receiving EU funding showed the biggest improvement in decreasing long-term unemployment. We may say that the previously mentioned integration training was sufficient for the long-term unemployed to find work in public employment.

In the 2007–2015 period, KPMG estimates that the GDP would have been 0.2 percent lower without financial resources for the “social cohesion” intervention area. Consumption would have been 0.2 percent less. This area of intervention had fundamentally scarce funds and covered extremely diverse, wide-ranging measures, but its primary goal was not achieving economic growth, but to achieve more equal social conditions, which in turn could be seen with a delay.

The distribution of projects among the counties (table 2.8) does not show that project-based redistribution would contribute to balancing territorial disadvantages. Budapest, the largest GDP producer, uses the most projects. The second and third ranked Hajdú-Bihar and Szabolcs-Szatmár-Bereg, respectively, and the fifth ranked Borsod-Abaúj-Zemplén could indicate that one of the key features of project-based redistribution is the reduction of territorial inequalities in terms of the number of projects, the low per capita GDP, and the total population. However, the most developed counties in a good position in terms of the number and volume of projects received are also there, which contradicts the principle of territorial equalization. The rest of the order does not show any guiding principle. However, the distribution of projects by type of settlement (table 2.9)

**Table 2.8** Number, amount, and order of projects based on GDP per capita and total population

<i>County</i>	<i>Number of projects</i>	<i>Amount (BHUF)</i>	<i>Order by GDP per capita</i>	<i>Order by total population</i>
Budapest	6822	3347	1	1
Hajdú-Bihar	5425	766.7	12	5
Szabolcs-Szatmár-Bereg	5362	717.1	19	4
Csongrád	4870	695.9	10	9
Borsod-Abaúj-Zemplén	6442	657.9	13	3
Pest	4288	540	7	2
Győr-Moson-Sopron	4052	508.4	2	7
Bács-Kiskun	4917	478.8	8	6
Somogy	3111	441.2	17	14
Baranya	4179	397.2	16	11
Fejér	3148	373.5	3	8
Békés	2900	366.2	18	12
Jász-Nagykun-Szolnok	2821	358	15	10
Heves	2961	332.2	14	15
Veszprém	3073	294.7	11	13
Zala	2658	236.2	6	17
Komárom-Esztergom	2146	227.5	4	16
Vas	2216	225.3	5	18
Tolna	2026	153.3	9	19
Nógrád	1688	139.2	20	20

Source: based on a database created from the data of [https://www.palyazat.gov.hu/tamogatott\\_projektkereso](https://www.palyazat.gov.hu/tamogatott_projektkereso)

**Table 2.9** Projects by settlements

<i>Type of settlement</i>	<i>Number of projects</i>	<i>Project amount (BHUF)</i>	<i>Amount per project (BHUF)</i>	<i>Project amount per inhabitant</i>
Village	13184	1383.4	104.9	0.61
Large village	2260	281.3	124.5	0.62
Town	26769	3071.0	114.7	0.98
County-level towns	1999	311.4	155.8	1.16
County seat	24071	2862.0	118.9	1.63
Capital city	6822	3346.9	490.6	1.94
Jointly	75105.00	11,256.2	149.9	1.13

Source: based on a database created from the data of [https://www.palyazat.gov.hu/tamogatott\\_projektkereso](https://www.palyazat.gov.hu/tamogatott_projektkereso)

**Table 2.10** Concentration of projects

<i>Number of projects</i>	<i>Number of successful tenders</i>	<i>Project amount (BHUF), March 2007–2017</i>	<i>Amount of aid per beneficiary (HUF), March 2008–2017</i>
1 project	35,767	2018.2	56,427,432
2 projects	6327	1202.6	190,078,973
3 to 5 projects	3906	1911.2	489,305,462
6 to 10 projects	742	1288.4	1,736,419,004
11 to 20 projects	164	889.8	5,426,185,229
21 to 50 projects	55	1872.3	34,043,556,387
51 to 99 projects	11	638.0	58,004,612,058
Above 100 projects	5	1435.4	287,080,443,757
Jointly	46977	11,256.2	239,612,206

Source: based on a database created from the data of [https://www.palyazat.gov.hu/tamogatott\\_projektkereso](https://www.palyazat.gov.hu/tamogatott_projektkereso)

makes it much clearer that project-based redistribution does not reduce but rather increases or fixes territorial and settlement disadvantages. Villages and large villages receive the least project funds compared to their total population.

To measure the concentration of projects, we aggregated the number of projects won by the names of the applicants (table 2.10). Of the 75,105 project winners, 11,210 beneficiaries received more than one project between March 2007 and March 2017. Seventy-one beneficiaries received 35 percent of the total project amount. The 5 beneficiaries that received more than 100 projects received a total of 1,435 project resources, each averaging HUF 287 billion, indicating a highly concentrated use of project resources, even if we know that these are large organizations, which themselves involve additional organizations in project implementation.

The redistribution of project resources follows the settlement slope: the winners are very strongly the big towns. The positive discrimination of the more disadvantaged areas cannot be deduced from the project data examined according to the counties either, which follows more or less the population. The redistribution of project funds rather fixes the existing conditions and inequalities.

## Recombinant Redistribution

Recombinant redistribution differs from welfare and project-based redistribution in that its application is clearly linked to maintaining or increasing economic and political power (Geró and Kovách 2015). Its aim is of a purely political nature: there is no direct impact on inequalities and economic stimulus. It reconfigures ownership relations and access to developmental resources and other entitlements in a way that has no economic or ideological justification. None of the restructuring that takes place through recombinant redistribution

would have taken place without such redistribution of property. The decisive consequence is a significant concentration of wealth, which does not increase the performance of the economy. The political consequence is the wealth-strengthening of those in power and their clientele, and the expansion of their power networks (Csanádi, chapter 1; Laki, chapter 4; and Tóth and Hajdu, chapter 3 in this volume). The polarization of wealth obviously tends to deepen social inequalities and, in conjunction with the means of power, conserves large differences in status and opportunities. The redistribution of control over property and development resources does not produce new economic or social qualities or values but, because of its extent and stability, it is a structural factor in social reproduction. One form of recombinant redistribution is to politically influence the legitimate systems of wealth and resource allocation and the institutions of democratic origin, or accepted as such, that control them. Welfare and project-based redistribution serve the goals of recombinant redistribution without particular difficulties and obstacles. The use of project-based redistribution for “political purposes” is one way for political coordination to infiltrate all, at least institutional, segments of society (see Csanádi, chapter 1 in this volume).

The primary problems in the examination of welfare and project-based redistribution are the lack of data, the sporadic nature of information, the wide variety of sources, and the contradictions of different calculations. This type of redistribution is usually attempted to be hidden by those in power and operated through the legitimate systems of the other two modes of redistribution, which are also accepted by the political opposition and the public. As a consequence, comprehensive data are not (and cannot be) available on the scope and amount of recombinant redistribution. Therefore, we try to show what the process of recombinant redistribution may be, based on the available literature.

The task is complicated by the fact that the techniques by which recombinant redistribution is organized usually coincide with or are similar to those described in the corruption literature. At the same time, while the goal of corruption is usually to gain material and economic advantage, the goal of recombinant redistribution is to consolidate government power by rearranging assets and access rights. Thus, it is fundamentally different from the systemic version of corruption, state capture, when the state is captured by economic actors, because while this is dictated by economic actors, recombinant redistribution is a function of governmental and political power (Kornai 2015a). The fundamental difference between corruption and recombinant redistribution is legitimacy: corruption is illegitimate, while systems that allow recombinant redistribution are accepted as legitimate by the vast majority of social actors.

In this sense, there has been a change in perceptions of state-level corruption in recent years. According to earlier research, the efforts of political actors to outsource public property led to the intertwining of the concepts of corruption and politics by the mid-1990s. In addition, corruption affecting both state and political actors seemed to be a growing problem in public perception. According to Vásárhelyi (1998), despite this, corruption was treated with great caution by

both political actors and the press, and did not play a significant role in either the election campaign or public issues. By the 2010s, corruption was clearly on the public agenda: On the one hand, in the second half of the 2000s and after 2010, nongovernmental organizations (NGOs) and investigative portals were to be set up with a specific focus on corruption, and the government itself “launched” a fight against corruption, at least at the level of political communication.

Thus, it is not surprising that corruption has been one of the most important problems in recent years in surveys examining it. According to the Global Corruption Barometer, in 2016, 28 percent of the Hungarian adult population thought that corruption was a significant problem that the government should address. The issues of immigration, crime, and the economy were similarly considered, and only the problems of health and unemployment were considered to be important by significantly more people (67% and 46%, respectively) (Burai-Mucsi 2016). Similarly, a survey conducted in 2017 and 2018 showed that state-level corruption was considered a significant threat by a relatively high proportion of respondents (49 percent in 2017 and 40 percent in 2018) (Gerő and Mikola 2020).

However, a deeper analysis also showed that while ordinary corruption is unanimously less accepted by Hungarians, the perception of state-level corruption as a threat is clearly influenced by party sympathy. While the proportion of opposition voters among those marking corruption as the most significant threat exceeded 50 percent in 2017 and 2018 (in fact, it almost reached two-thirds in 2017), this proportion was 30 and 20 percent, respectively, among government party respondents in these two years (Gerő and Mikola 2020).

All this suggests that although corruption is no longer treated as a taboo by institutions of the public sphere and has become part of the political struggle, the issue has become significantly politicized and linked to the perception of the political regime. Thus, the perception of the cases raised by the media and non-governmental organizations clearly point to the construction of a clientele close to the state (see examples later), also changes accordingly: while some perceive it as signs of corruption and redistribution of state property, others see it as a process of building a domestic layer of entrepreneurs. Whichever position is close to our own perception, it is undeniable that recombinant redistribution has become one of the defining elements of the Hungarian redistribution system in recent years. The tendency for state or government actors to extend control over resources is presumably observable in all political systems. At the same time, in Hungary we may observe not only a dispersed case, but also elements that form a system. This system consists of the following elements:

- Centralization of the control of public funds and the decision-making system, weakening of transparency.
- Nationalization, or the transfer of sectors, significant companies, and groups of companies that went to private hands since the change of regime back to state management.

- Rearrangement of different markets by administrative means for the benefit of certain actors close to the government.
- “Seizing” and channeling nongovernmental resources under government control.
- At the same time, markets may be reorganized over and over again and new players may be put in position.
- Use of welfare and project-based systems of resource allocation.
- Creating social stabilization through political integration and freezing the structure of social inequalities.

The eminent case of obtaining control of public funds is the Norwegian Civil Fund (NCTA) affair. The establishment of the Norwegian Funds was a condition for Norway’s participation in the European Economic Area as a non-EU member state. The Norwegian Funds pursue similar objectives to the European Structural Funds and the largest share is allocated in a similar way via a national authority. However, within the Norwegian Funds, a pilot program, called the Norwegian Civil Support Fund, has been in existence since 2006. Part of the funds are distributed to NGOs through civil grant managers. Until 2014, the NCTA operated without disturbance. In Hungary, the grant manager was a consortium of the Ökotárs Foundation, the Autonómia Foundation, and the DEMNET Foundation. In April 2014, the Hungarian government complained to the Norwegian government that the subsidies were managed by an organization close to the opposition party (Torma 2016). Since then, critical government statements and attacks against NCTA management organizations have become ongoing. The focus of the criticism was that the money distributed by the NCTA was public money, and therefore the Hungarian state should take responsibility for its proper and transparent use. As a result, the Government Audit Office carried out an audit and seized the documents related to the grants. The criticisms made by the government eventually proved to be untrue; independent audits by the government and the Norwegian state revealed no irregularities, and the government was ultimately forced to guarantee that it would leave alone the civilians who were managing and winning the aid. At the same time, it was also part of the agreement to select NGOs to manage the grant in consultation with the Prime Minister’s Office in the next subsidy cycle. Eventually, the NCTA case came to an end and was closed, and it became smaller both in volume and as an institution than the municipal one, which continues to this day.

Although recombinant redistribution was present throughout the post-1990 period, the centralization of the disposition over the redistribution of public funds is perhaps best illustrated by the reversal of municipal decentralization after 2010. The change of regime has brought about a significant decentralization of decision-making and the operation of public services. In many respects (for example, in the fields of school maintenance, public utilities), the role of the local government has become primary (Hegedüs and Péteri 2015; Velkey 2017; Pálné 2019). The change of power in 2010 brought a significant rearrangement to this:



public services were transferred to government offices directly dependent on ministers, and public education and healthcare institutions were also removed from municipal competence. The powers of the mayors were reduced, and at the same time the budgets of the municipalities could be reduced. While after 1990 the local government budget was 12–13 percent of the GDP every year, by 2014 it had fallen to less than 8 percent of the GDP, making Hungary one of the least decentralized countries in Europe (Hegedüs and Péteri 2015). As a result of this process, development processes have also been centralized, and local governments have lost their former independence (Pálné 2019). Another stage in this process is the removal of construction powers from local governments in 2019, the budgetization of vehicle tax revenues for 2020 under the state of emergency declared during the 2020 coronavirus epidemic (Halmai and Schepelle 2020), and its rollover to the 2021 budget. At the same time, at the time of the emergency, the government allowed the establishment of so-called special economic zones, the utilization of which may be provided by county local governments, largely controlled by Fidesz, rather than local governments. In the second month of the emergency, the government were able to perpetuate in ordinary law the way special zones are created.

Centralization was accompanied by two trends: deterioration of transparency and the legal system, and nationalization. It is clearly advantageous to conceal redistribution for political purposes if the related transactions are not visible. A study conducted in 2013 examining the transparency of state-owned companies has already pointed out that the performance of state-owned companies is polarized, at least in this regard, that is there are transparent and nontransparent companies. However, the majority of state-owned companies belong to the latter group (Makó and Tóth 2014). However, in addition to the operation of state-owned companies, the Hungarian legal system has also changed in the direction of decreasing transparency (Ligeti 2016; Bogaards 2018; Neuwahl-Kovács 2020).

In his studies, Péter Mihályi (2016, 2018) lists the areas in which nationalization took place between 2010 and 2017. They are mostly referred to as “renationalization,” as these are sectors that went into private hands in the post-transition period. These include strategic sectors such as the energy industry, but there has also been significant nationalization in the banking sector, telecommunications, information technology, manufacturing, and agriculture. Overall, Mihályi estimates the value of nationalized assets at 1.1 percent of the GDP. At the same time, Mihályi (2015) argues that the new nationalization is made possible by the fact that in the last 300 years of Hungarian history there have been regular waves of nationalization or rearrangement of public property, mostly in the name of progress and modernization, that is, it belongs to the “normal,” established operation of the state.

This is already leading us to the rearrangement of the markets by administrative means. Nationalization, as Mihályi (2015) writes, always means retroactive legislation and thus undermines fundamental legal certainty, but at least the predictability of state institutions. In the post-2010 period, however, it has

actually become systemic for the government to adopt regulations that reorganize a given market for the benefit of a single player or a selected group of players. Of course, this can only be imagined if the given regulation significantly discriminates or excludes other players from the given market. According to Mihályi (2016), similar discriminatory regulations were already in place in the 2002–2010 period; however, according to Kornai (2015a), all this became systematic after 2010. Such regulations have been adopted for the private pension system (Kornai 2015a), the tobacco sales market—the so-called tobacco shop market (Laki 2015), the land ownership system (Kovách 2016), the food voucher market, the energy sector, the gambling market, and also regarding the market for public utility services (Mihályi 2016). In addition, the government is practically nationalizing the textbook market (Mihályi 2018) and is making significant efforts to increase central state influence in cultural institutions.

Mihályi (2015) presents a wide range of administrative tools: various special taxes, land acquisition restrictions, official price regulation, or temporary bans on certain activities (e.g., placing advertisements on certain surfaces, banning online gambling), all point in the direction of making the position of nonfavored players more difficult and forcing them to withdraw from the market or sell their company. It is variable whether these companies are bought by the state and passed on later, or become the property of the selected company immediately.

The fact that this is not a state of “state capture” indicates that the influence of different interest groups is not stable. Laki (2015), in connection with the Tobacco Shop Act, and Mihályi (2016) and Kornai (2015a) in general indicate that both stakeholders and friends and relatives of decision-makers can have a say in the regulations of a given market. However, several cases demonstrate that the decision is made at the political level. After 2014, for example, the advertising and media market underwent a significant reorganization due to the public quarrel between the prime minister and Lajos Simicska, an entrepreneur known as the financial guru of the ruling party. The “flagship” of pro-government newspapers, *Magyar Nemzet*, has been replaced by a newly created newspaper, *Magyar Idők*; one of the largest commercial television channels, TV2, was transferred into the hands of pro-government entrepreneurs; and there were huge changes in the market for free newspapers—*Metro*, in the interest sphere of Simicska, was replaced by *Lokál*, owned by Árpád Habony. The situation of Zoltán Spéder, who became one of the owners of the Hungarian Commercial Bank nationalized by the state in 2014, changed similarly; he was pushed out of the money market and other areas after coming into conflict with the government. By the second half of the 2010s, the authors writing about corruption also consider the distribution processes dominated by political actors in the Hungarian case (Fazekas and Tóth 2016; Martin et al. 2018; Csanádi, chapter 1). The so-called Black Paper, which covers corruption cases from 2010 to 2018, also registers both municipal and national cases (a total of 106 cases of different volumes), that is, by 2018, the redistribution dominated by political actors appears to be present at

all decision-making levels (see Martin et al. 2018), and has become systemic in all subspheres due to politics-induced diffusion processes (Csanádi, chapter 1 in this volume).

The mechanisms described so far meet up in the public procurement system. Public procurement means a kind of general framework for spending public money. According to the Organization for Economic Cooperation and Development (OECD) definition, public procurement systems aim to ensure that states procure various goods and services efficiently, in high quality, and keeping in mind the public interest. It therefore exists not only in Hungary, but in many countries around the world. The countries of the European Union have spent on average 13.1 percent of the national GDP, and in total 13.8 percent of the EU GDP, on services and goods that can be procured through public procurement procedures (EC 2016). In the case of Hungary, this proportion increased from 13.2 percent to 14.7 percent between 2012 and 2015, an increase of around €2 billion, from €13.1 billion to €15.2 billion (EC 2016, 7–8).

Contrary to their objectives, public procurement procedures may also carry significant corruption risks (Tóth and Hajdu 2016). Examining the data on public procurement in Hungary between 2009 and 2015, Miklós Hajdu and István János Tóth presented that the corruption risks affecting public procurement have significantly increased. It is about 12.3 BHUF of public money spent during the six years under review. Corruption risks in public procurement were judged mainly on the basis of competitiveness indicators (price competition, number of bidders, and transparency of the procedure), and it was concluded that corruption risks are significant in Hungary compared to both Central Europe and the wider European environment: in roughly one-third of the procedures only the winner submitted a tender and the transparency of the procedures deteriorated. Recent data indicate that this trend has continued and that the proportion of public contracts awarded in a noncompete situation has risen to a higher level during the coronavirus epidemic period (CRCB 2020).

The staff of the Corruption Research Centre Budapest has also shown the chances that companies belonging to the prime minister's circle of friends may have in public procurement. Not only did they find that such firms had a relatively high share of public procurement, but also that the 2010 change of government meant a clear increase in chances. Examining the chances of Simicska-owned and other companies, they came to the conclusion that the share of their public procurement began to decrease around the time of the conflict between the owner of Közgépipari and the prime minister. At the same time, the number and value of public procurement won by Mészáros–Garancsi–Tiborcz–Habony companies increased as a kind of replacement trend (CRCB 2017).

The preceding are merely simple illustrations of how public redistribution can go beyond the world of collecting and allocating taxes and contributions, or distributing project money. Although the aforementioned examples come from recent years, it is important to emphasize that the issues of state institutions, regulations, redistribution, and market regulation are tools of the exercise

of power in each regime, only with different emphases. The extent to which recombinant redistribution occurs may depend on the form of organizational structures, political culture, and social networks, and the role of deeper historical-structural correlations may be significant (see Gerő and Kovách 2015).

## Conclusions

The relationship between redistribution and social integration, the topic of our study, is one of the pivotal issues of research on integration and disintegration. Systems that determine the order of social reproduction, and the way and extent of access to resources for individuals and households are mechanisms that influence the basic structure of social integration.

A novelty of the analysis is the application of the concepts of project-based and recombinant redistribution in addition to welfare redistribution. Extending the conceptual description of redistribution with the two new redistribution principles and systems allows for a much more nuanced and accurate analysis.

The outcome of this chapter was the collection and organized presentation of the data of the three redistribution systems, which was a significant research task due to the difficulties of accessing the resources and the sometimes complete lack of analyses. There have even been written studies on the analysis of welfare redistribution as a system, although a significant part of them have researched a subfield rather than the system as a whole. Using an expert study and a self-edited project database, this work was the first to report the basic data of project-based redistribution, to the best of our knowledge (2017). In the case of recombinant redistribution, there are not even estimates of its magnitude, but the presentation of the elements of becoming part of the structural system is an important research result.

Regarding the volume and extent of redistribution, this study provides more accurate data than ever before, on the basis of which we can have much more well-founded concepts of redistribution systems and their consequences for social integration. Redistribution within the economy has declined significantly since 1990, but in the year before the EU accession it reached a third of the level seen in the second half of the 1980s. The size of project-based redistribution has been steadily increasing since the start of EU membership, and the proportion of project amount to GDP in 2016 was 60 percent of the redistribution within the economy in the last socialist years. Based on the volume of the measured data on redistribution, we can rightly consider the Hungarian economy as a kind of market-redistributive system, in which the reduction of social inequalities is only one of the functions of redistribution, and it does not perform very well. A functioning triple system of redistribution gives politics an influence close to that of totalitarian regimes, because triple redistribution interweaves the economy and social governance as a whole and gives politics decision-making power in the areas of resource use, market power, and property redistribution, which is, with the exception of totalitarian regimes, unprecedented.

The study also shows that at least three-quarters of households receive redistribution income and benefits, and that groups formed on the basis of access to resources represent significant social differences. It is important to emphasize at this point that individual or household income from project sources is immeasurable. The results of our research may open new areas in both the stratification of society and research into integration/disintegration.

## CRONYISM IN THE ORBÁN REGIME

### An Empirical Analysis of Public Tenders, 2005–2021

*ISTVÁN JÁNOS TÓTH AND MIKLÓS HAJDU*

#### **Introduction**

This chapter analyzes political favoritism and systemic corruption in Hungary during Viktor Orbán's regime.<sup>1</sup> Our research questions focus on whether businesspeople who have a direct or indirect relationship with Viktor Orbán or members of his government enjoy an advantage in the competition for public contracts. We consider it an "advantage" if companies with direct or indirect political connections regularly win tenders with a high risk of corruption or a low competition level. Thus, they win tenders where they face less control of corruption and less competition. In this case, it means that politically connected or crony companies have not succeeded through market competition and following the rule of law, but, on the contrary, through breaches of market competition rules and the rule of law. We can interpret such results as an obvious sign of the existence of a crony system in Hungary. In addition to answering questions about the Hungarian situation, the impact of the Orbán regime on the allocation of state expenditures can serve as an essential lesson for any country where market competition norms seem to be violated and where the development of a crony system threatens.

Our study's novelty stems from the specificity of the analyzed topic: the chance of systemic appearance of political favoritism has been most clearly observed in developing countries so far. Therefore, this topic has mostly been the subject of studies in these countries. One of the peculiarities of the recent Hungarian development is that such a system was not established in a developing country in Latin America, Africa, or Asia, but in a European country and even a member state of the European Union (EU). This peculiarity is further enhanced by the fact that the public procurement system with high corruption

1 This research is part of the CRCB's research program on analyzing corruption risk in Hungarian public tenders. The research was made possible by the help of Hungarian citizens and companies. The public procurement database building was partially financed by the Hungarian National Scientific Fund (K116860). We are grateful to colleagues with whom we could discuss and improve our analysis: Maria Csanádi, Gábor Kertesi, József Köbli, Maria Lackó, Mihály Laki, György Molnár, Gábor Obláth, Éva Palócz, and Gábor Tóka.

risk was built through EU subsidies (Fazekas et al. 2013; Fazekas and Tóth 2017; Tóth and Hajdu 2016; Hajdu and Tóth 2017a).

In the study we analyze the indicators of corruption risk and intensity of competition of public procurement contracts based on the data of about 242,000 public procurement contracts signed from 2005 to 2021. We compare the indicators of corruption risk and intensity of competition in two groups of companies: companies owned by entrepreneurs connected directly or indirectly to Viktor Orbán and some members of his government, in other words, the potential crony companies; and ordinary Hungarian companies without such direct or indirect political connections.

Our results show that companies owned by entrepreneurs with direct or indirect political ties did gain an advantage in the competition for public procurement contracts during the Orbán regime, between 2011 and 2021. The results show clear signs of the existence of systemic political favoritism in Hungary. The risk of corruption is higher in the public contracts won by the crony companies. Hungarian public institutions awarding public tenders exercise weaker control of corruption and are more lenient when the crony companies are the winners than in the public tenders won by ordinary Hungarian companies without direct or indirect political connections to Viktor Orbán and some government members. In addition, crony firms systematically face weaker competition in the public procurement market. When they win, the intensity of competition is lower than in the case of public procurement won by ordinary Hungarian companies without direct or indirect political ties. Thus, in the case of public procurement, personal connections, kinship, and direct or indirect relations with Viktor Orbán and some members of his government matter and contribute to companies' success. These results are interpreted as evidence of the existence of a crony system in Hungary.

In the first section of the study, we summarize the related literature on political favoritism, politically connected firms, and crony systems. We present the novelty of our study compared to the methods used in earlier studies. The second section will deal with the database used and present the indicators and trends between 2005 and 2021. In the third section we present the analyzed indicators' descriptive statistics, showing the differences between the periods before and during the Orbán regime. In the fourth section, we describe our models for estimations, run logit and ordinary least squares (OLS) estimations, and present the estimation results, and finally, we summarize our conclusions based on the obtained results.

## Literature

A great deal of work has been done since the early 2000s to study the impact of political connections on firms' output, productivity, financial performance, market value, and their access to finances (Trinugroho 2017; Diwan et al. 2020). The first analyses on this topic were the pioneering works of Fisman (2001) and Agrawal and Knoebel (2001), followed by Hillman (2005) and Faccio (2006). This literature primarily analyzed data from countries in Africa, Latin America, and



Southeast Asia (see, e.g., Fisman 2001; Khwaja and Mian 2005; Fan et al. 2007; Claessens et al. 2008; Malesky and Taussig 2009; Bandeira-de-Mello and Marcon 2011; Bencheikh and Taktak 2017; Saeed et al. 2019; Diwan et al. 2020). However, there have also been studies on American (Lester et al. 2008; Goldman et al. 2013; Houston et al. 2014; Kang and Zhang 2017), Italian (Gagliarducci and Coviello 2010; Asquer and Calderoni 2011; Pellegrini and Pellegrini 2012), and German cases (Niessen and Ruenzi 2010) as well. Other studies have analyzed the impact of political connections on firm performance and firm behavior in a comparative context, based on data from several countries (Agrawal and Knoebel 2001; Faccio 2006, 2010; Boubakri et al. 2008, 2012; Saeed et al. 2015). In China, many empirical studies have emerged on the general impact of political connections (Li et al. 2006; Li and Zhang 2007; Fan, Wong, and Zhang 2007; Du and Girma 2010; Wu et al. 2012). Among the post-communist countries, Lithuanian (Dombrovsky 2008) and Polish (Hasan et al. 2017) data have been analyzed. The role of political connections on public tenders' distribution, however, has been investigated in only one study and that was based on American data (Goldman et al. 2013).

Most of the literature on a firm's political connections examines listed companies and measures the existence of political connections by meeting formal criteria: (1) whether there are former politicians or practicing politicians among the members of the board of directors or supervisory board of firms; or (2) whether there are politicians among the company owners. In contrast, Fisman (2001) defines the existence and strength of political connections based on expert subjective evaluation, taking into account the existence of direct kinship relationships.

We follow a new and different path in our analysis. First, with few exceptions, we examine unlisted companies since the number of listed companies is negligible amongst the winners of public contracts in Hungary.<sup>2</sup> Second, our study focuses not only on how many slices from the public procurement cake politically connected firms get but also how their slices grow over time (Goldman et al. 2013). Our study's novelty is that we analyze the intensity of competition and the level of corruption risk of tenders won by politically connected and unconnected companies. Third, we look at direct or indirect political connections differently than most of the literature so far. We do not consider the formal criteria of a relatively weaker link (whether at least one member of the board of directors/supervisory board of the company is now a politician or has been a politician in the past). Rather, the political connections we consider are the obvious direct or indirect ties, friendships, and kinship with government members that have been well documented by a multitude of empirical evidence. To this end, we selected 12 entrepreneurs ("the lucky dozen") with direct or indirect links to Viktor Orbán or to the members of his government who have won public contracts in the Hungarian public procurement market after 2010. The group

2 Only 0.6 percent of the 242,183 public procurement contracts awarded between 2005 and 2021 were won by listed companies in Hungary.

of these 12 entrepreneurs, directly or indirectly connected to Viktor Orbán and some government members, is called the *MGTS+ group* after the names of the most important actors. The history of their relations with political actors is described in annex 3.1 and 3.2.<sup>3</sup>

Studies dealing with “crony capitalism,” “the crony system” as part of the analysis of “state capture” (Rijkers et al. 2014; Rijkers et al. 2017; Nucifora et al. 2015), and studies analyzing the impact of political connections as the manifestation of the crony system (Diwan et al. 2019, 2020) are closer to our approach. In a crony system, the personal and kinship links of owners of a particular group of firms with the political leaders (prime minister, head of state, etc.) significantly affect the economic success of these firms through various government policies (Haber 2002; Krueger 2002; Kang 2002; Aligica and Tarko 2014; Diwan et al. 2019). The crony system can be seen as institutionalized or systemic corruption, as analyzed by Rose-Ackerman (1999), Lambsdorff (2007), and Pei (2017). A particular case of the crony system is when the country’s resources are no longer distributed to the cronies selected by the political leader, but instead, the political leaders, their fronts, and their families are the beneficiaries. In that case, government measures aim not primarily to increase the well-being of the cronies but also the political leader and his family. In this latter case, the state becomes kleptocratic, and such a system is called a kleptocracy (Rose-Ackerman 1999; Åslund 2019).

The studies examining the Orbán regime have pointed out that in this system, political loyalty and personal relations with Viktor Orbán are an essential factor in the growth of enterprises with such political connections (Kornai 2015, 2016; Magyar 2016; Magyar és Vásárhelyi 2017; Magyar and Madlovics 2021; Bozóki 2012; see also Laki, chapter 4, and Csanádi, chapter 1 in this book). Several government measures can ensure crony companies’ success and economic growth in a crony system; for example, tailor-made laws, market regulation that favors the crony companies, selection in the granting of state subsidies and foreign aid, access to preferential credit through state-owned banks, discriminatory application of competition rules and procedures by the competition authority, and exceptions in environmental issues (Haber 2002; Kang 2002; Gürakar and Bircan 2016; Pei 2017; Rijkers et al. 2017; Diwan 2019). There are numerous examples of government policies favoring cronies in Hungary (CRCB 2015; Laki 2015; Magyar 2016; Magyar and Madlovics 2021; Tóth and Hajdu 2021; Csanádi, chapter 1, and Laki, chapter 4 in this book). Hungarian empirical evidence suggests that political favoritism exists regarding the relationship between the municipalities and government: settlements led by the governing parties tend

3 The name MGTS+ is an acronym and reflects the first letters of the family names of Lőrinc Mészáros, István Garancsi, István Tiborcz, and Lajos Simicska. To this group of men we have added a number of other entrepreneurs close to Fidesz leaders or close to friends of Viktor Orbán. See the section titled “The Lucky Dozen” in annex 3.1.

to be more successful on the tenders related to the European Union's Structural and Cohesion Funds (Muraközi and Telegdy 2015).

The functioning of cronyism was mostly analyzed based on examples from Africa, Asia, and South America (Harm and Charap 1999; Haber 2002; Kang 2002; Mazumdar 2008; Rijkers et al. 2014). For instance, the analyses of degree of regulation and the firms' performance point out that the crony companies in Tunisia (the companies of the Ben Ali clan) took advantage of tight regulation of entry to the sector that restricted market competition in that sector (Rijkers et al. 2014). A similar phenomenon could be seen in Egypt under the Mubarak regime where the politically connected companies tended to benefit from trade protection, energy subsidies, access to land, and regulatory enforcement (Diwan et al. 2020). Such advantages result in higher profits of the favored firms but in the meantime, they also hurt the normal operation of the sectors where crony companies entered. The social costs of crony systems are significant. The crony systems undermine the integrity of public institutions, violate the rule of law, and weaken property rights (Haber 2002). It is no accident that countries in the Middle East and North Africa experienced uprisings referred as the Arab Spring aiming to abolish crony systems established by the ruling regimes among other issues (Nucifora et al. 2015).

Public procurement is commonly used to channel the transfer of public funds to family members and/or cronies. There are several empirical studies investigating how public money is channeled to preferred companies through public procurement. Companies with members on their board with connections to the ruling party in the USA tend to experience growth in government procurement contracts (Goldman et al. 2013). It is also revealed that politically connected firms are more likely to win public procurement contracts than the ordinary ones and they also receive larger contracts with longer durations (Brogaard et al. 2015; Tóth and Hajdu 2021). Similar findings can be formulated regarding South Korea, where politicians may allocate public resources to private firms led by people in their social networks through state-owned firms with managers belonging to the same group (Schoenherr 2019). It is also observed that tenders won by politically connected companies are executed systematically worse, and the cost increases after winning a contract are also more frequent in such cases. Banning the political donations of companies in Lithuania resulted in decreasing differences between the donor and non-donor firms in their performance on the public procurement, indicating the existence of political favoritism before the change of the regulation (Baltrunaite 2016). Russian firms receiving public procurement contracts are also more prone to participate in illegal tunneling around elections than ordinary companies, and it was also observed that the managerial skills useful in running a firm efficiently do not help win procurement contracts in corrupt environments; however, political capital that helps win public tenders is not beneficial in running firms economically, so in more corrupt environments the public money is channeled to unproductive firms (Mironov and Zhuravskaya 2016). Brazilian companies specializing in public

projects can also expect a substantial increase in contracts when they donate to a candidate of a certain party and that candidate wins office (Boas et al. 2014). The case of Paraguay demonstrates that after the change of the regime in 2008 the rent-seeking entrepreneurial incentives were preserved, as the public institutions trying to shift to the market economy were constrained by the scarcity of companies able to replace the firms connected to the previous government (Straub 2015).

In addition, public procurement is an important channel in favoring companies with a good relationship with political leaders because this policy is relatively easy to implement in case of public tenders. Public procurement and, in particular, major infrastructure projects are indeed an excellent field for political corruption or grand corruption (Rose-Ackerman 1999; Lambsdorff 2007; Flyvbjerg and Molloy 2011; Piga 2011; Straub 2015; Rose-Ackerman and Lagunes 2015). These projects are typically complex, long term, and require the use of unique technologies where the market price is difficult to determine because of its complexity, nonstandard technology, and long planning horizon (Flyvbjerg and Molloy 2011). These characteristics then increase the risk of corruption in these projects. The larger the volume of these projects, the more risk there is of corruption.

Political connections, however, can be advantageous for companies not only in having more successes on public procurement tenders but also in the extortion of favorable court interactions and regulation (Hansen et al. 2005). Executives of firms may also benefit from political investments, like donations for campaigns, to be able to affect politics or policies (Gordon et al. 2007). Active waste of public funds can be also in line with interests of public decision-makers (Bandiera et al. 2009), as such transfers can be used for increasing the chances on the elections (Weingast et al. 1981).

We are going to discuss cronyism through the case of Hungary, which is an example of modern authoritarian systems (Guriev and Treisman 2015). Such regimes pretend to be democratic by holding elections but influence the results, allowing the private press to work but corrupting the media, and also they tend to follow and spread an anti-Western creed. An important tool of the new totalitarian leaders is the propaganda they use to convince citizens of their competences to govern. These leaders rely more on manipulating the beliefs about the world instead terrorizing victims.

## Data and Indicators

The data for this chapter comes from the Hungarian public procurement database built by the Corruption Research Center Budapest (CRCB). The contract level data were downloaded from the Hungarian Procurement Authority's (Közbeszerzési Hatóság) webpage (<https://www.kozbeszerzes.hu/>). The database contains the data of 242,183 public procurement contracts from January 2005 to December 2021 (see table 3.1). During the analysis, we only took into consideration contracts without framework agreements.

**Table 3.1** The number of contracts and their aggregated net value in the data set used, from 2005 to 2021

<i>Year</i>	<i>Total number of contracts</i>	<i>Total net contract value (billion forints)</i>
2005	3,737	831.94
2006	5,611	1,100.26
2007	4,215	984.70
2008	9,427	1,579.21
2009	16,416	2,461.03
2010	20,266	1,693.09
2011	13,418	616.88
2012	12,983	1,404.95
2013	19,879	2,161.18
2014	20,738	1,750.67
2015	20,101	1,529.17
2016	14,721	1,803.77
2017	14,286	3,034.48
2018	19,877	2,734.92
2019	17,217	2,793.43
2020	14,308	2,892.83
2021	1,4983	3,014.07
Total	242,183	32,386.57

Source: CRCB

We divided the relevant time period into two parts, separating the eras before and after Viktor Orbán came to power in 2010. The binary variable *ORBAN* [0,1] identifies the period a contract belongs to.

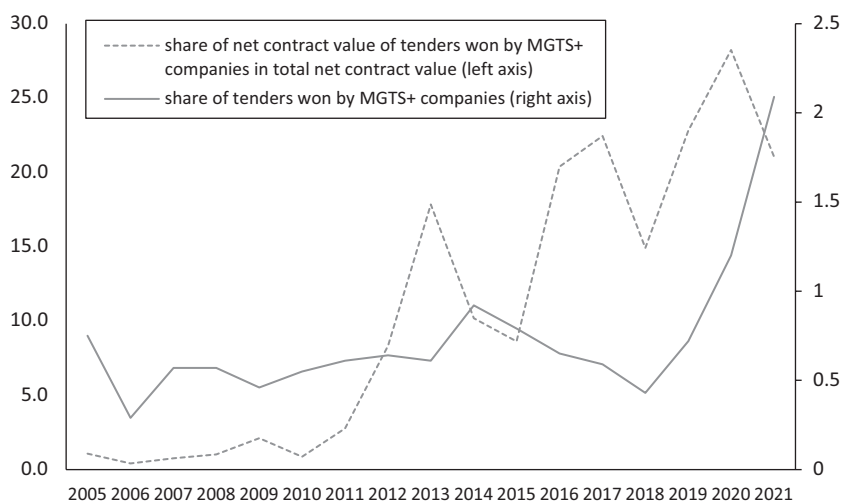
*ORBAN* = 0, if the contract was arranged from 2005 to 2010.  
= 1, if the contract was arranged after 2011.<sup>4</sup>

In addition, we also take into consideration whether a contract was awarded to a company in which owner of the company has a direct or indirect connection to Viktor Orbán or one of the members of Orbán's government by using the binary variable *MGTS+* [0,1] to identify the companies with direct or indirect political connections.

<sup>4</sup> The government of Viktor Orbán was elected by the Hungarian parliament on May 29, 2010. However, in 2010 many of the public procurement tenders initiated by the preceding government were executed. Consequently, we decided to separate the two eras at the beginning of 2011.

MGTS+ = 0, if there were no directly or indirectly connected companies among the winners of a contract.  
 = 1, if there were directly or indirectly connected companies among the winners of a contract.

Figure 3.1 shows how the share of MGTS+ companies (see annex 3.2) changed from 2005 to 2021. From 2005 to 2010 MGTS+ companies won only 1 percent of the total net contract value of public tenders in Hungary, while after 2011, their share hit 19 percent. It is clear from these figures that before the Orbán regime, the role of MGTS+ companies was negligible in the total net contract value won. However, after Orbán came to power, the share of contracts won increased year by year, with the exception of the downturn of 2014–2015 resulting from the Simicska–Orbán rupture in February 2015.<sup>5</sup>



**Figure 3.1** Share of contracts won by MGTS+ companies in all contracts and share of net contract value of contracts won by MGTS+ companies in total net contract value, from 2005 to 2021,  $N = 242,183$

<sup>5</sup> Lajos Simicska and Viktor Orbán became friends during secondary school and were roommates during their university years. In the mid-nineties, Simicska became the first treasurer of the Fidesz party and began to acquire advertising and media companies. In 2014, after Fidesz won the elections and formed government for the third time, the relationship between Orbán and Simicska turned hostile. The exact reasons for the “breakup” are still unknown; however, the deep embeddedness of Simicska into the state structure may have prevented Orbán from extending his political control. Simicska claimed that the PM’s Russia-friendly gestures led to their breakup—even though a few years earlier he also had meetings with officials in the Russian secret service. Their rift reached its peak on “G-day” (February 6, 2015), after Orbán introduced a new 5 percent advertisement tax rate, affecting the businessman’s media companies. On that day, Simicska repeatedly called Orbán “geci” in several interviews—the word translates to “sperm”

Previous empirical analyses have shown that EU-funded projects had higher corruption risk than domestically founded ones in Hungary before 2015 (Fazekas et al. 2013; Fazekas and Tóth 2017; Tóth and Hajdu 2017b). This relationship changed recently after the first discovery of anomalies in EU-funded public tenders and subsequent OLAF (the European Anti-Fraud Office) investigations.<sup>6</sup> Since 2016, the corruption risk has been lower and the intensity of competition in EU-funded projects has been higher than in tenders financed by Hungarian taxpayers. Therefore, it is worth differentiating between the EU-funded and domestically funded projects, and analyzing their corruption risk and intensity of competition separately. For achieving this task, we employed an indicator, *EU*, with this information, and coded it as follows:

*EU* = 0, if the tender was domestically funded.  
 = 1, if the tender was EU-funded.

Figure 3.2 shows that the European Union has played a crucial role in financing Hungarian public procurement since 2007. In Hungary, the share of EU funds in the total net value of public contracts was 42 percent in 2008, 68 percent in 2009, 74 percent in 2010, and varied from 24 to 49 percent between 2011 and 2021. This underlines the fact that it is essential to consider the impact of EU funding on corruption risk and intensity of competition in Hungarian public tenders.

We use four indicators to investigate the intensity of competition and the corruption risk of tenders. The first indicator refers to competition: it presents single-bidder contracts, which is an essential indicator of corruption risk or, in other words, of the conditions facilitating corruption. The World Bank and EU Commission consider the occurrence of a single bidder in public procurement as a red flag (The World Bank 2018; EU Commission 2012, 2017, 2020a, b). In addition, several studies have analyzed the share of contracts with a single bidder as an objective indicator of corruption risk (Gagliarducci and Coviello 2010; Fazekas et al. 2013, 2016; Tóth and Hajdu 2016).

For measuring the prevalence of single-bidder contracts, we use an indicator called “single bidder” (*SB*) using the following rule:

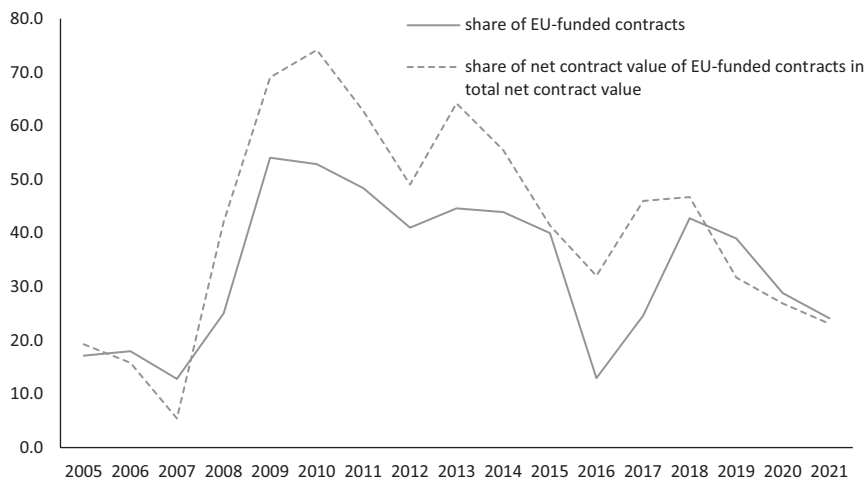
*SB* = 0, if the tender was conducted with more than one bid.  
 = 1, if there was only one bid.

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in English, but in context would be closer to calling someone a “cunt.” See the briefing on Lajos Simicska in annex 3.1, “The Lucky Dozen.”

6 See Anita Vorák, “Company of Hungarian PM’s Son-in-Law Keeps Winning Public Projects without Competition. Here Is What Made That Possible,” *Direkt36*, March 11, 2015. <https://bit.ly/2J4U89j>; see Zoltán Kovács, “European Commission Sued to Release OLAF Report on Company Tied to Viktor Orbán’s Son-in-Law,” *Index*, February 2, 2020, <https://bit.ly/3ftomOW>; Zsolt Kerner, “Így csalt Orbán vejének cége – megszereztük az OLAF jelentését” [This is how Orbán’s son-in-law’s company cheated—we have the OLAF report], *24.hu*, February 17, 2018, <https://bit.ly/3g6xpVT>.



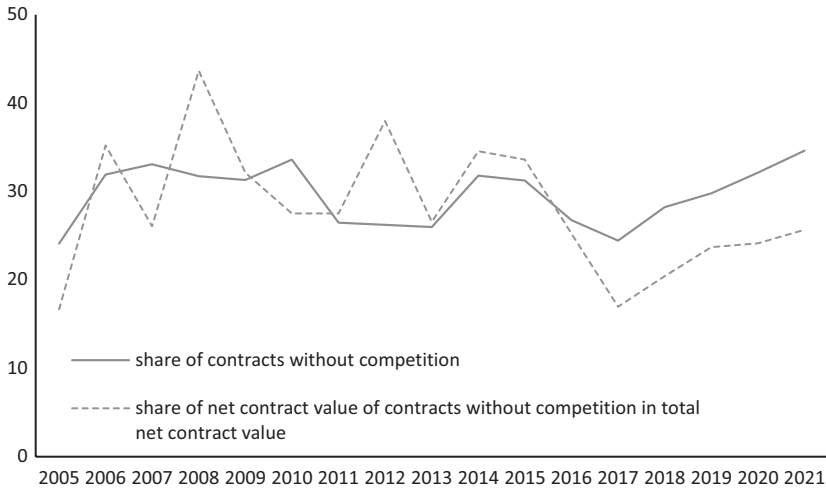


**Figure 3.2** Share of contracts funded by the EU and share of net contract value of EU-funded contracts in total net contract value, from 2005 to 2021,  $N = 236,139$

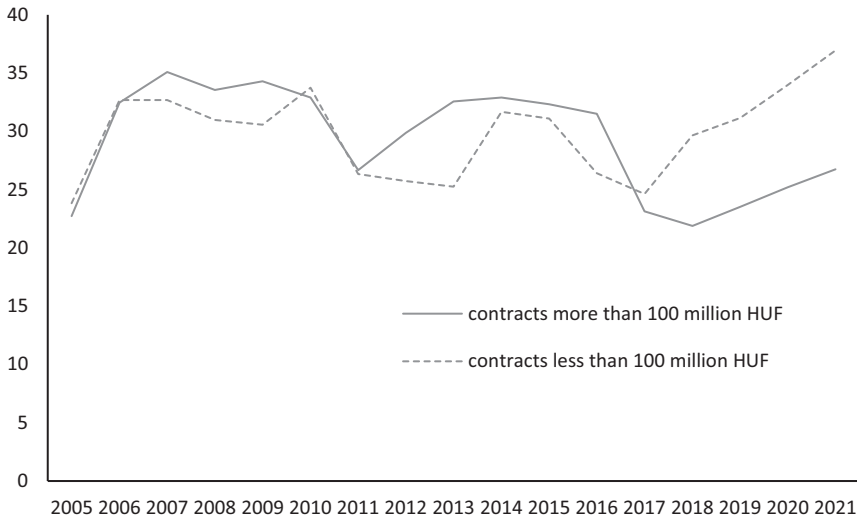
Regarding the trends of the *SB* from 2005 to 2021, two processes can be observed (see fig. 3.3). On the one hand, the share of contracts without competition was stable between 2005 and 2017. Then, an increase is observed from 28 percent to 35 percent between 2017 and 2021. The share of all contracts' net contract values without competition declines from 2017 to 2021. In recent years the corruption risk rose more for smaller tenders than for larger ones (see fig. 3.4).

In many cases, however, the *SB* variable does not adequately reflect corruption risk. For example, in the case of very low-value public procurement contracts (contracts above 15,000 and below or equal to 60,000 EUR), the European Union specifies that at least three independent tenderers submit a tender.<sup>7</sup> In addition, the Hungarian Public Procurement Act (Act CXLI of 2015 on public procurement) prescribes that the contracting authority must invite at least three tenderers to submit a tender in certain cases of the negotiated procedure without prior publication.

<sup>7</sup> See Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July, 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012; Annex 1, Section 2.6.2, p. 191, <https://bit.ly/2UOXGDI> and <https://bit.ly/376GLO2>.



**Figure 3.3** Trends in corruption risk: share of contracts without competition in all contracts and share of net contract value of contracts without competition in total net contract value, from 2005 to 2021,  $N = 236,139$



**Figure 3.4** Trends in corruption risk: share of contracts without competition from 2005 to 2021 by size of contracts,  $N = 236,139$

(3), If the negotiated procedure is conducted under sections 98 (2) b) and 98 (4) a) or if it is reasonably possible under the circumstances causing extreme urgency, in the cases specified in section 98 (2) e) contracting authorities shall invite at least three tenderers to tender as possible.<sup>8</sup>

In the context of these rules, it is conceivable that corrupt actors could organize two fraudulent tenders thus fulfilling the Hungarian legal requirements. In the case of institutionalized corruption, it is also possible that the contracting authorities themselves could organize the fraudulent bids or imitate competition by meeting the formal criteria (at least three bidders in the tender). This corruption can also involve companies as “losing” companies in the tenders so the contracting authority’s preselected company can win. In such cases, the corruption risk of contracts with three bidders does not differ much from those tenders with a single bidder. Therefore, it is worth observing the proportion of tenders carried out with at least four bidders.

Because of this situation, we created an indicator based on the number of bidders to distinguish the contracts with more than three bidders (*MTTB*).

*MTTB* = 0, if the tender was conducted with no more than three bids.  
=1, if there were more than three bidders for the contract.

We interpret the *MTTB* as a proxy for control of corruption. If the share of tenders with more than three bidders is high, the proportion of independent competitors is also high, which means more robust control of corruption. There is a minimal incentive for corrupt actors to organize three or more losing “bidders” when organizing three formally independent bidders is enough to meet the formal requirements.

As for the *MTTB* indicator, a declining trend can be observed between 2005 and 2015 (see fig. 3.5) and an increasing trend from 2015 to 2020. The share of contract value of contracts with more than three bidders reached its peak in 2017 (46%), the year before the 2018 general election. In this year, the Orbán government seems to have tried to control corruption risks in public procurement. After Fidesz won the election, however, the value of *MTTB* began to decline again in 2018 and 2019. From this perspective, we cannot observe the same changes in the value of *MTTB* as the trends that were revealed based on the SB indicator. The phenomenon highlights the importance of using multiple gauges for corruption risk.

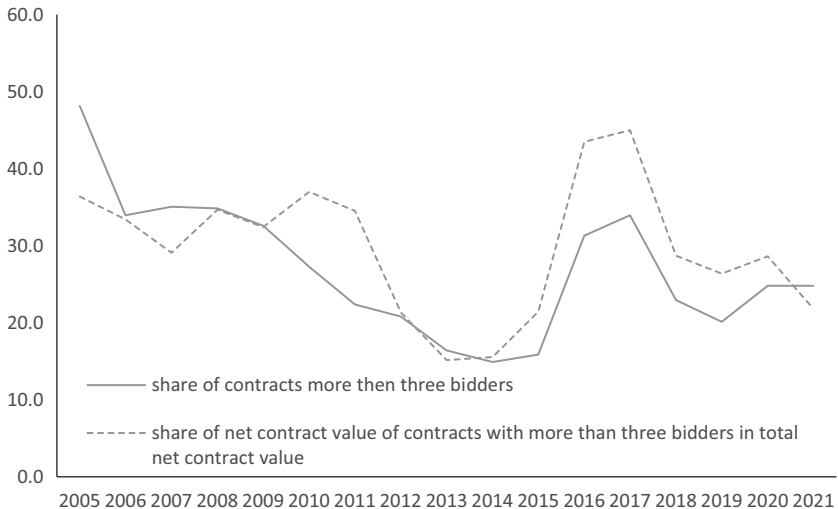
Besides the variables for a single bidder and more than three bidders, we also use an indicator for the intensity of competition, using a variable for the number of bidders to the tender (*OIIC*).

8 See [https://njt.hu/translation/J2015T0143P\\_20180808\\_FIN.pdf](https://njt.hu/translation/J2015T0143P_20180808_FIN.pdf).

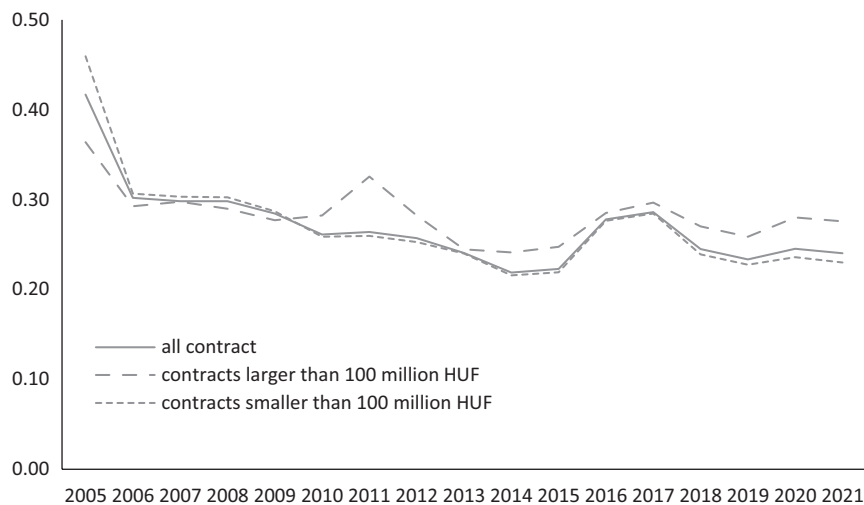
*OIIC* = 0, if there was only one bidder.  
 =1/4, if there were 2 or 3 bidders.  
 =1/2, if there were from 4 to 6 bidders.  
 =3/4, if there were from 7 to 16 bidders.  
 =1, if there were at least 17 bidders.

We interpret the *OIIC* as a general indicator of the intensity of competition. The highest value of *OIIC* means the highest number of bidders, and thus, the highest level of competition. The trend of *OIIC* from 2005 to 2021 does not differ by contract size (see fig. 3.6): the intensity of competition decreases during the period analyzed.

Finally, we constructed a measure for price competition based on the differences between the net estimated value and the final net contract value (*ESPC*). This indicator measures how close to the issuers' estimated value the winning companies set their offered price. If the value of *ESPC* is a relatively small or negative percentage, it means that during the bidding phase of the tender, the eventual winners know their position is strong. They know that they do not have to face intense price competition to win the tender. Consequently, this raises the strong possibility of corruption and points to a high level of corruption risk: it is as if the companies that win the tender know they will win regardless of the bid price they set. Conversely, when the value of *ESPC* is a relatively high percentage, the companies that win the tenders expect high price competition and several independent bidders, and consequently, the risk of corruption is relatively low.



**Figure 3.5** Trends in control of corruption: share of net contract value of tenders with more than three bidders (MTTB) in total net contract value, from 2005 to 2021,  $N = 236,139$



**Figure 3.6** Trends in *index of intensity of competition (OIIC)* from 2005 to 2021,  $N = 240,116$

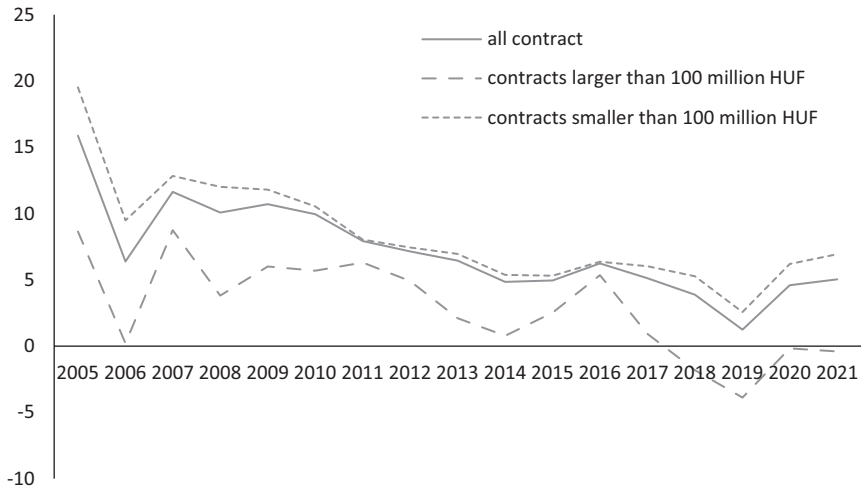
We calculate the price competition measure in the following way:

$$ESPC = \frac{(P^* - P)}{P^*} * 100.$$

where  $P^*$  is the estimated net value and  $P$  is the net contract value. Of the 242,183 observations, 6,044 and 71,641 observations have been dropped because the net contract value ( $P$ ) and the estimated net value ( $P^*$ ) is missing, respectively. The cases in which  $ESPC \leq 80$  and  $ESPC > 80$  were excluded from the analysis because we assume that they are affected by data inconsistencies. We excluded 7,381 contracts out of 167,157 for this reason. Accordingly, for  $ESPC$ , we are taking into consideration the data from 159,776 contracts from 2005 to 2021.<sup>9</sup>

The trend in  $ESPC$  is decreasing in the period analyzed, which could be the result of two different situations (see fig 3.6). On the one hand, due to their pre-tender market research and experience, the contracting authorities may be increasingly able to determine the estimated market price. On the other hand, the tender winners may have an increasing influence on their position in the competition due to the decreasing intensity of competition in the public

<sup>9</sup> For 34 percent of the 242,183 analyzed contracts, we cannot calculate the value of the  $ESPC$  because the contracts' documentation published by the public procurement authority does not include the estimated value. We examined separately whether the data gap is biased for our analysis: whether it occurs more frequently in contracts won by MGTS+ firms than otherwise. The results obtained indicate that the data gap observed at  $ESPC$  is not biased in this respect.



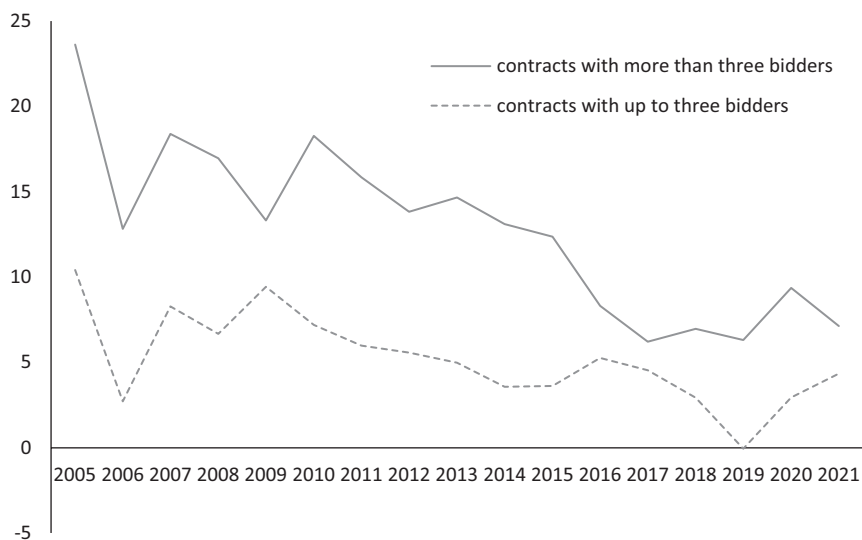
**Figure 3.7** Trend in mean value of *ESPC* from 2005 to 2021,  $N = 159,776$

procurement market during the period studied. As a result, they have learned over the years to set their prices close to estimated value. As we have already seen, the intensity of competition has decreased over the period; therefore, the second option seems more plausible.

In addition, figure 3.7 shows a significant difference between large and small contracts in this respect: the values of *ESPC* for large contracts (>100 million forints) are much lower than those of smaller ones by 4–7 percentage points. As the value of the contract increases, the number of potential suppliers naturally narrows since relatively few companies can implement larger projects. The larger the projects, the more oligopolistic the market, which also weakens competition and, consequently, weakens the control of corruption (see fig. 3.8).

### The Orbán Regime and MGTS+ Companies: Descriptive Statistics

Table 3.1 and table 3.2 show the summary statistics of the variables analyzed. According to the comparison of the two periods under analysis, the years before the Orbán regime ( $ORBAN = 0$ ) and the years of the Orbán regime ( $ORBAN = 1$ ), the control of corruption (*MTTB*), the intensity of competition (*OIIC*), and price competition (*ESPC*) can all be seen to have weakened during the Orbán regime, and the corruption risk slightly decreased. In contrast, the role of MGTS+ companies has grown significantly in the Hungarian public procurement market. The



**Figure 3.8** Trend in mean value of *ESPC* from 2005 to 2021 by the level of control of corruption (*MTTB*),  $N = 159,776$

share of total net contract value won by companies directly or indirectly linked to Orbán increased from 1 percent to 18 percent (see table 3.2).

The correlations amongst the analyzed indicators show a degree of stability between the two periods (before the Orbán regime and the years of the Orbán Regime) with the exception of the indicators of corruption risk and control of corruption for *MGTS+* companies. Before the Orbán regime, the contracts for this group of companies did not differ from other Hungarian companies in these respects, but under the Orbán regime, the contracts won by *MGTS+* companies have higher corruption risk and lower control of corruption. The share of single-bidder contracts won by these companies rose from 29 percent to 39 percent. The share of contracts with more than three bidders won by the same group decreased significantly (see fig. 3.9). Concerning the intensity of competition (*OIIC*) and price competition (*ESPC*), *MGTS+* companies won tenders with a lower level of competition and price competition under the Orbán regime than before (see Fig 3.10a–d). Meanwhile, the price competition was lower for these companies' contracts than those of ordinary Hungarian companies, and *MGTS+* firms began to bid much more on larger contracts. This latter phenomenon is clearly shown if we compare the distribution of contracts won in the two periods by *MGTS+* and ordinary winners (see fig. 3.11).



**Table 3.2** Comparison of the years before Orbán regime and the years of Orbán regime by the main variables analyzed

MGTS	From 2005 to 2010 (ORBAN = 0)			From 2011 to 2021 (ORBAN = 1)			
	Ordinary Hungarian companies	MGTS+	N	Ordinary Hungarian companies	MGTS+	N	
	Share of contracts won, %	99.5	0.5	60,902	99.1	0.9	175,280
Total net contract value, billion HUF	8,866.8	99.4	56,635	17,853.4	3,960.1	173,108	
Total net contract value, %	98.9	1.1		81.8	18.2		
EU	EU-funded contracts	Non-EU-funded contracts	N	EU-funded contracts	Non-EU-funded contracts	N	
	Share of contracts, %	58.3	41.7	56,866	63.7	36.3	175,146
	Total net contract value, billion HUF	4,239.7	4,101.5	53,133	12,516.8	9,285.0	172,983
Total net contract value, %	50.8	49.2		57.4	42.6		
SB	Low corruption risk (SB = 0)	High corruption risk (SB = 1)	N	Low corruption risk (SB = 0)	High corruption risk (SB = 1)	N	
	Share of contracts, %	68.3	31.7	59,233	70.4	29.6	174,844
	Total net contract value, billion HUF	5,814.7	2,883.0	55,696	15,945.6	5,843.4	172,762
Total net contract value, %	66.9	33.1		73.2	26.8		
MTTB	No more than three bidders (MTTB = 0)	More than three bidders (MTTB = 1)	N	No more than three bidders (MTTB = 0)	More than three bidders (MTTB = 1)	N	
	Share of contracts, %	67.3	32.7	59,233	78.6	21.4	174,844
	Total net contract value, billion HUF	5,733.7	2,964.0	55,696	15,667.7	6,121.4	172,762
Total net contract value, %	65.9	34.1		71.9	28.1		

Source: authors' own calculations based on CRCB data

**Table 3.3** Summary statistics of the variable analyzed

	<i>Mean</i>	<i>Median</i>	<i>Standard deviation</i>	<i>N</i>
<i>From 2005 to 2010</i> <i>(ORBAN = 0)</i>				
<i>SB</i>	0.319	0.000	0.466	58036
<i>MTTB</i>	0.324	0.000	0.468	58036
<i>OIIC</i>	0.289	0.250	0.266	58036
<i>ESPC</i>	10.319	4.749	24.641	33971
<i>EU</i>	0.419	0.000	0.493	55703
<i>LNNCV</i>	16.604	16.588	1.992	55674
<i>MGTS+</i>	0.005	0.000	0.072	59672
<i>From 2011 to 2021</i> <i>(ORBAN = 1)</i>				
<i>SB</i>	0.290	0.000	0.454	182080
<i>MTTB</i>	0.219	0.000	0.414	182080
<i>OIIC</i>	0.246	0.250	0.207	182080
<i>ESPC</i>	5.207	0.505	19.481	125805
<i>EU</i>	0.363	0.000	0.481	182379
<i>LNNCV</i>	16.542	16.709	2.007	180465
<i>MGTS+</i>	0.008	0.000	0.091	182511
<i>Full period analyzed</i>				
<i>SB</i>	0.297	0.000	0.457	240116
<i>MTTB</i>	0.244	0.000	0.430	240116
<i>OIIC</i>	0.256	0.250	0.223	240116
<i>ESPC</i>	6.294	0.844	20.791	159776
<i>EU</i>	0.376	0.000	0.484	238082
<i>LNNCV</i>	16.556	16.694	2.004	236139
<i>MGTS+</i>	0.008	0.000	0.086	242183

Source: authors' own calculations based on CRCB data

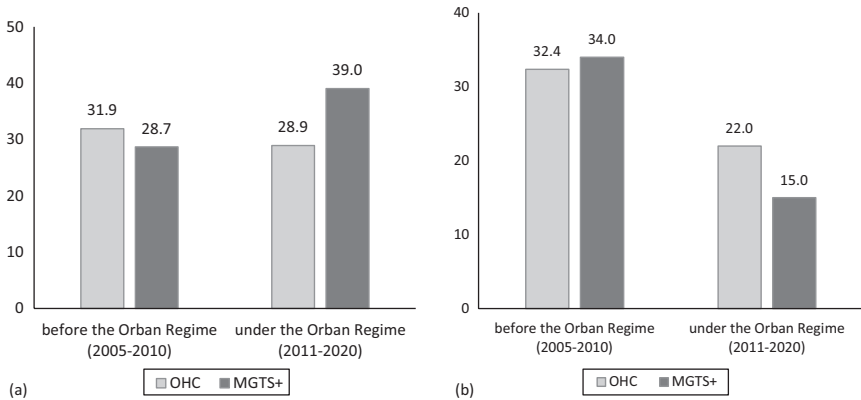
**Table 3.4** Correlations among the variables analyzed

<i>From 2005 to 2010 (ORBAN = 0)</i>						
	<i>SB</i>	<i>MTTB</i>	<i>OIC</i>	<i>ESPC</i>	<i>LNNCV</i>	<i>EU</i>
<i>MTTB</i>	-0.474***					
<i>OIC</i>	-0.743***	0.852***				
<i>ESPC</i>	-0.132***	0.167***	0.185***			
<i>LNNCV</i>	0.033***	0.008*	-0.026***	-0.135***		
<i>EU</i>	-0.050***	-0.050***	-0.075***	-0.019***	0.097***	
<i>MGTS+</i>	-0.005	-0.003	-0.003	-0.015***	0.041***	0.021***
<i>From 2011 to 2021 (ORBAN = 1)</i>						
	<i>SB</i>	<i>MTTB</i>	<i>OIC</i>	<i>ESPC</i>	<i>LNNCV</i>	<i>EU</i>
<i>MTTB</i>	-0.339***					
<i>OIC</i>	-0.761***	0.811***				
<i>ESPC</i>	-0.056***	0.123***	0.131***			
<i>LNNCV</i>	-0.052***	0.047***	0.048***	-0.192***		
<i>EU</i>	-0.081***	-0.055***	-0.007	-0.084***	0.103***	
<i>MGTS+</i>	0.020***	-0.015***	-0.023***	-0.030***	0.119***	0.002

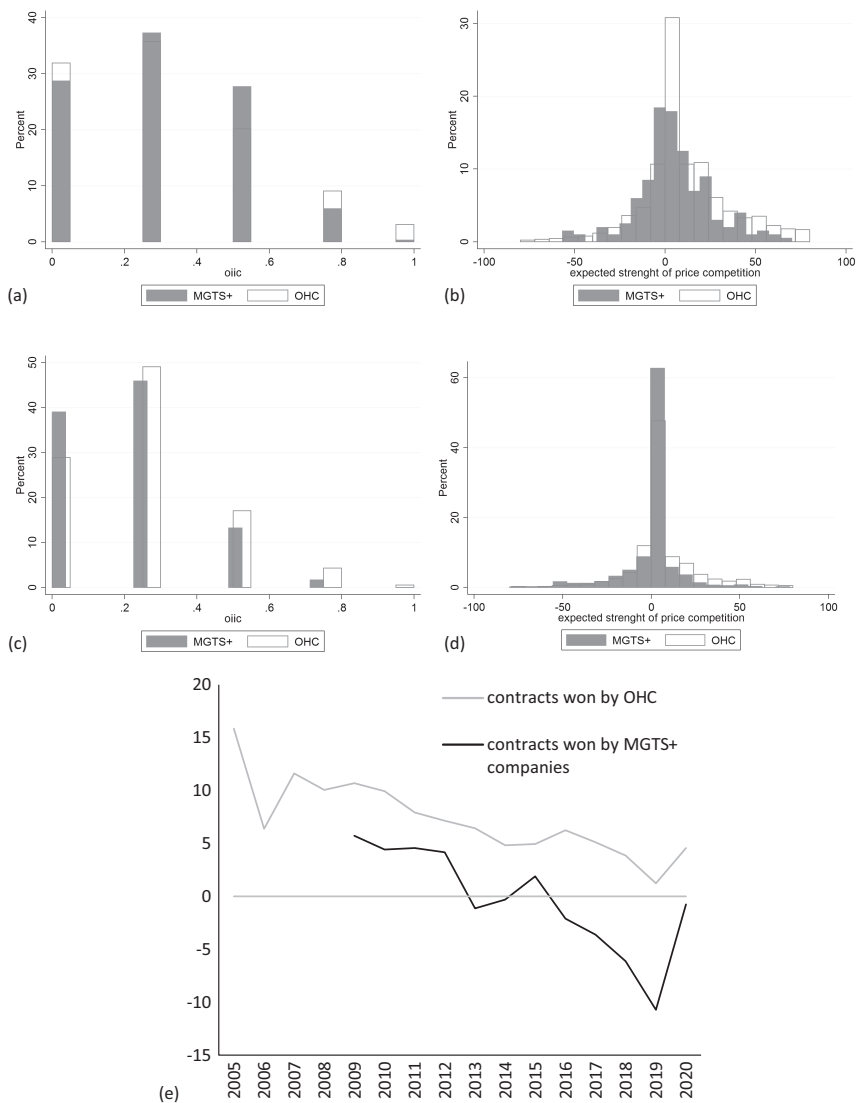
Source: authors' own calculations based on CRCB data

Note: Pearson's correlation coefficients are in the cells

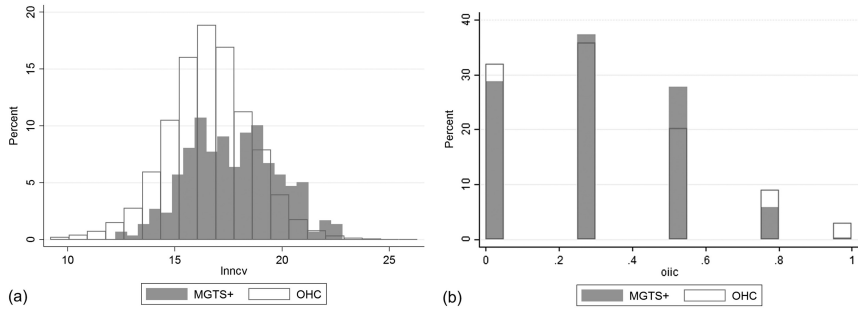
\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$



**Figure 3.9** The corruption risk (*SB*) and the control of corruption (*MTTB*) before and under the Orbán regime in tenders won by ordinary Hungarian companies (*OHC*) and *MGTS+* companies: (a) corruption risk, the share of contract with single bidder (*SB*); (b) control of corruption, the share of contract with more than three bidders (*MTTB*)



**Figure 3.10** Histograms of *OIIC* and *ESPC* for contracts won by MGTS+ companies and ordinary Hungarian companies (*OHC*) in the two periods and trend of *ESPC* by years: (a) *OIIC*, from 2005 to 2010; (b) *OIIC*, from 2011 to 2021; (c) *ESPC*, from 2005 to 2010; (d) *ESPC*, from 2011 to 2021; (e) *ESPC* by years from 2005 to 2021



**Figure 3.11** Histograms of logarithm of net contract value (*LNNCV*) won by MGTS+ companies and ordinary Hungarian companies (*OHC*) in the two periods: (a) from 2005 to 2010; (b) from 2011 to 2021

## Models and Estimations

In the regression models we analyze the existence and the extent of corruption risk<sup>10</sup> and the intensity of competition in the Hungarian public procurement during the period 2005–2021. We created a model in order to better understand how the *MGTS+* and *ORBAN* variables affect public procurement:

$$I_i = \beta_0 + \beta_1 MGTSPLS_i + \beta_2 ORBAN_i + \beta_3 LNNCV_i + \beta_4 EU_i + \beta_5 SECTOR_i + \varepsilon_i$$

where  $I$  is the described indicator of corruption risk, control of corruption, and intensity of competition for the contract  $i$ . *MGTSPLS* and *ORBAN* are the variables introduced in the previous section, *LNNCV* is the logarithm of the net contract value, *EU* is the indicator variable for the EU funding, and *SECTOR* identifies the industrial sector based on CPV codes for the contract  $i$ .

We report the results of the estimations for the whole period under study in table 3.5 and for periods prior and after 2011 in table 3.6 (obviously, with the exclusion of the *ORBAN* variable). Concerning the indicators for corruption risk (*SB*) and control of corruption (*MTTB*), the Orbán regime has interesting effects. Based on our estimations, during the Orbán regime the share of single-bidder contracts decreased (see the odds ratio of single-bidder contracts in the first column in table 3.5) and at the same time the share of contracts with more than three bidders likewise decreased (see the second column in table 3.5) as well. For the variable for the Orbán regime (*ORBAN*), the odds ratio of contracts with more than three bidders is 0.551. This result can be interpreted as meaning that when the public authorities began to

<sup>10</sup> The type of public procurement in terms of its transparency is also an acknowledged corruption risk indicator; however, in our view, in a crony system, the openness of a tender does not provide meaningful information regarding the potential of corruption.

**Table 3.5** The results of regression estimations of single bidder (SB), more than three bidders (MTTB), intensity of competition (OIIC), and expected strength of price competition (ESPC), 2005–2021

	Single bidder <sup>a</sup> (SB)	More than three bidders <sup>a</sup> (MTTB)	Intensity of competition <sup>b</sup> (OIIC)	Expected Strength of Price Competition <sup>b</sup> (ESPC)
	(1)	(2)	(3)	(4)
MGTSPLS	1.763*** (0.090)	0.629*** (0.040)	-0.054*** (0.005)	-0.422 (0.294)
ORBAN	0.888*** (0.010)	0.551*** (0.006)	-0.035*** (0.001)	-2.734*** (0.067)
EU	0.877*** (0.009)	0.715*** (0.008)	-0.012*** (0.001)	-0.613*** (0.055)
LNNCV	1.040*** (0.003)	1.006*** (0.003)	-0.002*** (0.002)	-0.655*** (0.015)
SECTOR	Yes	Yes	Yes	Yes
Constant	0.577***	0.191***	0.218***	18.124***
Pseudo R <sup>2</sup>	0.039	0.028	—	—
N	229,753	229,753	229,753	156,327

Source: authors' own calculations based on CRCB data

<sup>a</sup> Logit estimation, odds ratios are in the cells, standard errors are in the brackets; <sup>b</sup> robust regression estimation, standard errors are in the brackets

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

meet the widely used criteria to reduce corruption risk (reducing the proportion of noncompetitive tenders), and they fulfilled the formal EU and Hungarian rules for having at least three bidders in the tenders, corruption risk was still not necessarily reduced. The policies to control corruption risk were not successful enough.

The results concerning the intensity of competition (OIIC) underline this interpretation: during the Orbán regime, the intensity of competition decreased significantly compared to the corresponding value in previous years (the coefficient of OIIC is  $-0.035$  in the third column of table 3.5).

Concerning the indicator of expected strength of price competition (ESPC), we come to the same conclusion: during the Orbán regime the price competition decreased significantly (see the fourth column in table 3.5).

The impact of MGTS+ over the period on corruption risk is positive, with a 1.763 odds ratio (first column in table 3.5). This means that the odds of having high corruption risk is nearly twice as great for contracts won by MGTS+ companies than for contracts won by ordinary Hungarian companies, which are identical in all other respects. The impact of MGTS+ on the control of corruption is significantly negative. For the contracts won by these companies, the share of contracts with more than three bidders is significantly lower than that of

**Table 3.6** The results of regression estimations of the corruption risk (SB), control of corruption (OIIIC), intensity of competition (OIIIC), and expected strength of price competition (ESPC), estimations for the periods before and after 2011

	Single bidder <sup>a</sup> (SB)		More than three bidders <sup>a</sup> (MTTB)		Intensity of competition <sup>b</sup> (OIIIC)		Expected Strength of Price Competition <sup>b</sup> (ESPC)	
	2005–2010 (1)	2011–2021 (2)	2005–2010 (3)	2011–2021 (4)	2005–2010 (5)	2011–2021 (6)	2005–2010 (7)	2011–2021 (8)
MGTSPIS	1.047 (0.143)	2.035*** (0.113)	0.880 (0.116)	0.542*** (0.040)	-0.022 (0.016)	-0.066*** (0.005)	-0.374 (1.530)	-0.557** (0.234)
EU	1.210*** (0.024)	0.800*** (0.009)	0.791*** (0.016)	0.688*** (0.009)	-0.035*** (0.002)	-0.006*** (0.001)	-0.599** (0.240)	-0.348*** (0.046)
LNNCV	1.059*** (0.005)	1.037*** (0.003)	0.978*** (0.005)	1.016*** (0.003)	-0.006*** (0.001)	-0.001*** (0.000)	-1.497*** (0.066)	-0.404*** (0.013)
SECTOR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.212 (0.032)	0.697 (0.062)	0.539*** (0.087)	0.051*** (0.009)	0.350*** (0.019)	0.146*** (0.008)	44.489*** (2.207)	10.545*** (0.395)
Pseudo R <sup>2</sup>	0.028	0.050	0.020	0.022				
N	50,017	179,736	50,017	179,736	50,017	179,736	30,851	125,476

Source: authors' own calculations based on CRCB data

<sup>a</sup> Logit estimation, odds ratios are in the brackets; <sup>b</sup> robust regression estimation, standard errors are in the brackets  
 \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$



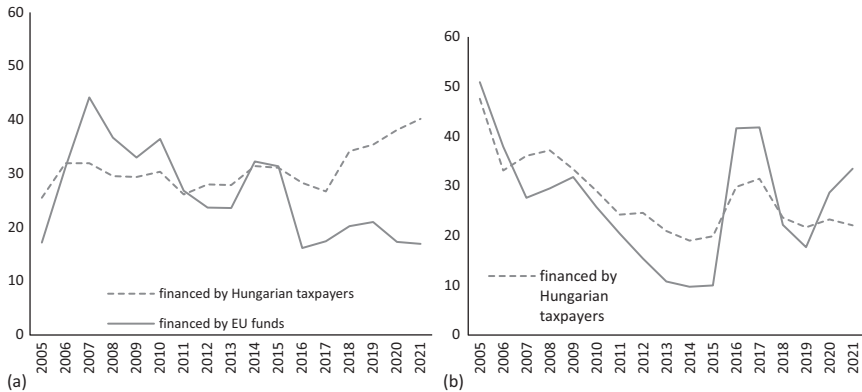
contracts won by ordinary Hungarian companies. The odds of having a contract with at least three bidders are lower by 63 percent for contracts won by MGTS+ companies than those won by ordinary Hungarian ones (see second column in table 3.5). In addition, the intensity of competition (*OIIC*) of public tenders won by companies with political ties is also significantly lower than that of ordinary Hungarian companies without political ties (third column in table 3.5).

The impact of MGTS+ on the level of *ESPC* is not significant: the price competition does not differ when not an ordinary Hungarian company but an MGTS+ firm wins (fourth column in table 3.5). However, the MGTS+ companies during the Orbán regime have more frequently applied for large tenders than before Fidesz came to power in 2010 (see fig. 3.11). The market for these large tenders is narrow with only a few possible competitors, and thus the price competition for large tenders is lower than those of smaller ones, as we saw earlier in figure 3.6.

Regarding the impact of the variable indicating whether there were EU funds behind a contract or not, we can conclude that—considering all public tenders of the period from 2005 to 2021—the corruption risk of EU-funded projects is lower than for non-EU-funded ones. The odds of having only one bidder in the tender is 0.877 in the case of EU funding (see the first column of table 3.5) compared in the case of non-EU-funded ones. We have to add that a significant change took place in 2016 in this respect. The highest corruption risk and lowest control characterized the EU-funded contracts from 2005 to 2015. After 2016, however, these trends reversed: EU-funded projects have a lower risk of corruption and more robust controls than non-EU-funded ones (Fazekas et al. 2013; Fazekas and Tóth 2017; Tóth and Hajdu 2017a) (see fig. 3.12). The main reason for this radical trend change is the fact that after 2015, OLAF launched more investigations into corruption cases regarding EU funds in Hungary than before, and the EU Commission also began to deal more seriously with anomalies related to the spending of EU funds in Hungary (CRCB 2020). In particular, the Elios case was critical in this regard. Elios Ltd. was partly owned by Viktor Orbán's son-in-law, István Tiborcz, and it won several suspicious tenders to renovate public lighting launched by Hungarian towns between 2013 and 2015.<sup>11</sup> OLAF's investigation was launched in 2015 against Elios and uncovered several irregularities. OLAF revealed that Elios, under the leadership of István Tiborcz, may have engaged in organized crime when it participated and won several EU-funded tenders.<sup>12</sup>

11 See the articles written by the [www.direkt36.hu](http://www.direkt36.hu) investigative portal on this issue, especially Anita Vorák, "Company of Hungarian PM's Son-in-Law Keeps Winning Public Projects without Competition. Here Is What Made That Possible," *direkt36.hu*, March 11, 2015, <https://bit.ly/39r6Jyo>; Anita Vorák, "This Would Have Been a Dream Project for Orbán's Son-in-Law, but the Government Stepped In," *direkt36*, April 30, 2015, <https://bit.ly/3oad5pI>; Anita Vorák, "Hungary PM's Son-in-Law Left Behind Inexplicably Overpriced Lamps," *direkt36*, June 25, 2015, <https://bit.ly/3lk5p2t>; and András Pethő and Anita Vorák, "How Brussels Took on the Son-in-Law of Hungary's Prime Minister," *direkt36.hu*, November 18, 2015, <https://bit.ly/3fTG1zF>.

12 The Hungarian government refused to disclose the OLAF report on the Elios investigation. See Zoltán Kovács, "European Commission Sued to Release OLAF Report on Company Tied



**Figure 3.12** Trend in corruption risk and control of corruption in the EU-funded and non-EU-funded contracts, from 2005 to 2021, with framework agreement,  $N = 236,240$ : (a) corruption risk, share of contracts without competition; (b) control of corruption, share of contracts more than three bidders

Concluding its investigation of the Elios case, OLAF suggested that the EU impose a fine and oblige Hungary to repay EU subsidies. After 2015, presumably due to OLAF investigations and EU pressure, the risk of corruption in tenders financed by the EU was reduced in Hungary.

According to the estimation results, non-EU funded contracts perform better (see table 3.5, column 2) regarding the control of corruption. The issuers (Hungarian ministries, state institutions, local authorities, and their companies, etc.) generally make efforts to meet the formal regulations necessitating at least three bidders, but the odds of having more bidders than three (*MTTB*) in EU-funded projects is 0.715 times lower than in the non-EU-funded ones. In parallel with the former results, in contracts with EU financial aid, the intensity of competition (*OIIC*) is lower in the EU-funded contracts than in the non-EU-funded ones (the coefficient is  $-0.012$ ).

The coefficients related to the contract value (*LNNCV*) indicate that as the value of contracts increases, the corruption risk becomes higher. However, the

to Viktor Orbán's Son-in-Law," *Index*, February 2, 2020, <https://bit.ly/3ftomOW>; and Brigitta Csikász, "Hungarian Authorities Secretive about OLAF's Report on Fraud Committed by Orbán's Son-in-Law," *24.hu*, February 15, 2019, <https://bit.ly/2KXXU57>. After that, the Hungarian investigating authority, after not questioning several important witnesses, did not find any violations of the law. See Balázs Pivarnyik, "OLAF: Elios Zrt. May Have Engaged in Organized Crime under István Tiborcz," *budapestbeacon.com*, February 7, 2018, <https://bit.ly/37hPZXE>; EURACTIV.com with AFP, "Hungarian Police Drops Orbán-Linked Corruption Probe," *EURACTIV*, November 8, 2018, <https://bit.ly/3moelVT>; and "Criminal 'Investigation' in Hungary: The Tiborcz-Orbán Case," *hungarianspectrum.org*, November 9, 2018, <https://bit.ly/36o5EWj>.

odds ratio related to the *MTTB* indicator suggests that the increase in the net contract value results in higher chances of getting more than three bids on a tender. But we also see from the coefficients of *OIIC* that as the value of contracts increases, the strength of competition decreases. This phenomenon is not surprising: fewer companies can fulfill the requirements of the largest projects.

The most important results from our analysis are shown in table 3.6. It shows the calculated estimation results for the periods before and after 2011, with the exclusion of the *ORBAN* variable. These results show the extent to which direct or indirect political connections under the Orbán regime contributed to the changes in the difference between contracts won by *MGTS+* companies and ordinary Hungarian companies, and which differences existed independently of the Orbán regime. The changes in the coefficients of the *MGTS+* variable show the possible impact of political favoritism during the Orbán regime on the analyzed indicators of corruption risk (*SB*), control of corruption (*MTTB*), intensity of competition (*OIIC*), and price competition (*ESPC*).

The odds ratios related to the *MGTS+* in the estimation of corruption risk (*SB*) reveals that contracts awarded to the *MGTS+* companies during the Orbán regime can be characterized with significantly higher corruption risk in comparison to the contracts awarded to ordinary Hungarian companies after Viktor Orbán came to power. This is shown by the differences in the odds ratios in the first two columns of table 3.6. This indicates that a direct or indirect political relationship with Viktor Orbán and some of his government members helped these companies to win contracts during the Orbán regime, with a significantly increased level of corruption risk. In addition, the results concerning control of corruption also show that a direct or indirect relationship with Orbán and other political leaders results in weaker control of corruption in public tenders won by *MGTS+* companies (see the third and the fourth columns of table 3.6). The 0.542 odds ratio means that for contracts won by these companies during the Orbán regime, the level of control of corruption was only 54 percent of that observed for the other contracts. In the case of the intensity of competition (*OIIC*), we see an impact in the same direction (see the fifth and the sixth columns of table 3.6). The significant negative coefficient in *OIIC* indicates that the *MGTS+* companies won contracts with significantly weaker (the coefficient  $-0.066$ ) competition than ordinary Hungarian companies, whose owners have no political connections during the Orbán regime.

The expected strength of price competition (*ESPC*) also tends to become more limited in the cases of the contracts awarded to the *MGTS+* companies after 2011 (the coefficient  $-0.557$ ; see the eighth column of table 3.6). It should be added that in the Orbán regime, the *MGTS+* companies won mostly larger tenders, and they won more such tenders than before, so there is a selection bias: these companies apply for tenders with favorable conditions for corruption and weak competition on purpose (see table 3A.2.2 in annex 3.2). They choose tenders with contract values to exploit the economies of scale (considering the fixed cost of creating conditions favorable to corruption) that can be achieved, particularly by applying for larger tenders.

We consider the aforementioned empirical results as evidence that MGTS+ companies have been in a privileged position under the Orbán regime: if they participate in public tenders and win, they often do so with higher corruption risk, weaker control of corruption, weaker intensity of competition, and weaker expected strength of price competition. The differences have widened between them and ordinary Hungarian firms in this respect—thanks to their direct or indirect political connections and the privileged position they enjoy. Nevertheless, the estimations' explanatory power is small, suggesting that other contracts' characteristics should be involved in the analysis to describe the analyzed dependent variables more precisely.

## Conclusions

Through the analysis of more than 242,183 public procurement contracts between 2005 and 2021, we found empirical evidence for the existence of political favoritism in Hungary.

We compared public procurement tenders awarded to companies directly or indirectly connected to the Hungarian prime minister, Viktor Orbán, and some members of his government with those won by ordinary Hungarian companies without such political connections.

We took into account several characteristics of the public procurement contracts as indicators of corruption risk and intensity of competition during the analysis. The single bidder indicator, which is also acknowledged as a red flag by the World Bank and the European Commission, identifies whether a tender was conducted with one or several bidders. If there is only one applicant for a contract, then the lack of competition implies corruption risk. However, in many cases, this indicator does not adequately express the only corruption risk, as specific rules related to public procurement make it conceivable that a corrupt actor or actors (issuers or companies) will organize two more applicants to fulfill some legal requirements. In such cases, the corruption risk of tenders with three bidders does not differ much from those with tenders with a single bidder, so we also observed the proportion of tenders carried out with at least four bidders. With this method, we can measure the share of tenders most likely to have independent bidders, in which case the control of corruption is more robust than in tenders with less than four bidders. In addition, we have a third indicator related to the number of bidders, containing all possible numbers of applicants, not only the dichotomies mentioned earlier. We interpret it as a general indicator of the intensity of competition. Furthermore, we constructed a measure for the price competition based on the proportion of differences between the net estimated value and the final net contract value to the net estimated value.

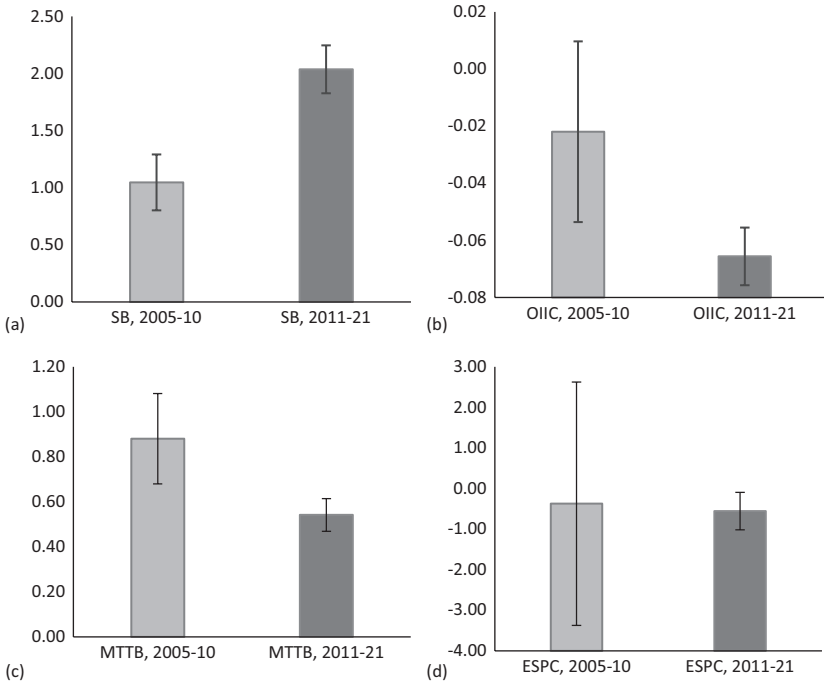
First, we examined whether the corruption risk, control of corruption, and intensity of competition of public contracts won by businessmen with political

connections differ significantly from those of public contracts won by entrepreneurs who do not have any political connections. If the risk of corruption in public contracts awarded by politically connected companies is significantly higher and the control of corruption and the intensity of competition is weaker, this indicates the presence of a crony system. This means that these connected companies typically win in segments of the public procurement market characterized by higher corruption risk, lower control of corruption, and lower intensity of competition.

The results give us empirical evidence that the corruption risk of awarded contracts decreased during the Orbán regime, but it can also be observed that the control of corruption and the intensity of competition have also weakened. We explained these results that the contracting authorities probably only paid attention to the fulfillment of formal criteria measuring corruption risk (that there should be three candidates in a tender), but substantially, the control of corruption did not increase. Our results also show that the corruption risk is higher and the control of corruption and intensity of competition is lower in contracts won by politically connected companies than for those where the winning owners had no kinship or friendship ties to Viktor Orbán or the members of his government.

Second, we focused on the prevalence of political connections under the Orbán regime. Here we examine how the differences in the corruption risk, control of corruption, and intensity of competition of public contracts won by entrepreneurs directly or indirectly linked to Viktor Orbán and the members of his government changed during the Orbán regime. Distinguishing between the periods before and after 2011, we can check to what extent the political connections under the Orbán regime contributed to the change of the differences in corruption risk, control of corruption, and intensity of competition between politically connected companies and ordinary Hungarian companies that are already observed independently from the Orbán regime. That is, here we can observe the pure effect of political connections during the Orbán regime. If this effect is significant, that is, the differences increase the corruption risk or decrease the intensity of competition significantly due to the effect of political connections during the Orbán regime, it can be interpreted as a consequence of a crony system (see fig. 3.13).

Our regression results estimating indicators of corruption risk, intensity of competition and price competition show that the tenders won by the companies close to Viktor Orbán and the members of his government during the Orbán regime can be characterized with limited competition and therefore increased corruption risk. Our results suggest that during the Orbán regime, politically connected companies won tenders with higher values. It is also worth noting that as the contract value increases, fewer companies are eligible to meet the tenders' criterion, which is a normal phenomenon; however, these politically connected actors seem to benefit from this.



**Figure 3.13** The impact of the Orbán regime on the corruption risk, control of corruption, and intensity of competition of contracts won by MGTS+ companies (odds ratios and coefficients of estimations),  $N = 236,240$ : (a) corruption risk (b) control of corruption (c) intensity of competition (d) expected strength of price competition. Source: authors' own calculations based on CRCB data

The analysis results support the existence of political favoritism during the Orbán regime. For the MGTS+ companies as crony companies, these systemic effects result in increased corruption risk, lower control of corruption, and lower competition levels. Furthermore, it appears that the Orbán regime allows crony companies to win a higher proportion of large projects than they did before Viktor Orbán took power. In doing so, the Orbán regime also indirectly allows crony companies to face weaker price competition than before the regime was set up (see fig 3.13). These effects clearly show the systemic prevalence of political favoritism under the Orbán regime: crony companies enjoy this policy. Thus, the results provide evidence that we can consider the Orbán regime as the instigator and supporter of a crony system in Hungary. Moreover, it can be argued that the favoritism prevailing in this system through family relationships and close friendships could be seen as a kleptocracy, where close friends could be fronts for the political leader himself.

### Annex 3.1

#### *The Lucky Dozen: The Businessmen Belonging to the MGTS+ Group*

##### *Lőrinc Mészáros*

Lőrinc Mészáros was a childhood schoolmate of Hungarian Prime Minister (PM) Viktor Orbán.<sup>13</sup> In the 1990s, he and his partner ran a gas-fitting micro-enterprise that installed gas pipelines in several settlements around Felcsút, the small village in Transdanubia where Orbán spent his childhood. After many years apart, Mészáros and Orbán got in touch with each other in 1999 when the PM played on Felcsút's local football team, which Mészáros supported. On July 24, 2001, Mészáros and his wife founded a company called Mészáros és Mészáros Kft. (Mészáros and Mészáros Ltd.). In the 2000s, with the establishment of competing companies specializing in gas fitting in the region, his company nearly went bankrupt<sup>14</sup> (with only HUF 1.8 million in turnover and a HUF 5.7 million loss in 2007).<sup>15</sup> Nonetheless, in the meantime, he became the president of the foundation behind the Puskás Ferenc Football Academy in Felcsút, which was initiated by Viktor Orbán.

Surprisingly, in 2008, Mészáros és Mészáros Ltd.,<sup>16</sup> achieved a total turnover of HUF 100 million in the construction sector (a few hundred thousand euros). In other words, his company's sales increased by 56 times in one year. Then, after 2010, when Fidesz won the federal election and Orbán became PM for the second time, Mészáros és Mészáros Ltd. won many millions of euros in public procurement tenders. In 2011, Mészáros became the mayor of Felcsút, as the preceding mayor was removed by local representatives.<sup>17</sup> In the early 2010s, Mészáros was more and more successful, not only in construction but also in various other sectors ranging from agriculture to tourism.<sup>18</sup> After "G-day,"<sup>19</sup> Mészáros also took over directly or indirectly some of the businesses formerly owned by Lajos Simicska (another close friend of Orbán), and in 2016 he also became a key player on the Hungarian media market.

13 See András Dezső, "A Jóisten is szerepet játszott Mészáros Lőrinc meggazdagodásában" [God also played a role in the enrichment of Lőrinc Mészáros], *Index*, April 24, 2014, <https://bit.ly/3isiwhi>.

14 See Attila Rovó, "Valóra váltja Orbán álmait Felcsút hallgatag ura" (The silent lord of Felcsút makes Orbán's dreams come true), *Origo*, June 17, 2013, <https://bit.ly/2DMIWMP>.

15 These amounts are about €7,200 and €23,000.

16 See the webpage of the Mészáros and Mészáros Ltd. (<http://www.meszaroskft.com/>)

17 See narancs.hu, "Az én gyomrom még ennyi pénzért se"—Felcsút volt polgármestere Orbánról, Mészárosról és az LMP-ről" ["My stomach is not for sale even for that much money"—Former mayor of Felcsút about Orbán, Mészáros and the LMP], *Magyar Narancs*, April 3, 2014, <https://bit.ly/2CdesBS>.

18 See Krisztián Magyar, "Ásványvíz, pékség, tészta, hotel—Lista Mészáros Lőrinc összes üzletéről" [Mineral water, bakery, pasta, hotel—A list of all Lőrinc Mészáros's businesses], *Magyar Narancs*, October 25, 2015, <https://bit.ly/3kxaC8b>.

19 February 6, 2015, the day when Orbán and his old friend Lajos Simicska's falling out came to light. See the section on Lajos Simicska in annex 3.1.



In 2018, Mészáros became the wealthiest person in Hungary and the second dollar-billionaire in the country, according to the Hungarian edition of *Forbes*.<sup>20</sup> He reorganized many of his firms and assets into stock market companies and one of them became the world's best-performing stock in 2017; its shares soared more than fiftyfold on the Budapest Stock Exchange after he bought into it.<sup>21</sup> The revenue of his companies increased a thousandfold within ten years. "Maybe I'm smarter" than Mark Zuckerberg, whose income only rose 600-fold, commented Mészáros on his success.<sup>22</sup>

### *István Garancsi*

István Garancsi is an economist<sup>23</sup> and wealthy businessman. He was the 20th richest person in Hungary in 2019 according to *Forbes* magazine.<sup>24</sup> Garancsi is a passionate hiker who got close to Viktor Orbán after a trip in the mountains of Austria some time prior to 2010.<sup>25</sup> However, they had met previously, during football matches in 2007, when Garancsi became an owner of one of Orbán's favorite football clubs, MOL Fehérvár FC in Székesfehérvár.<sup>26</sup>

Between 2011 and 2013, Garancsi was appointed by Orbán as the commissioner responsible for the development of hiking and cycling tourism, the road network, and transport. By September 2014, when it became obligatory to establish a continuous online connection between cash registers and the servers of the tax authority,<sup>27</sup> Garancsi had become a majority shareholder in Mobil Adat Ltd.,<sup>28</sup> the only company in Hungary that was able to provide the officially approved connectivity technology.<sup>29</sup>

Garancsi also acquired shares in Market Építő Ltd.,<sup>30</sup> a construction company involved in public projects, many of which were related to the establishment of new football stadiums. In addition, he had interests in MET Ltd.,<sup>31</sup> an

20 See Zoltán Kovács, "Forbes: Hungarian PM's Friend Became the Wealthiest Person in Hungary," *Index*, December 28, 2018, <https://bit.ly/2Czu1Ec>.

21 See Zoltán Simon, "What's Boosting the World's Best-Performing Stock?," *Bloomberg*, July 25, 2017, <https://bloom.bg/3eQJLQ6>.

22 See Judit Windisch, "Mészáros Lőrinc: Okosabb vagyok, mint Zuckerberg" (Lőrinc Mészáros: I'm smarter than Zuckerberg), *HVG*, February 28, 2017, <https://bit.ly/30z0Uc7>.

23 See the webpage of the Hungarian government (<https://bit.ly/3fQ07dj>).

24 See the webpage of the *Forbes* (<https://bit.ly/3gEEJlI>).

25 Hvg.hu, "Garancsi kötélbarátságba került Orbán Viktorral" [Garancsi became friends with Viktor Orbán], *HVG*, June 18, 2015, <https://bit.ly/31INwmu>.

26 See the webpage of the MOL Fehérvár FC (<https://www.molfehervarfc.hu/>).

27 See the webpage of the Sales Data Controller (<http://www.salesdatacontroller.com/hungary-fiscal-cash-register/>).

28 See the webpage of the Mobil Adat Ltd. (<https://www.mobil-adat.hu/>).

29 Átlátszó, "Most Lucrative Business Opportunities Go to Friends of Hungarian Government," *Átlátszó*, October 15, 2014, <https://bit.ly/33RaIBk>.

30 See the webpage of the Market Építő Ltd. (<https://www.market.hu/?l=en>).

31 See the webpage of the MET Ltd. (<https://hugas.met.com/en/>).



offshore-based energy which was one of the beneficiaries of the gas market regulation set by the Orbán's government in 2011. The businessman who had interests only in real estate and football clubs before 2010 extended his scope not only into the construction and fintech sectors as previously mentioned, but also to finance more generally (Duna Takarékszövetkezet Ltd.<sup>32</sup>), advertising (ESMA Ltd.<sup>33</sup>), and gambling (Casino Sopron Ltd.<sup>34</sup>). Some of his enterprises became monopolies or quasi-monopolies in Hungary. Both Garancsi and Orbán are football lovers; the businessman has taken Orbán to his team's international matches by private, luxury jet any number of times.<sup>35</sup>

### *István Tiborcz*

István Tiborcz is Prime Minister Viktor Orbán's son-in-law, having married his eldest daughter, Ráhel, in 2013.<sup>36</sup> Young Tiborcz did his final exam at the Faculty of Law of the Károli Gáspár University of the Reformed Church in 2018<sup>37</sup> and the following year appeared at number 32 on the list of the top 100 wealthiest Hungarians.<sup>38</sup> Aged 33, he was then the youngest person on the list with a net worth of about €107 million,<sup>39</sup> having reached this position very suddenly. In the preceding year, the net worth of the last person on the list was estimated at approximately €25 million<sup>40</sup> and Tiborcz was not on the list at all. He kept his position on the *Forbes* list in 2020 after an increase in his wealth of about €3 million.

Today, Tiborcz's main business interest is a real estate company, BDPST PLC,<sup>41</sup> though he also holds 20.59 percent of the shares of Appennin PLC,<sup>42</sup> a publicly traded real estate development and holding company belonging mostly

32 See the webpage of the Duna Takarékszövetkezet Ltd. (<https://www.dtbank.hu/>).

33 See the webpage of the ESMA Ltd. (<https://esma.hu/>).

34 See the webpage of the Casino Sopron Ltd. (<http://www.casinosopron.hu/en>).

35 See Babet Oroszi, "The Do-All, the Real Estate Agent and the Casino Man: Three Businessmen Close to Prime Minister Orbán Control Nearly 400 Companies," *Átlátszó*, October 23, 2018, <https://bit.ly/33M1tmi>.

36 See Rita Pálfi, "Vége Orbán Ráhel esküvőjének" [Rácel Orbán's wedding is over], *24.hu*, September 7, 2013, <https://bit.ly/2FaLDXZ>.

37 See Nikolett Csányi, "Videó: Tiborcz István vizsgázott, majd nagyon megijedt kameránktól" [Video: István Tiborcz took an exam and was very scared of our camera], *HVG*, March 8, 2018, <https://bit.ly/33M1JSi>.

38 See Bence Stubnya and Zoltán Kovács, "Viktor Orbán's son-in-law amongst the top 100 wealthiest of Hungary," *Index*, May 9, 2019, <https://bit.ly/2DUSeQA>.

39 See László Domokos, "Itt az új lista! Ők a leggazdagabbak és a legbefolyásosabbak Magyarországon" [Here is the new list! They are the richest and most influential in Hungary], *Napi.hu*, May 9, 2019, <https://bit.ly/3fLclCW>.

40 See Péter Szakonyi and László Domokos, "Itt az új lista! Ők a leggazdagabbak és a legbefolyásosabbak Magyarországon" [Here is the new list! They are the richest and most influential in Hungary], *Napi.hu*, May 10, 2018, <https://bit.ly/2F4Da8x>.

41 See the webpage of the BDPST (<https://bdpstgroup.hu/?lang=en>).

42 See the webpage of Appennin (<https://appeninnholding.com/en/>).

to Lőrinc Mészáros. BDPST was established in 2015 and is involved in the prestigious renovations and utilization of listed buildings across Hungary;<sup>43</sup> however, it is unclear how the new company has had the financial background for these projects,<sup>44</sup> even if some of the acquisitions were made at mysteriously low prices.<sup>45</sup>

Between 2009 and 2015, however, Tiborcz was also affiliated<sup>46</sup> with Elios Innovatív Ltd.,<sup>47,48</sup> a company that was awarded numerous contracts related to EU-funded projects for local governments,<sup>49</sup> often as the sole bidder.<sup>50</sup> In 2015, both the European Anti-Fraud Office (OLAF)<sup>51</sup> and the Hungarian police began investigations into various aspects of Elios's business practices. The stated reason for Brussels to take an interest in Tiborcz was that Elios may have engaged in fraud and organized crime, as it found irregularities<sup>52</sup> in public procurement tenders awarded to this venture.<sup>53</sup> In addition, the Hungarian authorities launched investigations concerning the streetlight projects of the Elios Innovatív, suspecting that tenders were overpriced and "tailor-made" for the company.<sup>54</sup>

43 See Zsuzsanna Szabó, "Ötszillagos szállodát fejleszt a BDPST Group a belvárosban" [The BDPST Group is developing a five-star hotel in the city center], *napi.hu*, April 17, 2019, <https://bit.ly/2PCgrTz>.

44 See Márton Kasnyik, "Tiborcz István újabb és újabb milliárdokat teremt elő a semmiből" [István Tiborcz creates more and more billions out of nothing], *G7*, September 5, 2018, <https://bit.ly/3kCITTF>.

45 See Zsolt Sarkadi, "Aprópenzért kelt el a turai mesekastély, Tiborcz volt üzlettársa képviselte a vevőket" [Tura's fairytale castle sold for small change, Tiborcz's former business partner represented the buyers], *444*, December 15, 2015, <https://bit.ly/3ioZRTp>; Turizmus Online, "Összel nyílnak meg a kastély Turán" [Tura's castle may open in autumn], *turizmusonline.hu*, July 11, 2019, <https://bit.ly/2DD7x5L>.

46 He appeared indirectly within its owners and also on the board of the company.

47 See the webpage of the Elios Innovatív (<http://www.elios.hu/>).

48 See Fruzsina Előd, "Simicska vagy Tiborcz botránya az Elios-ügy?" [Is the scandal of Simicska or Tiborcz the Elios case?], *Index*, February 13, 2018, <https://bit.ly/2DUSzYr>.

49 Public light projects were done by Elios in the following Hungarian settlements: Siklós, Kalocsa, Kecskemét, Bácsalmás, Kiskunfélegyháza, Mezőhegyes, Miskolc, Hódmezővásárhely, Mórahalom, Hajdúböszörmény, Hatvan, Jászberény, Szolnok, Cegléd, Gyál, Szigetszentmiklós, Vác, Siófok, Paks, Szekszárd, Tamási, Sárvár, Balatonfüred, Tapolca, Alsópáhok, Hévíz, Keszthely, and Zalaegerszeg; see Átlátszó, "Térképre tettük az Elios-ügyben érintett településeket—országszerte szabálytalankodott Tiborcz egykori cége" [We put the settlements involved in the Elios case on the map—Tiborcz's former company broke the rules throughout the country], *Átlátszó*, February 21, 2018, <https://bit.ly/2XNOi0j>.

50 See András Pethő and Anita Vorák, "How Western Taxpayers Help Boost the Businesses of Hungary PM's Inner Circle," *Direkt36*, February 26, 2015, <https://bit.ly/30JEQNm>.

51 See András Pethő and Anita Vorák, "How Brussels Took on the Son-in-Law of Hungary's Prime Minister," *Direkt36*, November 18, 2015, <https://bit.ly/31wVXB6>.

52 See the webpage of the OLAF (<https://tasz.hu/cikkek/megszerezte-es-nyilvanossagra-hozza-a-tasz-az-elios-jelentest>).

53 See Zoltán Kovács, "European Commission Sued to Release OLAF Report on Company Tied to Viktor Orbán's Son-in-Law," *Index*, February 11, 2020, <https://bit.ly/3fEBGi0>.

54 See Anita Vorák, "Police Investigate the Inexplicably High Prices of Elios, Former Company of PM's Son-in-Law," *Direkt36*, July 23, 2015, <https://bit.ly/3iombwo>.

Nevertheless, the full OLAF report was not disclosed until February 2022, although parts of it were obtained by 24.hu, a Hungarian news portal.<sup>55</sup> While OLAF conducts only administrative investigations and is not able to enforce its recommendations, the Hungarian police, who could certainly have acted, dropped their investigation at the end of 2018 after concluding that no criminal activity had occurred.<sup>56</sup> This was the case even though several public procurement contracts awarded to Elios Innovatív were prepared by the same company, Sistrade Ltd.,<sup>57</sup> owned by Endre Hamar, who also appeared among the owners of Elios Innovatív before 2014, raising the potential of breaking the conflict of interest rules.<sup>58</sup> A notable fact concerning the Hungarian authorities' inquiries is that documents mentioned by OLAF concerning the municipality of Siófok's streetlight modernization tender were never requested by the Hungarian police and no local officials were heard as witnesses in the case.<sup>59</sup> The way the national law enforcement authorities acted in this case has been considered as an abuse of office by some Hungarian commentators.<sup>60</sup>

Subsequently, in March 2019, the European Commission held surprise inspections at the company,<sup>61</sup> suspecting that Elios Innovatív and four other firms colluded to share the market for the tenders they had applied for together in the previous ten years. The Hungarian government attempted to solve the problem with a 25 percent fine but was rejected by the European Commission. Instead, the government decided to avoid the dispute and any potential penalties by withdrawing Elios from any EU-funded projects. The EU would have provided 43.7 million EUR support for these tenders, but due to the government's decision to withdraw Elios, Hungarian taxpayers financed all of the suspicious work.<sup>62</sup>

55 See Anita Vorák, "Six Things Direkt36 Revealed about the Company of Orbán's Son-in-Law, and Later Were Also Found Suspicious by the EU's Anti-Fraud Office," *direkt36.hu*, February 14, 2018, <https://bit.ly/3aj4jQH> and "The Elios case", 24.hu, <https://24.hu/tag/elios-ugy/>.

56 See Zoltán Kovács, "Police Drops Investigation against Former Company of PM's Son-in-Law," *Index*, November 11, 2018, <https://bit.ly/31BAXsV>.

57 The Sistrade was closed down in 2021. At the request of the owner it was deleted from the company register on 3 November 2021. See: <https://www.e-cegjegyzek.hu/?cegadatlap/0209076242/TaroltCegkivonat>.

58 See Anita Vorák, "Police Closed Investigation into the Public Tenders Linked to Orban's Son-in-Law," June 7, 2016, <https://bit.ly/33Rp70m>.

59 See IV, "A siófoki önkormányzattól be sem kérték az Elios-ügy dokumentumait" [The documents related to the Elios-case were not requested from the municipality of Siófok], <https://bit.ly/2XJCID6>.

60 See András Becker, "Elios akták. Utánajártunk: így szabotálta el a nyomozhatóság és az ügyészség az Elios-ügy felderítését" [Elios files. We investigated how the investigative authority and the public prosecutor's office sabotaged the Elios case], May 7, 2019, <https://bit.ly/3ivs6fg/>.

61 See Tamás Kugyela and Gergely Brückner (translation: Zoltán Kovács), "European Commission Held Surprise Inspection at Former Company of Viktor Orbán's Son-in-Law," *Index*, April 10, 2019, <https://bit.ly/3kxmt5R>.

62 See Vitez F. Ibolya, "Az Orbán családnak dolgozó ügyvédi iroda számláját is az adófizetők állják, nem csak az Eliosét" [The bill of the law firm working for the Orbán family is also paid by taxpayers, not just Elios], 24.hu, February 18, 2019, <https://bit.ly/2CmGUBy>.

While there are many financial and legal concerns related to Elios, there are also some significant practical concerns. Unfortunately, many of the neighborhoods (for instance Gyál in Pest County) in which Elios Innovatív installed new LED lights “went dark” soon afterward.<sup>63</sup>

Elios Innovatív was also co-owned by Lajos Simicska through intermediary companies,<sup>64</sup> but he sold his stake before the dubious streetlight projects began.

### *Lajos Simicska*

Lajos Simicska and Viktor Orbán became friends during secondary school and were roommates during their university years.<sup>65</sup> In the mid-nineties, Simicska became the first treasurer of the Fidesz party and began to acquire advertising and media companies.<sup>66</sup> In 1998 he became the president of the Hungarian tax authority immediately after Viktor Orbán took power (for the first time). During his presidency, the authority’s special inspections seemed to coincide with certain political events, such as the examination of the affairs of the construction company building the villa of Gyula Horn, the socialist PM between 1994 and 1998.<sup>67</sup>

In 2000, Simicska resigned and left public life in favor of his business interests, and by the middle of the first decade of the 2000s, he had purchased and established numerous media outlets with directors loyal to Viktor Orbán. In addition, before the second Fidesz victory in 2010, Simicska’s construction company, Közgép Ltd.,<sup>68</sup> became very successful in public procurement. Furthermore, he also collaborated with businessmen related to the Socialist Party, Fidesz’s main rival before 2010, in an odd, perhaps even unique, circle of corruption that existed in Hungary at the time.<sup>69</sup>

63 See Andras Becker, “This Is What Corruption Looks Like: Drone Videos of 23 Towns with Elios Lamps,” *Átlátszó*, March 31, 2018 (updated: February 15, 2019), <https://bit.ly/3ksSUCB>.

64 See Babette Oroszi, “Offshore Companies Were among the Owners of Elios Zrt., the Company Accused of Wrongdoing by OLAF,” *Átlátszó*, February 14, 2018 (updated May 30, 2018), <https://bit.ly/2DDafbp>.

65 See Péter Magyar, “Öt éve mondta ki azt Simicska Orbánra” [Five years ago Simicska said it about Orbán], *444*, February 6, 2020, <https://bit.ly/3kyrD1s>.

66 See Pál Dániel Rényi, “The Rise and Fall of the Man Who Created Viktor Orbán’s System,” *444*, April 22, 2019, <https://bit.ly/2FaytKB>.

67 See HVG, “Tax Inspections for Orban and Kubatov,” *HVG*, October 31, 2007, <https://bit.ly/2Fa3q1w>.

68 See the webpage of Közgép Ltd. (<https://www.kozgep.hu/en/>).

69 In Hungary, after 1998, despite the contest between the Socialist Party (MSZP) and the right-wing Fidesz, there was always some kind of cooperation in the background between the MSZP and Fidesz people, especially between the parties’ treasurers. See Zoltán Bogád and Peter Bohus, “Kormányon mindig vannak barátaink. Interjú Puch Lászlóval, az MSZP pénztárnokával” (We always have friends in government. Interview with László Puch, the MSZP treasurer), *Index*, February 20, 2007, <https://bit.ly/32BfT7I>; and Szabolcs Dull, “Gyurcsány: Puch László

However, the government change in 2010, when Fidesz came to power again, led to the end of the cooperation between the businessmen behind the opposing parties. Simicska's people were put into key positions in the Hungarian public media, media authorities, state-owned advertisers, and other important state-owned enterprises. Also, the companies owned by Simicska became major players in construction public procurement tenders financed by the Hungarian state and the European Union.

In 2014, after Fidesz won the elections and formed government for the third time, the relationship between Orbán and Simicska turned hostile. The exact reasons for the “breakup” are still unknown; however, the deep embeddedness of Simicska into the state structure may have prevented Orbán from extending his political control. Simicska claimed that the PM's Russia-friendly gestures led to their breakup—even though a few years earlier he also had meetings with officials in the Russian secret service.<sup>70</sup> Their rift reached its peak on G-day (February 6, 2015), after Orbán introduced a new 5 percent advertisement tax rate, affecting the businessman's media companies. On that day, Simicska repeatedly called Orbán *geci* in several interviews—the word translates to “sperm” in English, but in context would be closer to calling someone a “cunt.”<sup>71</sup>

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és Simicska Lajos egyeztetett” [Gyurcsány: László Puch and Lajos Simicska colluded], *Index*, April 9, 2015, <https://bit.ly/2FHwXQv>. The negotiations in the background helped maintain the corrupt system. “This practice also prevailed at the local level: The phenomena of corruption that have intensified in the last eight to ten years can be attributed mainly to the government party. However, at the local level, we have heard several stories that many of the big parties, and even smaller ones, have been involved in sharing and courting bribes, even working together to do so.

- Do you know about such a specific case?
- One of our interviewees said that in the mid-1990s, a bank wanted to sell one of its buildings. It was offered for X million forints, but there were not many applicants for it. Someone at the bank figured out that the municipality may be interested. The municipality representatives said yes, they are interested, but they asked if the price could be set at X+Y million forints instead of X million forints. At first, the bankers did not understand this, but then it was clarified that the municipality would pay the increased amount, but out of the sales price Y million would have to be returned in cash as bribery. So, it happened: as agreed, the bankers arrived at the town hall, carrying the Y million in a suitcase.

Local party treasurers from both the government and opposition parties counted the money together. Then they called on the city management committee to hold a meeting in the adjoining hall to approve the decision to buy the property.”

See Janos Haász and Péter Magyar, “A pártok együtt számolták a kenőpénzt” [The parties counted the bribes together]. An interview with Istvan Janos Tóth, *Index*, March 22, 2010, <https://bit.ly/2FMamlw>.

70 See András Pethő and András Szabó, “The Eight Most Interesting Revelations from Our Orbán-Putin Story,” *Direkt36*, March 12, 2018, <https://bit.ly/2PEXTqp>.

71 See András Jámbor, “Fidesz Set to Increase Its Control of Hungarian Media,” *Political Critique*, August 31, 2016, <https://bit.ly/3ad9e5V>.

After G-day, Simicska's media outlets became critical of the government and lost their profitability, as happened with many of the businessman's other companies as well. A decree of the Hungarian public procurement authority excluded Közgép Ltd. from public tenders,<sup>72</sup> claiming that the company provided false data on one of its applications—finally the court obliged the authority to withdraw the exclusion.<sup>73</sup>

By the end of 2018, Simicska had lost most of his businesses, many of them acquired by Lőrinc Mészáros. Before the 2018 parliamentary elections, he purchased radiation detectors after receiving a warning that someone might assassinate him. Simicska only kept a small farm under his wife's name where goats, sheep, and horses are bred.<sup>74</sup>

### *Gyula Balásy*

Gyula Balásy is an economist specializing in public relations and has been working for Fidesz since 2005, when the first “national consultation” took place with the aim to discuss the program of the party with voters before the parliamentary elections of 2006.<sup>75</sup> He founded his own enterprises: Lounge Design Ltd.<sup>76</sup> in 2004 and Lounge Communications Ltd.<sup>77</sup> in 2010. Before that he had gained professional experience at prestigious agencies, such as Leo Burnett, Grey Worldwide, and Lowe GGK. Besides completing political projects in government appointments, his scale of customers is wide ranging: from small to medium-sized enterprises (SMEs) to subsidiaries of multinational firms.

After Fidesz's electoral success in 2010, Balásy's businesses were involved in a growing number of political communication projects, but mostly as sub-contractors. He has a good relationship with Antal Rogán, a leader of Fidesz. In 2015, Antal Rogán became the chief of the cabinet, ranked as minister, and responsible for communications and state propaganda.<sup>78</sup> Following the G-day events, he appointed new companies for governmental PR projects to replace those that were under Simicska's influence. In 2015, Balásy's company made posters for Viktor Orbán's antimigrant propaganda campaign (Bajomi-Lázár

72 See the decision of the Public Procurement Arbitration Committee on the webpage of Hungarian Public Procurement Authority, <https://bit.ly/3ksV5Gh>.

73 See Szalai, “Nyert a Közgép az állam ellen a nagy perükben” [Közgép wins its big case against the state], *Index*, May 2, 2017, <https://bit.ly/33LW8LK>.

74 See András Pethő and András Szabó, “Inside the Fall of the Oligarch Who Turned Against Viktor Orbán,” *direkt36.hu*, January 14, 2019, <https://bit.ly/3fOx1df>.

75 See Gergely Brückner, “Az új médiakirály, aki el is hiszi a fideszes propagandát,” (The new media king who even believes the Fidesz propaganda), *Index*, May 28, 2018, <https://bit.ly/2FdOJdX>.

76 See the webpage of Lounge Design Ltd, <https://lounge.hu/en/divisions/lounge-design-en-11>.

77 See the webpage of Lounge Design Ltd, <https://lounge.hu/en/divisions/lounge-comm-en-13>.

78 See Lili Bayer and Joanna Plucinska, “Orbán's Media Puppetmaster. Antal Rogán Runs Hungary's Propaganda Machine, But Voters Are Getting Tired of Hearing the Same Old Messages,” *Politico*, April 4, 2018, <https://politi.co/2PCw79e>.

2019).<sup>79</sup> In 2016, it was Balásy's companies—New Land Media Ltd.,<sup>80</sup> Lounge Communications Ltd.,<sup>81</sup> and Lounge Design Ltd.<sup>82</sup>—that became the main PR agencies of the government. Their annual revenues quickly increased from approximately 630,000 euros to about 32 million euros. Handling the sudden rise of government work caused difficulties for them initially, as they were not prepared for the steep increase in the volume of their projects.

After the elections in 2018 to December 2019, Balásy's companies became the largest beneficiaries of all public communications tenders.<sup>83</sup>

### *Csaba Csetényi*

Csaba Csetényi is a marketing expert who worked as the marketing director of the Hungarian Westel Rádiótelefon Ltd., the first mobile phone service provider in Hungary.<sup>84</sup> He was also involved in the production of the iconic Hungarian television series *Űrgammák* [Space Gammas]<sup>85</sup> in the 1990s with his first wife.<sup>86</sup> He launched his own business in the early 2000s, with the state among its early customers. After 2010, Csetényi's firms carried out the "information campaigns" of the government, for example, the program before the 2016 migrant quota referendum.<sup>87</sup> There were suppositions that his success in public communication tenders is related to his residing in the same luxury neighborhood as the cabinet minister for communications, Antal Rogán.<sup>88</sup>

After the 2016 referendum, however, Csetényi's company (Network 360 Ltd.) did not get any new commissions from the government for an extended period. It is assumed he was late with payments to members of the pro-government media empire for advertisements that were ordered by his agency.<sup>89</sup> Nonetheless, in 2017 and 2018 he got 19 and 11 contracts, respectively, from the Prime Minister's Office led by János Lázár (who is regarded as Rogán's greatest rival

79 See <https://bit.ly/2NSHxIx>.

80 See the webpage of Lounge Design Ltd, <https://lounge.hu/en/divisions/new-land-media-en-12>.

81 See the webpage of Lounge Design Ltd, <https://lounge.hu/en/divisions/lounge-comm-en-13>.

82 See the webpage of Lounge Design Ltd, <https://lounge.hu/en/divisions/lounge-design-en-11>.

83 See Zoltán Jandó, "Amióta kipoztolta, hogy Orbánra szavaz, 90 milliárdnyi megbízást kapott, most duplázhat" [Since he posted that he was voting for Orbán, he has received 90 billion orders, now he can double it], *g7.hu*, December 17, 2019, <https://bit.ly/2Y309rx>.

84 On the story of Westel 900, see the Wikipedia page [https://hu.wikipedia.org/wiki/Westel\\_900](https://hu.wikipedia.org/wiki/Westel_900).

85 On the story of Space Gammas, see the Wikipedia page <https://hu.wikipedia.org/wiki/%C5%B0rgamm%C3%A1k>.

86 See György Farkas, "A Pasa parki jó szomszéd, aki a hazának dolgozik" [A good neighbor in Pasa Park, working for his homeland], *24.hu*, September 8, 2016, <https://bit.ly/3gIWC8Q>.

87 On the 2016 Hungarian migrant quota referendum, see the Wikipedia page <https://bit.ly/3iwj5Gz>.

88 See Katalin Erdélyi, "Government Spending €21 Million from EU Funds on Another Propaganda Campaign," *Átlátszó*, October 5, 2017 (updated May 30, 2018), <https://bit.ly/31FLeUP>.

89 See Zoltán Jandó, "Kegyvesztett lett a kormány kedvenc médiaügynöke" [Government's favorite media agent disgraced], *magyarnemzet.hu*, May 26, 2017, <https://bit.ly/3ngmcHQ>.



within the cabinet) and from the National Communications Office (Nemzeti Kommunikációs Hivatal). After 2018, Csetényi failed to win a public procurement tender.

### *Endre Hamar*

Endre Hamar is a lawyer, schoolmate, friend, and business partner of István Tiborcz. With Tiborcz, Hamar also fell into the scope of the OLAF investigations as his companies had a central role in the actions of Elios Innovatív Ltd.<sup>90</sup> Sistrade Ltd. and another company owned by Hamar had been hired by various municipal authorities to prepare many of the tenders which Elios then happened to win. These are some of the same tenders on which OLAF found irregularities. The employees of Sistrade and Elios Innovatív edited the spreadsheets together, calculating the rates of return of the problematic projects.<sup>91</sup> Though indirectly, Hamar also had interests in Elios Innovatív, resulting in serious conflicts of interest regarding those tenders that were prepared by Sistrade and awarded to Elios Innovatív.<sup>92</sup>

Hamar himself also benefited from multiple governmental projects, several of those funded by the EU. He co-owned companies with Lajos Simicska before G-day and rented a luxury villa from István Garancsi for his law firm, which conducted some of the real estate acquisitions of the companies belonging to Tiborcz and Mészáros. Hamar also has interests in BDPST Plc.

### *Zsolt Homlok*

Zsolt Homlok is the son-in-law of Lőrinc Mészáros; he married Ágnes Mészáros in 2017.<sup>93</sup> Until 2016, he was the CEO of the Austrian-owned company Swietelsky Vasúttechnika Ltd.,<sup>94</sup> which developed a number of railway

90 See Zsolt Kerner, “Tiborcz-ügy: tudták, hogy illegálisan gazdagodnak” [Tiborcz case: they knew they were getting rich illegally], *24.hu*, February 16, 2018, <https://bit.ly/3iw2xyr>.

91 See Zsolt Kerner, “Így csalt Orbán vejének cége—megszereztük az OLAF jelentését” [This is how Orbán’s son-in-law’s company cheated—we have the OLAF report], *24.hu*, February 2, 2018, <https://bit.ly/3abkVKc>.

92 In many cases, contracting authorities (issuers) entrust companies with the preparation of their tenders planned. One such commissioned company was the company of Endre Hamar. The conflict of interest is apparent: the company of Elios’s owner’s friend and business partner participated in the bidding process, which Elios later won as the single bidder. Moreover, Endre Hamar was also the indirect owner of Elios. So he indirectly prepared the tenders for himself.

93 See József Pirk, “Férjhez ment Mészáros Lőrinc lánya” [Lőrinc Mészáros’ daughter got married], *24.hu*, July 25, 2017, <https://bit.ly/2DtTWhd>.

94 See the webpage of Swietelsky Vasúttechnika Ltd. (<http://vasuttechnika.hu/>).



construction projects in a consortium with R-Kord Ltd.,<sup>95</sup> a Mészáros<sup>96</sup> firm. In addition, during Homlok's leadership, Swietelsky Vasúttechnika Ltd. was commissioned by the foundation behind the local football team, the Felcsúti Utánpótlás-nevelésért Alapítvány, to establish the light railway in Felcsút with a terminal in the surroundings of the Pancho Arena, the stadium of the team. This EU-funded mini train generated a loss of HUF 17 million in three years.<sup>97</sup> At the end of 2016, Homlok founded his own railway construction company (the Homlok Építő Zrt.) and acquired shares and positions in several other firms, some of them belonging to Lőrinc Mészáros. Within a year, Homlok quickly became successful in public tenders, earning about 2.7 million euros through his companies. Since 2013, he has also been the president of Haladás VSE, a sport club in Szombathely.<sup>98</sup>

### *Tibor Kuna*

Tibor Kuna, a political scientist, has worked at several communication agencies, but during the first Fidesz government he held positions in the Sport Ministry (1999–2002) and until 2003 he was the appointed cabinet secretary at the Fidesz MP Group.<sup>99</sup> He was good friends with the minister of foreign affairs and trade, Péter Szijjártó,<sup>100</sup> and the minister of national development, Miklós Seszták. The revenues of his agencies—Trinity Ltd., and Young and Partners Ltd.<sup>101</sup>—showed a substantial 36-fold increase between 2012 and 2017,<sup>102</sup> in large part due to his work for the government. For example, Kuna's businesses were commissioned for the promotion of the FINA World Championships held in Budapest in 2017.

However, Kuna may have experienced the same conflict as Csetényi since he has not won any government tenders since the second half of 2018. Furthermore, Hungarian authorities began investigations of him for tax fraud, a charge to

95 See the webpage of R-KORD Ltd. (<http://r-kord.hu/>).

96 See CSARNOE, "Mészáros Lőrinc lánya férjhez megy apja egyik üzlettársához" [Lőrinc Mészáros' daughter marries one of her father's business partners], *Index*, May 29, 2017, <https://bit.ly/30KkOly>.

97 Katalin Erdélyi, "The EU-Funded Mini Train of Felcsút Generated a Loss of HUF 17 Million in 3 Years," *Átlátszó*, August 27, 2019, <https://bit.ly/2DS9jQ4>.

98 See József Spirk, "Itt az első partifotó Mészáros Lőrinc lányáról és a vőlegényéről" [Here is the first photo of Lőrinc Mészáros's daughter and her groom], *24.hu*, May 30, 2015. <https://bit.ly/2XKaZ5k>.

99 See the webpage of DigitalHungary, "Who Is Who: Kuna Tibor," <https://bit.ly/3nj6rzP>.

100 See Csaba László Horváth, "Szijjártó barátja ugyanazzal a trükkel szerzett önkormányzati lakást a Várban, mint Bayer Zsolt" [Szijjártó's friend used the same trick as Zsolt Bayer to get a municipal apartment in the Castle of Buda], *24.hu*, February 14, 2020, <https://bit.ly/2DT0h3S>.

101 See the webpage of Young and Trinity Ltd. (<https://youngandtrinity.hu/hu>).

102 See Zoltán Jandó, "Két éve csúcscon volt, most teljessé vált a NER-csillag bukása" [Two years on top, now the fall of the SNC star is complete], *g7.hu*, July 29, 2019, <https://bit.ly/3aeIVfj>.

which he admitted to in court in 2019. His agencies had only one major customer from the private sector, which they also lost in 2019. Finally, Kuna sold his companies and the prosecution sentenced him to two years' prison suspended for five years.<sup>103</sup>

### *Attila Paár*

Attila Paár, a businessman with financial interests primarily in the construction sector, is the 45th richest person on the 2019 Hungarian *Forbes* list.<sup>104</sup> His business success began at the end of the 1990s, when West Hungária Bau (WHB) Ltd.,<sup>105</sup> a construction company co-owned by Paár, built several factories for multinational corporations in Hungary. After 2010, WHB Ltd. won public tenders in greater volume and Paár became the business partner of István Tiborcz, who also sold his shares in Elios Innovatív Ltd. to the construction magnate.<sup>106</sup> They have additional interests in common<sup>107</sup> as well.

### *László Szíjj*

László Szíjj, the fourth richest Hungarian according to the 2019 *Forbes* list,<sup>108</sup> has interests in companies operating in various sectors. He purchased a 30 percent share of Közgép Ltd. in 2018 from Lajos Simicska and also bought a third of the largest Hungarian trade bank, acquired by Mészáros, the MKB Bank PLC<sup>109</sup> from a cousin of the president of the Hungarian central bank.<sup>110</sup>

Szíjj started his wealth accumulation in the construction sector with his childhood friend Károly Varga in 1990. He was also elected mayor of his hometown, Tiszakécske, in that year during the first democratic municipal elections. In 2000, their companies started booming, which accelerated radically after 2010 and Fidesz's electoral victory. Duna Aszfalt Ltd.,<sup>111</sup> their construction company, collaborated with a number of Lőrinc Mészáros's firms on numerous projects, both on the domestic and international scenes. Szíjj also became a shareholder in several companies belonging to Lőrinc Mészáros,

103 See erdelyip, "Kuna Tibor és Berki Krisztián is elismerte a bűnösségét a bíróság előtt az áfacsalási ügyben" [Both Tibor Kuna and Krisztián Berki admitted their guilt in court in the VAT fraud case], 444, May 21, 2019, <https://bit.ly/3kuGPNk>.

104 See on [forbes.hu](https://forbes.hu) (<https://bit.ly/31J8jX4>).

105 See the webpage of West Hungaria Bau Ltd. (<https://whb.hu/en>).

106 See on the webpage of K-Monitor (<https://bit.ly/3fKNoHK>).

107 See Leonárd Máriás and Csaba Molnár, "Magyarország egyik leggazdagabb embere vette meg Tiborcz cégét" [One of Hungary's richest men bought Tiborcz's company], *HVG*, May 18, 2015, <https://bit.ly/30KgGSA>.

108 See <https://forbes.hu/extra/50-leggazdagabb-magyar-2019/4-szijj-laszlo/>.

109 See the webpage of MKB Bank PLLC (<https://www.mkb.hu/investor>).

110 See Katalin Erdélyi, "From Tiszakécske to Dubai: László Szíjj's Rise to the Top Business Circles of the Regime," *Átlátszó*, March 10, 2019, <https://bit.ly/3is32tq>.

111 See the webpage of Dunaaszfalt Ltd. (<https://www.dunaaszfalt.hu/>).

operating in different sectors ranging from agriculture to electricity. They are also linked to each other through sports, as the foundation behind Felcsút's football team (Felcsút is small village near Tatabánya, the childhood village of Viktor Orbán) in Hungary commissioned Duna Aszfalt with the renovation of a botanical garden it maintains. Szíjj's personal importance in Hungary, as well as that of his businesses, increased after G-day. Recently, he took control of Közgép Ltd.<sup>112</sup>

### *Károly Varga*

Károly Varga is a former business partner of László Szíjj. They parted ways in 2015 in order to be able to run their companies more efficiently.<sup>113</sup> Szíjj continued to own Duna Aszfalt Ltd., while Varga kept his shares at Magyar Vakond Ltd.<sup>114</sup> and at Hódút Ltd.,<sup>115</sup> companies specializing in pipeline, sewage, and road construction projects, mostly in Eastern Hungary. However, the borders between the interests of the two businessmen are not clear. They also had shares, along with Lőrinc Mészáros, in an air-conditioning company, CLH Klímaszervíz Ltd.,<sup>116</sup> and Hódút Ltd. also became the property of László Szíjj by 2019.<sup>117</sup> Furthermore Varga, Szíjj, and Mészáros cooperated when the pro-government media outlets were organized into the media conglomerate Central European Press and Media Foundation (KESMA).<sup>118</sup>

112 See Krisztián Sándor, "Hivatalos: Szíjj Lászlóhoz kerül Simicska emblematikus cége, a Közgép" [Official: László Szíjj takes over Simicska's emblematic company, Közgép], *Forbes*, July 23, 2019. <https://bit.ly/33J3O10>.

113 See on the webpage of K-Monitor (<https://bit.ly/3ngyMqx>).

114 See the webpage of Magyar Vakond Ltd. (<https://www.magyarvakond.hu/>).

115 See the webpage of Hódút Ltd. (<https://www.hodut.hu/>).

116 See the webpage of CLH Hűtés- és Klímatechnikai Ltd. (<https://www.clh.hu/>) and Katalin Erdélyi, From Tiszakécske to Dubai: László Szíjj's Rise to the Top Business Circles of the Regime, *atlatzo.hu*, March 3, 2019, <https://english.atlatzo.hu/2019/03/10/from-tiszakecske-to-dubai-laszlo-szijs-rise-to-the-top-business-circles-of-the-regime/>.

117 See Ákos Szabó, "Szíjj László: A Duna Csoport jelentős lépést tett a versenyképesség növelése érdekében" [László Szíjj: The Duna Group has taken a significant step toward increasing competitiveness], *magyarepitok.hu*, November 14, 2019, <https://bit.ly/3r6UNcb>.

118 See Jandó Zoltán, "Rejtőzködő harcostárs szállt be Mészárosék családi cégébe" [A hidden comrade has entered the family business of the Meszáros family], *444*, November 15, 2019, <https://bit.ly/30YQq6H>.

## Annex 3.2

**Table 3A.2.1** Number of contracts won by companies owned by the MGTS+ group from 2011 to 2021

<i>Company name (direct or indirect owner)</i>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
4iG Ltd (Lőrinc Mészáros (since 2019))									4	17	21	42
CLH Hűtés- és Klimatechnikai Ltd (Lőrinc Mészáros, László Szijj, Károly Varga (from June 2015 to September 2018), Attila Paár (from September 2018))					2	3	2	1	2	1	0	11
Euro General Ltd (Lőrinc Mészáros and his family (since March 2015))					2	5	10	13	21	4	8	63
Europublicity Ltd (Lajos Simicska (2011-2019), Lőrinc Mészáros (2019-2020))	1	0	0	0	0	0	0	0	0	0		1
Fejér B.A.L. Ltd (Lőrinc Mészáros and his family)	0	0	0	0	2	3	2	2	10	4	12	35
Mediaworks Ltd (Lőrinc Mészáros (since 2017))							4	6	4	11	10	35
Mészáros és Mészáros Ltd (Lőrinc Mészáros)	1	7	3	4	9	1	12	10	16	11	7	81
Publimont Ltd (Lajos Simicska (2011-2019), Lőrinc Mészáros (2019-2020))	1	1	0	2	0	0	0	0	1	0	0	5
R-Kord Ltd (Lőrinc Mészáros)	0	1	0	0	2	8	4	7	3	8	6	39
V-Híd Ltd (Lőrinc Mészáros and Zsolt Homlok (since 2018))								1	0	6	3	10
Vivienvíz Ltd (Lőrinc Mészáros)	0	0	0	0	0	1	0	0	0	0	0	1
ZAEV Ltd (Lőrinc Mészáros (since 2019))									11	5	15	31
Market Építő Ltd (István Garancsi)	1	1	3	8	10	2	9	6	7	1	13	61
Market Épületszervíz Ltd (István Garancsi)	0	0	1	0	0	0	0	0	0	0	0	1
MET Magyarország Ltd (István Garancsi)	0	0	0	0	15	3	1	1	0	0	0	20
Mobil Adat Ltd (István Garancsi)	0	0	0	2	0	0	0	0	0	0	0	2
Visual Europe Ltd (István Garancsi)	0	0	0	0	0	0	0	2	1	0	16	19
Elios Ltd (István Tiborc, son-in-law of Viktor Orbán)	12	2	3	19	27							63
PBE Energiamenedzsment Ltd (István Tiborc and Endre Hamar)	2	8	4	8	0	0	0	0	0	0	0	22
PBE Építő Ltd (István Tiborc and Attila Paár)	0	0	0	0	1	1	1	0	0	0	0	3

(Continued)

Table 3A.2.1 Continued

<i>Company name (direct or indirect owner)</i>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
E-OS Energiakereskedő Ltd (Lajos Simicska (2011-2018))	0	1	0	0	1	1	0	0				3
Közgép Ltd (Lajos Simicska (2011-2019), László Szijj (since 2020))	7	13	37	14						4	1	76
Közgéphídkorr Ltd (Lajos Simicska (2011-2018))	0	1	0	0								1
Mahir Cityposter Kft. (Lajos Simicska (2011-2018))	1	0	0	1	1	0	0	0				3
Mahir Kiallítás Kft. (Lajos Simicska (2011-2018))	10	15	14	37	1	1	0	0				78
Nemzeti Lapkiadó Ltd (Lajos Simicska (2011-2018))	0	0	0	1	0	0	0	0				1
Lounge Design Ltd (Gyula Balásy)	0	1	0	0	2	1	1	5	4	52	147	213
New Land Media Ltd (Gyula Balásy)	0	0	0	0	0	2	2	6	5	57	149	221
Network 360 Ltd (Csaba Csetényi)	0	1	0	2	2	2	0	0	0	0	0	7
Sistrade Ltd (Endre Hamar)	0	3	1	3	3	4	0	0	0	0	0	14
EUPRO Projektmenedzsment Ltd (Endre Hamar)	0	0	5	10	4	4	0	0	0	0	0	23
Homlok Építő Ltd (Zsolt Homlok, son-in-law of Lőrinc Mészáros)	0	0	0	0	0	0	1	0	7	2	5	15
Vasútville Ltd (Zsolt Homlok, son-in-law of Lőrinc Mészáros)	0	0	0	0	0	0	2	3	6	6	4	21
West Hungária Bau Ltd (Attila Paár)	7	7	17	22	24	17	9	16	13	5	13	150
Magyar Építő Ltd (Attila Paár (since 2016))						6	5	2	3	2	5	23
Duna Aszfalt Ltd (László Szijj)	31	16	28	46	27	19	17	11	10	15	29	249
Hódút Ltd (Károly Varga and László Szijj)	0	0	0	0	1	1	0	0	0	0	0	2
Vakond Via Ltd (Károly Varga and László Szijj)	0	0	0	0	0	0	0	0	2	0	0	2
Vakond Ltd (Károly Varga and László Szijj)	0	2	0	0	0	0	0	0	3	0	0	5
Magyar Vakond Ltd (Károly Varga and László Szijj)	0	0	0	0	0	2	5	0	1	1	0	9
Trinity International Communications Ltd (Tibor Kuna)	0	0	2	2	19	9	1	1	0	0	0	34
Young & Partners Ltd (Tibor Kuna)	9	6	11	12	6	7	0	0	0	0	0	51
Total*	83	86	129	193	161	103	88	93	134	212	464	1746

\*The number of contracts (without framework agreement) won by companies owned by the MGTs+ group from January 2011 to 2020 is 1,765, whereas in several cases one MGTs+ company won a contract in a consortium with the other one. If there are no crony entrepreneurs among the owners of the firm in the given year, this is indicated by a gray cell.

**Table 3A.2.2** The Results of Regression Estimations of Contract Size (LNNCV), Estimations for the Periods from 2005 to 2010 and from 2011 to 2021

	<i>2005–2010</i>	<i>2011–2021</i>
	<i>(1)</i>	<i>(2)</i>
MGTSPLS	0.416*** (0.109)	1.923*** (0.044)
EU	0.589*** (0.017)	0.113*** (0.009)
SECTOR	Yes	Yes
YEAR	Yes	Yes
Constant	15.389*** (0.115)	14.934*** (0.067)
<i>N</i>	50,792	180,073

Source: authors' own calculations based on CRCB data

Note: Robust regression estimation, standard errors are in the brackets

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.1$

# POLITICAL CONNECTEDNESS UNDER FIDESZ GOVERNMENTS AND THE CASE OF MÉSZÁROS GROUP OF COMPANIES

*MIHÁLY LAKI*

## **Introduction**

Political connectedness, more precisely the conversion of political-personal relationships into business advantages, has been a well-known and widespread phenomenon in the Hungarian economy since the collapse of the socialist system in 1989. Since 2010 it has been the Fidesz-connected (see Tóth and Hajdu, chapter 3 in this book) group of owner-managers of Hungarian medium-sized and large enterprises<sup>1</sup> that have become more visible and powerful in the context of this politico-economic system. As I shall discuss later, the business strategies of these businesspeople and of their companies are determined by special noneconomic incentives. This chapter explores this phenomenon using one of the members of this group, Lőrinc Mészáros, who has a large group of affiliated companies, as an extreme but paradigmatic example. In this reconstruction of the Mészáros saga I provide new knowledge about the behavior of Fidesz-connected companies and contribute to the theory of the politically connected firm (Faccio 2006; Chernenko 2019; O'Connor 2019).

Moreover, I assume that corruption is necessary but not sufficient to explain, describe, and analyze the unusual behavior of these businesses (Szántó et al. 2012; Fazekas and Tóth 2016; Tóth and Hajdu 2017; Tóth 2018). This chapter uses the vocabulary and the analytical methods of economics and economic sociology, but the text is more a contemporary historical interpretation than a strict, scientific analysis.

<sup>1</sup> “Small and medium-sized enterprises (SMEs) employ fewer than 250 people. SMEs are further subdivided into micro enterprises (fewer than 10 employees), small enterprises (10 to 49 employees), medium-sized enterprises (50 to 249 employees). Large enterprises employ 250 or more people.” See “Enterprises by Business Size,” oecd.org, 2019, <https://data.oecd.org/entrepreneur/enterprises-by-business-size.htm>.

## Methodology: Data Collection and Processing

I started to collect press material on Fidesz-connected businesspeople and companies in 2015. Since that year I have found about 400 reports and articles on this subject in the Hungarian traditional and electronic media. Another important source of data was Transparency International Hungary's *Fekete Könyv* (Black book), which was published in the last weeks of the election campaign in 2018 in Hungary.<sup>2</sup> This book contains a significant number of stories of corruption from the last decade. The majority of them are tied to Fidesz-connected companies. The stories are properly documented on the basis of parliamentary documents and mass media sources (articles, reports). Among the sources of information for these stories are the annually appearing series dealing with the hundred wealthiest Hungarians' lives and activities since 2013.

I cannot ignore that the utility of such fragmented and sometimes anecdotal data is limited. These documents were generated in the milieu of growing distrust in the years of the System of National Cooperation.<sup>3</sup> The political confrontation between the government and some newspapers and radio stations constrains the scope of investigative journalism in Hungary. For example, in 2018, the Fidesz spokesman described the opposition-oriented newspapers and radio stations as the tools of a one-sided, prejudiced propaganda machine.<sup>4</sup> In this interpretation, investigative journalists working for these mass media are simple political activists. On the other hand, the opinion of opposition intellectuals on the performance of pro-government press is equally negative (e.g., Vásárhelyi 2013). Because of this milieu of distrust, there were some doubts concerning the usability of the content analysis method in my research. Nonetheless, I propose that the collected documents, based on accurate source criticism and careful distinction between propaganda and description, are appropriate for drawing convincing conclusions.

2 József Péter Martin, Gabriella Nagy, and Miklós Ligeti, *Fekete könyv. Korrupció Magyarországon 2010–2018*, <https://transparency.hu/wp-content/uploads/2018/03/Fekete-k%C3%B6nyv.pdf>.

3 In the days of the 2010 election victory (as they named in the days of “poll booth revolution”) Fidesz called the package of planned changes as the System of National Cooperation (in Hungarian “Nemzeti Együttműködés Rendszere”). The main items of this forecast can be found in the Program of National Cooperation (2010).

4 Gábor Baranyai, “A rombolás lehetett Sargentiniék célja” [Presumably, the destruction was the goal of Sargentini], *Magyar Idők*, October 1, 2018, <https://www.magyaridok.hu/belfold/a-rombolas-lehetett-sargentiniek-celja-3531065/>; Bence Horváth, “Kovács Zoltán a Magyar Időkben: az Átlátszónak, a Direkt 36-nak és a G7-nek semmi köze az újságíráshoz” [Zoltán Kovács in the Magyar Idők: Sites such as Átlátszó, Direkt36 and G7 have nothing to do with journalism], *444*, October 1, 2018, <https://444.hu/2018/10/01/kovacs-zoltan-a-magyar-idokban-az-atlatszok-a-direkt-36-nak-es-a-g7-nek-semmi-koze-az-ujsgirashoz>.



## **Fidesz-Connected Entrepreneurs on the List of the 100 Wealthiest Hungarians**

### *Selection Concerns*

There is no full or representative sample of the owners of Hungarian large enterprises (owner-managers); therefore, I use here a sample of the 100 wealthiest Hungarians based on their fulfilling the conditions of Fidesz-connectedness. In my previous publications (Laki 2017a, 2017b, 2018), I classified owner-managers as “Fidesz-connected” if they:

- Were or are at present public intellectuals in advisory and/or program work groups of the Fidesz–KDNP party alliance.
- Have close personal relationships with important policymakers in the post-2010 period.
- Have close relationships with people who have connections to the leading figures in the Fidesz–KDNP alliance.
- Have carried out business and political transactions at the request and encouragement of these politicians.
- Have experienced the rapid growth of their businesses due to favorable new or modified regulations and/or through public procurement.

In 2018, 18 members of this list of the 100 wealthiest Hungarians fulfilled these conditions to be considered “Fidesz-connected.” I shall analyze this special group in this chapter.<sup>5</sup> As the appendix table 4A.1 shows, the number of Fidesz-connected businesspeople varies over time. Among these 18 businesspeople on the 2018 wealthiest list, there are two groups. Less than half of them were active Fidesz-supporting entrepreneurs before 2010. The others—a slight majority—were included in this circle after the national election in 2010. Interestingly, this latter group has seen more dramatic increases in their wealth and power over the past decade than the more long-standing supporters. The reasons for this discrepancy will be discussed later.

### *Demographic and Social Properties*

The society of the Fidesz-connected owner-managers—similar to the samples of our previous research—is dominated by men (Laki and Szalai 2004, 2006, 2013). Only one member of the group is a woman. She is also the only woman among the 100 wealthiest Hungarians. However, there are family businesses where

5 It was a lucky coincidence that three of them were interview partners in my previous research.

wives and daughters have positions in management, such as in the Gosztonyi<sup>6</sup> and Fülöp families.<sup>7</sup>

The vast majority of the 100 wealthiest Hungarians live in Budapest, in Hungary's other big cities, or in big West European and American towns. The place of residence of Fidesz-connected businesspeople showed similar distribution. Typically, they live in Budapest or in big Hungarian cities, but there are few with foreign residence.

I documented in previous studies that the proportion of tertiary graduates is quite high in the strata of owner-managers of big Hungarian companies (Laki and Szalai 2004, 2013). This ratio of tertiary graduation was 51 percent among the 100 wealthiest Hungarians in 2018. Among Fidesz-connected businesspeople on this list, the number is even higher; about two-thirds have a university or college degree. The average age of the Fidesz-connected group (59 years) and of the 100 wealthiest (57 years) does not differ remarkably. In both groups, the 55–65-year-old cohort dominates.<sup>8</sup>

As you can see, these standard social-demographic indicators generally cannot explain the performance differences that we discuss here between the group of Fidesz-connected businesspeople and the rest of the sample. Interestingly, though, the main subject of this story, Lőrinc Mészáros, is a bit of an outlier: he is younger (52 years), less educated (high school), and he lives in a village (see a detailed description in Tóth and Hajdu, chapter 3 in this book).

### ***Success Indicator: Growth of Property***

Using the growth of total assets' estimated value<sup>9</sup> as one of the available and often used success indicator of entrepreneurial activities, it is evident that the subgroup of Fidesz-connected owner-managers has performed better than the average of the 100 wealthiest Hungarians since 2010.<sup>10</sup> In other words, the property holdings of

6 “37.5 percent of the estimated assets are owned by László Gasztonyi. 37.5 percent is owned by his brother and 25 percent by his wife. Gasztonyi's brother, wife and two children also participate in the operation of the company.” *A 100 leggazdagabb magyar* [The 100 richest Hungarians], 2020, 84.

7 “The founder of the company considers well functioning management to be the company's greatest strength. Financial matters are decided by his wife, his children are members of the management as well.” *A 100 leggazdagabb magyar* [The 100 richest Hungarians], 2020, 97.

8 The majority of the generation of those who started businesses in the first years of the post-socialist transition has retired from business life. A number of them sold their assets (sometimes not voluntarily). In other cases, the retired founder handed over the business to his/her family's younger members.

9 These estimates are based on carefully selected criteria which are used and coordinated by a standard team of experts. More details in *A 100 leggazdagabb magyar* [The 100 richest Hungarians], 2020, 10.

10 See total assets list of the 100 richest Hungarians in the appendix, table 4A.2.

the majority of Fidesz-connected entrepreneurs increased faster than the average of this group in the past decade. This explains why there were 4 Fidesz-connected individuals on the list of the 100 wealthiest Hungarians in 2014, and 18 ones in 2019. Also, their ranking within the group has changed during these years. The number of property holdings of those who entered the group after Fidesz's electoral victory in 2010 increased faster than those of the others. Even within the group of 18, the property of Lőrinc Mészáros grew extremely fast. He was 86th among the 100 wealthiest in 2014, and four years later, the 2nd on the list based on his estimated property. Members of the group of Fidesz-connected entrepreneurs who have close business relationships with Mészáros<sup>11</sup> are also among those with exceptionally fast property-holding growth (see table A.1).

### ***Influence: Political Functions and Public Roles***

The fast rate of growth of assets belonging to Fidesz-connected businesspeople are explained here by their political affiliations (Magyar 2015; Kornai 2017; Szelényi 2019; Tóth 2018; also see Csanádi, chapter 1 in this book). Fidesz-connected owner-managers are also on the list of the most influential<sup>12</sup> 50 Hungarians (table 4.1). This is an indicator that ranks the estimated influence of politicians, businesspeople, and celebrities.<sup>13</sup> Their number in this group has increased over the years as well. From the 18 Fidesz-connected among the 100 wealthiest Hungarians, there were 6 in 2014, 13 in 2016, and 11 in 2019 on the list of most influential persons. In addition, most of them have moved closer to the top of this list since 2010. The estimated influence of those who appeared on the scene after 2010 grew extremely quickly.

In addition, 12 of the 18 Fidesz-connected businesspeople on the 100 wealthiest Hungarians list are in significant government positions; others are government agents or have/had significant positions in the leadership of social or professional associations (see table 4.2).

### **Regulatory and Procurement Advantages or Favors**

Connectedness and fast development of Fidesz-connected ventures not only appears in formal influential positions of their owners, but also in politically targeted public resource distribution and regulational privileges. Within those cases, Mészáros's companies reappear in multiple modes to directly or indirectly benefit from public sources and public wealth. As an integrated part of

11 Attila Paár, László Szijj, and Károly Varga (see the tables in the appendix).

12 "The influence barometer is based solely on the opinions of political analysts. Well-known experts were asked to assign a value between zero and one hundred points to the named 121 political business people and public figures based on how influential they are considered" (A 100 leggazdagabb magyar 2020, 114).

13 A 100 leggazdagabb magyar 2019 [The 100 wealthiest Hungarians in 2019].

**Table 4.1** Place of Fidesz-connected businesspeople on the list of the most influential 50 Hungarians between 2012 and 2019

<i>Fidesz-connected owner-managers</i>	2014	2015	2016	2017	2018	2019
József Béres	Not listed	Not listed	Not listed	Not listed	Not listed	Not listed
István Garancsi	23	14	8	7	7	7
Zsolt Hernádi	12	13	19	15	13	14
Tibor Kuna	Not listed	Not listed	46	31	23	Not listed
Csaba Lantos	Not listed	45	34	45	Not listed	40
Lőrinc Mészáros	45	15	10	8	3	3
Elek Nagy	Not listed	46	28	31	Not listed	Not listed
Attila Paár	Not listed	Not listed	Not listed	32	45	48
Tamás Rákosi	Not listed	Not listed	Not listed	Not listed	46	Not listed
János Sánta	Not listed	Not listed	Not listed	Not listed	Not listed	Not listed
Sándor Scheer	Not listed	Not listed	Not listed	43	27	24
Mária Schmidt	Not listed	Not listed	Not listed	30	20	18
Lajos Simicska	Not listed	9	15	19	32	Not listed
Zsolt Spéder	Not listed	Not listed	Not listed	Not listed	Not listed	Not listed
Tamás Szemeréy	Not listed	Not listed	Not listed	40	35	Not listed
Gábor Széles	15	17	17	24	25	35
László Szíjj	Not listed	Not listed	24	21	17	10
István Tiborcz	Not listed	Not listed	Not listed	Not listed	Not listed	22
András György Vajna	82	7	5	6	5	(died)
Károly Varga	Not listed	Not listed	Not listed	Not listed	Not listed	4
György Wáberer	25	65	39	25	26	32
Number of Fidesz-connected on the list of most influential and on the list of the 100 wealthiest	6	8	9	14	13	11

Sources:

*A 100 leggazdagabb 2019*, Perche Kft., Budapest, 2019, ISSN 1789-2570;

*A 100 leggazdagabb 2018*, www.Napi.hu Online Kft., Budapest, 2018, ISSN 1789-2570;

*A 100 leggazdagabb 2017*, www.Napi.hu Online Kft., Budapest, 2017, ISSN 1789-2570;

*A 100 leggazdagabb 2016*, www.Napi.hu Online Kft., Budapest, 2016, ISSN 1789-2570;

*A 100 leggazdagabb 2015*, www.Napi.hu Online Kft., Budapest, 2015, ISSN 1789-2570;

*A 100 leggazdagabb 2014*, www.Napi.hu Online Kft., Budapest, 2014, ISSN 1789-2570

my research, I collected peculiar regulations and atypical procurement procedures of local and central governments that contributed to the fast growth of the Fidesz-connected businesspeople's owned or controlled assets. I define these peculiarities as "occasionally applied one-sided preferences" reaching Fidesz-connected businesses. The following stories illustrate this politically selective distributional behavior and its privileged consequences.

### ***Replacing the Supplier***

Numerous units of the state administration and several local governments changed their procurement policies and signed new agreements with a Fidesz-connected supplier of goods or services after the political turn in 2010.

**Table 4.2** Governmental or political-social functions of Fidesz-connected businesspeople in 2016–2019

<i>Name of the businessperson</i>	<i>Local or central government</i>	<i>Political, social, or professional</i>
Lőrinc Mészáros Gábor Széles	Mayor of a village	Past president, Confederation of Hungarian Employers and Industrialists
András György Vajna	Government commissioner, Hungarian National Film Fund	
László Szíjj	Adviser Public Procurement Authority of Hungary	
Elek Nagy		President, Budapest Chamber of Commerce and Industry
István Garancsi	Representative of the prime minister (tourism)	President, Hungarian Tourist Association
Mária Schmidt	Representative of the prime minister (historical commemorations)	
György Wáberer	Ministerial commissioner (road transport development)	President, Hungarian Road Haulers Association
Zsolt Hernádi	Member, National Council of Competitiveness	
Tibor Kuna	Head of department, Ministry of Youth and Sports	Cabinet chief parliamentary faction of Fidesz
János Sánta		President, Association of Tobacco Investors in Hungary
Csaba Lantos		President, Budapest Stock Exchange Council

Source: collected by the author from different online sources

### *Mini Case Study 1<sup>14</sup>*

B+N Referencia Zrt., a 100 percent Hungarian, privately owned company, was founded in 2011 with 10 million HUF (28,500 EUR) in registered capital.<sup>15</sup> Its

14 Mini case studies in this chapter are reconstructed stories based on reports, articles, and documents. They did not fulfill the minimal requirements of a conventional case study, but they satisfactorily illustrate a particular form of political support.

15 Géza Németh, “Nagyot nyert az államtól a B+N Referencia Zrt” [B+N Referencia Ltd. won a lot from the state], *napi.hu*, November 17, 2017, [https://www.napi.hu/magyar\\_vallalatok/nagyot\\_nyert\\_az\\_allamtol\\_a\\_b+n\\_referencia\\_zrt.651177.html](https://www.napi.hu/magyar_vallalatok/nagyot_nyert_az_allamtol_a_b+n_referencia_zrt.651177.html).

profile was and remains to this day facility management: cleaning, hygiene, technical operation, gardening and forestry, and beverage and ticket vending machines. The company's first years did not generate a success story; for example, B+N nearly bankrupted in 2013. The extremely fast growth of the company started in 2015 when its yearly turnover was just 3 billion HUF. In 2016, it rose to 13.6 billion HUF; in 2017, 18.2 billion HUF; and in 2019, 36 billion HUF. The number of employees was 3,000 in 2016 and 4,800 in August 2020. The primary reason for this dramatic growth has been public procurement. Since its founding, the company has won 95 public tenders. One such tender, signed in 2018, stipulates that for three years B+T will clean 82 government-owned buildings in western Hungary and 82 in eastern Hungary. This was not an open tender but a restricted procedure where B+N was granted 12 billion HUF worth of business. B+N, the seeming favorite of the public cleaning tenders, has also signed contracts with the operating company of the Hungarian State Railways to clean its buildings and stations in the western part of Budapest, Transdanubia, and the northern part of the Great Hungarian Plain. In addition, B+N has won tenders from the Hungarian Post Office, the Hungarian Tax Office, and the National Media and Info-communications Authority. This same company cleans the vehicles of Budapest's Metro Line number 4 (Szalai 2017). One of the possible reasons for B+N's tremendous success in public procurement is that since 2015 the company owner's business partner has been the person in charge of cadre training at Fidesz, who has not only bought shares in B+N but he also managed another company with B+N's owner, Ferenc Kis-Szölgvényi, years ago.<sup>16</sup> We have no information about the frequency of such cases. But based on the collection of documents, I assume that the story of B+N is a characteristic form of Fidesz favoritism.

### ***Winners of Public Tender Contracts and Fidesz-Connected Companies***

There were many cases in our sample when the winners of public tenders spent this money on products and services of Fidesz-connected companies. In other words, there were many cases in our sample when the winners of public tenders were contracted as subcontractors of Fidesz connected companies.

Erzsébet Foundation for Children in the Carpathian Basin, a foundation with strong connections to the Fidesz government, received from the state the real estate complex of the largest children's holiday camps on the shores of Hungary's largest lake, Lake Balaton.

<sup>16</sup> "Csaknem 4 milliárdos pluszt seperhet be a NER kedvenc takarítócége" [The NER's favorite cleaning company could claim almost 4 billion HUF plus], *Népszava*, September 9, 2019, [https://nepszava.hu/3032084\\_csaknem-4-milliardos-pluszt-seperhet-be-a-ner-kedvenc-takaritocege](https://nepszava.hu/3032084_csaknem-4-milliardos-pluszt-seperhet-be-a-ner-kedvenc-takaritocege).

Maintenance and expansion of these camps have been financed by public funds belonging to the budget of the Ministry of Human Resources.<sup>17</sup> The foundation can sell the camps at any time, which of course will be worth much more after they are renovated with state money.<sup>18</sup> In addition, a consortium belonging to the Fidesz-connected businessman Lőrinc Mészáros is renovating the camps for a total of HUF 21.58 billion.<sup>19</sup> The state was ready to cover the ever-increasing costs of the investment, costs which rapidly increased by almost HUF 45 million, even though it was only in 2020 that the contract for the construction was signed by the consortium.<sup>20</sup>

The companies owned by Mészáros and his family were not only involved in renovations but also in the maintenance of the camps: “Foods produced by Mészáros companies are served in both of the camps. Parents and employees of these camps claimed that children in the camps consumed cold cuts of the Mészáros owned meat company and drank mineral water from his sparkling water company.”<sup>21</sup> The management of these camps has also signed a contract for security services with a Fidesz-connected company (*Fekete Könyv* 2018, 136–138). The case of the summer camp project helped us learn about another form of indirect political support. Instead of free and transparent competition, foundations close to the government contract with politically backed companies to provide services for the transport of goods or to carry out their investments.

### ***The Disproportionate Distribution of State Advertising and Media Subsidies***

In addition to public procurement funding and modes of subcontracting, Fidesz-connected companies and company groups also received a disproportionate share of state media advertising procurement and subsidies in the post-2010 period. Since 2010, these companies have owned-controlled a remarkable and growing part of the Hungarian media. For example, Echo TV was owned by the group of Lőrinc Mészáros who acquired the Mediaworks Company, which owns

17 “Valaki nagyon jól fog járni: egy Fidesz-közeli alapítványnak ad 26 milliárdot az állam ingatlanfejlesztésre” [Someone is going to be very well off. The state will give 26 billion HUF to a foundation close to Fidesz for real estate development], *Magyar Narancs*, March 18, 2017, <https://magyarnarancs.hu/belpol/valaki-nagyon-jol-fog-jarni-egy-Fidesz-kozeli-alapitvanynak-ad-26-milliardot-az-allam-ingatlanfejlesztésre-103007>.

18 “22 milliárdért újítja föl Mészáros Lőrinc az üdülőket, amelyeket az állam elajándékozott” [Lőrinc Mészáros is renovating resorts donated by the state for 22 billion], *Index*, May 9, 2020, [https://index.hu/gazdasag/2020/05/19/erzsebet-tabor\\_zanka\\_fonyodliget\\_meszaros\\_lorinc/](https://index.hu/gazdasag/2020/05/19/erzsebet-tabor_zanka_fonyodliget_meszaros_lorinc/).

19 “22 milliárdért újítja föl Mészáros Lőrinc.”

20 Zsolt László Szabó, “Zánka: nem várt problémák, növekvő költségek” [Zánka: unexpected difficulties, rising expenses], *Magyar Hang*, February 20, 2020, <https://magyarhang.org/belfold/2020/02/01/zanka-nem-vart-problemak-novekvo-koltsegek/>.

21 Krisztián Magyar, “Egy a tábor” [The political camp is united], *Magyar Narancs*, January 1, 2017, <https://magyarnarancs.hu/riport/egy-a-tabor-101749>.

all the rural dailies.<sup>22</sup> However, politically selective distributed advertisements visibly did not compensate increasing loss of the business. As to the data of the Hungarian Distribution Control Alliance,<sup>23</sup> the number of buyers of Mészáros-connected local newspapers has gradually decreased. The number of copies sold decreased 2.5 percent on average in the last three months of 2018. On a yearly basis, the share of dropped newspapers or weekly subscriptions were more than 13 percent on average. Of course, the market for printed newspapers was not promising in general. The shrinkage in number of copies sold was an observable trend over many years. The national publications showed better periods sometimes. But in the case of rural newspapers, such a trend did not exist. More decisive is the trend from the first quarter of 2017. It is observable that from then the slow shrinkage turned into a steep fall.<sup>24</sup>

This ownership structure of the Fidesz-connected companies changed dramatically in 2018 when Lőrinc Mészáros, Ádám Matolcsy, Mária Schmidt, Árpád Habony, Tibor Győri, and other right-wing media owners donated their media outlets to the Central European Press and Media Foundation, which is a government-controlled/-influenced nonprofit foundation that functions as an “umbrella organization” (see Csanádi, chapter 1 in this book) with sheer property rights. I shall not detail the complex motivation of this transfer, but from then on these people did not own newspapers, television, and radio.<sup>25</sup>

In spite of this development, the politically controlled distribution of state advertising has not changed. For example, 70–80 percent of the pro-government newspapers’ revenue comes from public money (HVG 2017), while only 5 percent of the income of one of the few opposition daily newspapers was from government-connected advertisements. One of the pro-government electronic news portals receives six times more state advertising money than the other four leading players of the online news market combined. The situation is similar on the weeklies’ market. About 80 percent of the income of two weeklies is from government advertisements, while the share of government advertisements in the income of other similar media products is less than 5 percent (HVG 2017).

The case story of the media market informs us not only about the politically motivated distribution of state advertisements and subsidies. Moreover we may

22 Pál Dániel Rényi, “Gigantikus médiaholdingot építenek Orbán emberei” [Orbán’s people are developing a gigantic media holding], 444, September 27, 2018, <https://444.hu/2018/08/27/gigantikus-kozponti-mediaholdingot-epitenek-orban-emberei>.

23 Magyar Terjesztés-Ellenőrző Szövetség [Hungarian Distribution Control Alliance].

24 Sarolta Székely, “Lejtmenet: újabb 5000 vásárló pártolt el Mészáros lapjától” [Downhill: Another 5,000 customers parted ways from Meszaros’ newspapers], *mfor.hu*, November 24, 2018, <https://mfor.hu/cikkek/vallalatok/lejtmenet-ujabb-5000-vararlo-partolt-el-meszaros-lapjaitol.html>.

25 Csaba László Horváth, Ibolya F. Vitéz, and Dániel Bita, “Sosem látott kormánypárti médiabirodalom állt össze vezényszóra” [An unprecedented pro-government media empire assembled on cue], *24.hu*, November 29, 2018, <https://24.hu/kozelet/2018/11/29/media-Fidesz-kormany-meszaros-lorinc-liszokay-gabor-alapitvany>.



recognize, that the radical change of ownership managed by the government did not change the politically determined terms and proportions of the distribution of subsidies and orders.

### ***Owner-Change Managed from “Above” (by the Central Government)***

As it turned out from the previous story on the Central European Press and Media Foundation the change of the owner (managed or influenced by the government or other state bodies) is among the tools for influencing companies and entrepreneurs politically.

#### *Mini Case Study 2*

Since September, 30, 2014, the Hungarian state has been the owner of the MKB Bank, one of the leading banks in the country (Várhegyi 2019). Following the government's 2014 purchase of the bank from Bayern LB, its reorganization began under the supervision of the European Union at the end of the following year. Within the framework established during this period, the reorganized bank became self-sustainable. The reprivatization process, which started in 2015, finished successfully on June 29, 2016. The new owners of the bank are members of a consortium, including Metis, a private equity fund at that time. Metis seemed to be enough to monitor and manage the dispersed share of the other owners, namely an investment company, a pension fund, and a 15 percent share held by an employee participation program.<sup>26</sup> An important element of this privatization tender was that there would have been two additional applicants. They became the loser of the sales process despite the fact that these two Anglo-Saxon private equity investors were ready to include any Fidesz-connected business circles on the list of owners and management. But immediately after the privatization, in 2016, László Szíjj, as one of the closest business partners of Lőrinc Mészáros, and one of the 18 Fidesz-connected businesspeople, earned decisive interest in the bank through the private equity fund Metis, controlled by him. Nobody had confirmed this officially at that time, but on August 27, 2018, it was announced that Mészáros and his wife are behind Metis. At this point, they had a 48.62 percent share in MKB. In 2018 it became even more obvious who were the winners of this combination of company growth and change of ownership structure. Another 32.9 percent share package was owned by an investment company, which was owned by Tamás Szemerédy, the cousin of the president of the Hungarian National Bank. The next transaction was when a remarkable

26 Az MKB Bank története. Befektetőknek [The history of MKB Bank for investors], <https://www.mkb.hu/befektetoknek/mkb-bankrol/mkb-tortenete>.

share of this investment company became the property of László Szíjj.<sup>27</sup> The outcome is obvious: the Fidesz-connected Mészáros-Szíjj group's equity funds held decisive share in the MKB bank. This was the last step in the gradual takeover of the bank.

This multistage story shows how reprivatization would be a possible way of supporting the growth of Fidesz-connected company groups.

### ***Fidesz-Connected Entrepreneurs in State Development Programs***

State-owned banks and state agencies, for example, the Hungarian Development Bank and the Hungarian Tourism Agency, are responsible for state development programs of the Fidesz government (see Csanádi, chapter 1 in this book). These institutions define and publish the terms of tenders and distribute the centrally allocated money for these development programs (see Csanádi, chapter 1, and Gerő and Kovách, chapter 2 in this book). In the next mini case study, I look at the Balaton Program to demonstrate how the Hungarian government has used state development projects more generally to transfer public wealth to its supporters and their businesses.

#### ***Mini Case Study 3***

The Balaton Program was adopted in 2016 with a complex list of supported strategic targets. These include the healthy Balaton products; the improvement of water quality, security, road, rail, and air transport; the development of regional human resources; and the modernization of the vehicle fleet and tourist services.<sup>28</sup> To achieve these ends, 365 billion HUF was made available until 2020, with a portion of this money held exclusively for modernization and infrastructure development of campgrounds.<sup>29</sup>

The Balaton region is also one of the priority areas of the government-managed Kisfaludy program.<sup>30</sup> Within the framework of this program, more than 80 billion HUF was available with lower than the average interest rates from the Hungarian Development Bank for investment in tourist accommodation

27 Erika Domokos, "Tulajdonosváltás történt az MKB Bankban" [There was a change of ownership at MKB Bank], *napi.hu*, January 14, 2019, <https://www.napi.hu/magyar.../tulajdonosvaltas-tortent-az-mkb-bankban.676792.html>.

28 1861/2016. (XII. 27.) Korm. határozat a Balaton kiemelt turisztikai fejlesztési térség meghatározásáról és a térségben megvalósítandó egyes fejlesztések biztosításáról (1861/2016 XII. 27.) [Government decision on the definition of the priority tourism development area of Lake Balaton and on the provision of certain developments to be implemented in the area], <https://net.jogtar.hu/jogszabaly?docid=A16H1861.KOR&txtreferer=00000003.TXT>.

29 Brigitta Szabó: "Mészáros Lőrinc meghekkelte a Balatont" [Lőrinc Mészáros hacked Lake Balaton], *168 óra*, June 29, 2018, <https://168ora.hu/itthon/meszaros-lorinc-meghekkelte-a-balatont-152221>.

30 Kisfaludy Turisztikai Fejlesztési Program [Kisfaludy Tourism Development Program], <https://kisfaludyprogram.hu/>.

in 2018–2020.<sup>31</sup> As to the project, more than two-thirds of Hungary’s rural guesthouses would be revitalized (more than 700 guesthouses). In addition, in three priority areas—Balaton, Sopron, and Tokaj—16 hotel developments would take place, while altogether 27 new tourist quarters would be created throughout the country.<sup>32</sup>

Fidesz-connected businesspeople and companies enjoyed the benefits of the Kisfaludy and other Balaton projects.<sup>33</sup> Here is how the left-leaning news outlet 168 Óra Online characterizes the involvement of these people and companies:

On the shore of Lake Balaton we can see the methods that Fidesz uses generally. Namely, if they discover promising opportunities or money-making sources, their first step is to make impossible the normal operation of several local businesses or of locally established companies. For example, the local Fidesz government makes a decision that adds additional costs or taxes to a company. If a greater amount of money looks to be involved, the authorities amend laws or enter new legal rules into force to the advantage of targeted entrepreneurs. For example, it becomes no longer legally prohibited to deepen the lakebed, or waterfront rehabilitation plans are not required to start a development.<sup>34</sup>

We have no reliable data about the proliferation of these methods in the society of businesspeople around Lake Balaton. But these techniques are hardly unknown. For example, some of these methods were mentioned in an interview with György Wossala:<sup>35</sup>

I was happy when I was able to sell the Ramada Hotel Balatonalmádi (its new name is Hunguest Hotel Bar Resort). During the time of the world economic crisis, I took out 2.9 billion HUF (preferential or government supported LM.) loan to renovate the hotel and at the end of the day I spent 3.5 billion. I paid back 1.1 billion in five years and finally the capital debt increased to 5.2 billion. Erste Bank bought the hotel in the mean time. From that time, I was not the owner but the operator of the hotel. Later we made a contract of sale, but I could not fulfill the conditions of sale.

(Szabó D. 2017)

31 “Eredményhirdetés következik” [Announcement of results coming soon], *Turizmus Online*, September 10, 2018, [http://turizmusonline.hu/cikk/eredmenyhirdetes\\_kovetkezik](http://turizmusonline.hu/cikk/eredmenyhirdetes_kovetkezik).

32 “Eredményhirdetés következik.”

33 Brigitta Szabó: “Mészáros Lőrinc meghekkelte a Balatont” [Lőrinc Mészáros hacked Lake Balaton], *168ora.hu*, June 29, 2018, <https://168ora.hu/itthon/meszaros-lorinc-meghekkelte-a-balatont-152221>.

34 “Eredményhirdetés következik.”

35 He is among the 100 richest Hungarian permanently.

Lőrinc Mészáros (or his agents) entered the story at this point in 2017. “He was not the only one who made an offer to buy. There were others: foreigners and Hungarians. But practically his was the highest bid” (Szabó D. 2017). The new owner has not made radical decisions: “nothing has happened in the hotel yet except that it is operational. Eventually, they will develop the hotel because it needed it. Practically, the Mészáros group created the largest hotel chain in Hungary. The real estate is its real lasting value” (Szabó D. 2017). In this case, two business partners shared the benefits of the Fidesz-connectedness.

### ***Unconventional Bailouts by the State for Fidesz-Connected Businesspeople’s Property***

Mátra Power Plant was the first time that Mészáros sold a company to the Hungarian state as part of his capital accumulation strategy.<sup>36</sup>

#### *Mini Case Study 4*

In 2017, the Mészáros group purchased a significant share of the second largest power plant in Hungary, the Mátra Power Plant, which had previously been in German hands. Technically, a Czech-Hungarian consortium was the buyer. On the Hungarian side, however, Mészáros was involved through his Status Power Invest Company. Two months after the successful buyout, Mészáros agreed with the consortium partner that he would buy them out in two steps by 2019. Mészáros’s daughter Beatrix became the president of the plant’s supervisory board. The state-owned Hungarian Electricity Works (MVM) controlled some minority ownership shares but—without any doubt—Mészáros became the primary and main owner of the plant.<sup>37</sup>

After their purchase of the aging, lignite coal-fired plant, the new owners had to modernize and reduce its excessive greenhouse gas emissions, or face its closure within five to ten years. At the time of the sale there was a consensus in the energy industry that the purchase would be worth it only for those who could get enough governmental support (subsidies) for the closure and renewal of the company based on very expensive but “greener,” more environmentally friendly, technology. The previous owner, RWE AG,<sup>38</sup> had planned technological changes as well. On top of one of the tailings tanks they erected a solar power park in 2015. This 16 MW solar power capacity is much less than the 950 MW

36 “Mészáros Lőrinc már a második a 100 leggazdagabb magyar listáján” [Lőrinc Mészáros is already the second on the list of the 100 richest Hungarians], 444, May 10, 2018, <https://444.hu/2018/05/10/meszaros-lorinc-mar-a-masodik-a-100-leggazdagabb-magyar-listajan>.

37 Péter Magyarai, “Az állam megveszi Mészáros Lőrinctől az ország legnagyobb naperőművét” [The state buys the largest solar power plant in the country from Lőrinc Mészáros], 444, June 4, 2018, <https://444.hu/2018/06/04/az-allam-megveszi-meszaros-lorinctol-az-oroszag-legnagyobb-naperomuvet>.

38 Rheinisch-Westfälisches Elektrizitätswerk AG.

total capacity of the Mátra Power Plant, but it is the biggest solar power plant in the country. When RWE AG was selling the company, a  $2 \times 20$  MW capacity enlargement was prepared for the solar park. Mészáros and the Czechs initially claimed that they would implement this project as the new owners.<sup>39</sup>

But the planned development's technical improvements did not take place. The previously profitable company became unprofitable under the Mészáros management's operation by 2018.<sup>40</sup> One of the reasons for the 5.9 billion HUF loss in 2018 was the carbon quotas, which tripled within a few years, and some additional investments diminished the profits as well. Another important cause of the negative outcome was that the new owners took out HUF 11.2 billion from the company's profit in 2018 at the expense of the profits of previous years. Almost three-quarters of this amount went to Lőrinc Mészáros and to Mátra Energy Holding Zrt., which was controlled by him. The negative trend continued in 2019 when Mátra made a loss of HUF 6 billion.<sup>41</sup>

However, during the period of decay, several financial maneuvers took place between the Hungarian state and the private company. A part of the maneuver was that a few months before the renationalization, the company took out a Mészáros-controlled (MTB Magyar Takarékszövetkezeti Bank Zrt.) 2.6 billion HUF loan at the expense of its current revenues. But the management of the state-owned company saw the need to provide another 4.9 billion HUF loan, which had to be paid to Mészáros's private equity fund Metis. In addition, a capital increase of 26.4 billion HUF was needed and another 26.4 billion HUF bridging credit line to keep the power plant operational. The evidence indicates that in addition to the purchase price, the state spent an additional 57.7 billion HUF on the company including the purchase price.<sup>42</sup> The Mészáros company group did not want to keep the power plant for long. In March 2019, it was decided by the company and government that the plant would be returned to the state. The Hungarian state bought the large coal-fired power plant from Lőrinc Mészáros in March 2019 for 17.44 billion HUF.<sup>43</sup>

In conclusion, this case study shows that with consciously timed changes of ownership—first by private transfer, then by repurchase—the state provided a company group close to Fidesz represented by Mészáros with significant income.

39 Magyarai, "Az állam megveszi Mészáros Lőrinctől az ország legnagyobb naperőművét."

40 Zoltán Jandó, "Megmentette Mészárosék milliárdjait az állam a Mátrai Erőmű megvásárlásával [The state saved billions of forints for Mészáros with the purchase of the Mátra power plant], *g7.hu*, July 27, 2020, <https://g7.hu/kozelet/20200729/megmentette-meszarosek-milliardjait-az-allam-a-matrai-eromu-megvasarlasaval>

41 Jandó, "Megmentette Mészárosék milliárdjait."

42 Szilárd István Pap, "Lezárult a Mátrai Erőmű adásvétele:17 milliárdért vásároltuk vissza Mészáros Lőrinctől" [The sale and purchase of the Mátra power plant has been completed. We bought it back from Lőrinc Mészáros for 17 billion HUF], *Mérce*, March 26, 2020, <https://merce.hu/2020/03/26/lezarult-az-matrai-eromu-adasvetele-17-milliardert-vasaroltuk-vissza-meszaros-lorinctol/>.

43 Pap, "Lezárult a Mátrai Erőmű adásvétele."

Another example is the case of a bus company, which illustrates another way the Fidesz government uses bailout as policy change to support the companies of its friends and supporters.

### *Mini Case Study 5*

In 2017, MKB Bank—where Mészáros has a majority ownership share—granted 5.9 billion HUF in loans to Ikarus Egyedi Autóbuszgyártó Kft., which manufactures buses. MKB Bank tied liens to the company’s movables as well as to a part of its expected 15 billion HUF income. This expectation was based on the company’s delivering, on time, 180 articulated buses to a Hungarian long-distance service operator (Muck 2018, 54). But because of capacity barriers and technological delays, the company was unable to deliver on time. In fact, not a single bus was delivered at all (Muck 2018, 54).

Following this severe delivery delay, a company-specific “ministerial regulation was released that only such buses are allowed to be put into service in which an automatic fire extinguishing technical product is installed. This development was an excellent excuse for Ikarus Egyedi which—with reference to the new regulations—could postpone the delivery date for the 180 buses to April 2018” (Muck 2018, 54–55). Unfortunately, despite the delay “caused” by the modified regulation, the company delivered only nine “Modulo”-type articulated buses by mid-June (of 2018) to the transport companies involved (Budapest Transport Privately Held Corporation).

Subsequent to this delivery, the company was “saved” from having to deliver the remaining buses by declaring bankruptcy (Muck 2018, 55). Simultaneously with the bankruptcy announcement, the company published that they asked the government “to qualify the company as an economic organization of ‘strategic priority’<sup>44</sup> and to involve it in the process of reorganization” (Muck 2018, 55). One day later, the Ministry for Innovation and Technology declared that it would fulfill the company’s request: “a company should be declared as strategically important by the government if it is in danger of insolvency, if its debt settlement or reorganization would be of a national economic interest or it would be of priority public interest. This company primarily meets these conditions” (Muck 2018b, 61). It is self-evident for the ministry, perhaps, but not for others. We have to accept the conclusion of the author of the cited article that “Mészáros, on the other hand, will certainly do well if the Hungarian state is fixing up his MKB bank’s troubled debtor.”<sup>45</sup>

44 359/2011. (XII. 30.) Korm. rendelet a csődeljárásról és a felszámolási eljárásról szóló 1991. évi XLIX. törvény szerinti stratégiaileg kiemelt jelentőségű gazdálkodó szervezetté nyilvánítás eljárási szabályairól [Special regulations on bankruptcy and liquidation proceedings at economic organizations declared as of paramount strategic importance according to the 1991. XLIX. Law], <https://net.jogtar.hu/jogszabaly?docid=a1100359.kor>.

45 “Miért élteti tovább az állam a becsődölt buszgyártót?” (Why does the state keep the bankrupt bus manufacturer afloat?), *HVG*, July 18, 2018, [https://hvg.hu/kkv/20180719\\_Miert\\_elteti\\_tovabb\\_az\\_allam\\_a\\_becsodolt\\_buszgyartot](https://hvg.hu/kkv/20180719_Miert_elteti_tovabb_az_allam_a_becsodolt_buszgyartot).

These documented examples of influence and political favoritism in regulations and public procurement (Tóth and Hajdu, chapter 3 in this book) are necessary explanatory factors in the Fidesz-connected businesspeople's economic successes. They directly or indirectly involve the members of the selected 18 Fidesz-connected businessmen among the 100 wealthiest in 2018. The short case studies suggest that large wealth and the speed of wealth accumulation are the results of political connectedness, and subsequent distributional and regulatory decisions, targeted exemptions, and financial manipulations between government and the privileged private group. In almost all cases, Mészáros and his company groups were in one way or the other participants of the aforementioned government manipulations and privileges. Government interventions exempt privileged private companies from market conditions, and invite non-market behavior and orientation, and specific corporate organization built on different logic.

### ***New Owner, New Rules***

In the middle of the 2010–2014 election cycle, authorities responsible for traffic rules often argued that advertisement pillars distract drivers' attention, thus advertising may cause traffic accidents. The evidence points to the fact that the hindering of the opposition's political propaganda was behind the attention given to this topic. At the time, the partially Spanish-owned ESMA company was among the players of the advertising market at that time. ESMA nearly bankrupted because of the strict regulations of advertisement. Despite its poor financial outlook, Fidesz-connected businessman István Garancsi<sup>46</sup> bought ESMA in 2015, the company's worst year. Subsequently, the government made another change in the law, which allowed advertising on pillars again, regardless of the supposed risk of accidents (Tóth 2018).

Although this is just one example, it shows that there is a tendency in the Fidesz government to selectively change the economic playing field on which certain companies and individuals must compete to survive in Hungary.

## **Lőrinc Mészáros: Family and Business**

### ***The Prevalent Hungarian Big Company Structure***

Company groups are generated typically by entrepreneurs with large property value or by owner-manager groups. Such intercompany relationships are mainly found in corporate structures at the upper two-tenths of the 100 wealthiest Hungarians. A remarkable share of Fidesz-connected big companies or company groups—including the Mészáros company portfolio—operate according to a different organizational management and incentive system. The differences are additional explanations for the diverging growth of assets between these people and other Hungarian entrepreneurs.

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46 István Garancsi is on the list of Fidesz-connected businessmen (see the appendix, table 4A.1).

**Table 4.3** Member companies of Bige Holding

<i>Company</i>	<i>Profile</i>
Bige Holding Kft.	Fertilizer
Nitrogénművek Zrt.	Nitrogen fertilizer
Péti Nitrokomplex Kft.	Fertilizer, leaf and soil fertilizers manufacturing, contract manufacturing
Nádudvari Agrokémiai Kft.	Liquid fertilizer production
NZrt-Trade Kft.	Fertilizer sales
Bige Holding Konzulting Kft.	Agriculture consultancy
SC Momaco SA	No data available
Alma Trade Kft.	Fruit production, trade
Bige Holding Holz Kft.	Wood processing
Péti Polietilén Zsák Kft.	Polyethylene bag production
BH Chemical Impex SRL	Romanian fertilizer company
Bige Holding G	No data available

In order to examine this difference, I begin with an example of the general characteristics of the prevalent company structure in Hungary. László Bige is a self-made entrepreneur unconnected to Fidesz, and fifth on the list of the 100 wealthiest Hungarians in 2019. His 12 companies deal with fertilizer production, trade sulfuric acid production, wood processing, and agricultural production in both Hungary and Romania.

László Bige follows the prevalent form of company organization and management in Hungary in which big entrepreneurs are typically owner-managers of holdings with a leading company and a dominant production and service profile. The structure and organization of the Bige Holding Group are based also on the regional and technology distributions of assets. Member companies specialize in manufacturing, service, or trade of product groups (table 4.3). Strategic decisions are made by the holding owner-manager László Bige himself. Management of the member companies, following the incentives of the profit center, decides on production and sales as well as on recruitment or downsizing of the number of employees.<sup>47</sup>

To what extent do the companies owned and/or managed by Fidesz-connected businesspeople adapt to or differ from the aforementioned general characteristics? There are remarkable differences between the two groups of Fidesz-connected big entrepreneurs. Members of the two groups acquired property in a different way.

<sup>47</sup> This form of organization and incentives are known in the group of Fidesz-connected businesspeople as well. The company groups owned-managed by Elek Nagy, János Béres, and János Sánta are holdings with a relatively homogeneous product-service portfolio. The explanation of the differences of the management needs further research.



The first group is the “elders.” Their business careers began before 2010 and even as far back as the 1990s. These people organized, managed, or acquired companies as was usual after the regime change in 1989. Later, cooperating with Fidesz and fulfilling political orders, they experienced company growth benefits after 2010.

In the second group there are the “newcomers.” Their path, including that of Lőrinc Mészáros, is different. Their *big* business started after 2010. Cooperating with Fidesz they experienced company growth benefits after 2010 as well. An important condition of their fast growth is similar to that of the first group: they received and fulfilled political orders. These differences are important but are not enough to create types and subtypes. Detailed descriptions and analyses of differences of the operation of property would be necessary to create a typology.

In the next sections—using the story of Mészáros and his companies—I describe the characteristics of this different mode of operation compared to the prevalent big company structure.

### ***The Market-Forming Beginnings of Mészáros’ Business—and the Turning Point***

As I mentioned earlier, Lőrinc Mészáros is younger and less educated (he has no university degree) than the average of the 100 wealthiest Hungarians. Unlike the majority of people in this category, he lives in a village rather than Budapest or some other large city. His career began at the beginning of the nineties when, with his partner who was familiar with mechanical engineering, he began to connect the gas pipeline into the houses of villagers in the framework of the contemporary state gas program. This business succeeded in that they won more and more significant orders. They worked largely in nearby settlements, mostly in larger buildings. An important element of his success is that he employs a direct style and that he is a social man but a tough negotiating partner at the same time. But, by the mid-2000s, Mészáros’s gas installation company received fewer and fewer orders (Ferenczi 2014). Partly because competing companies appeared in the village and in the county. Mészáros and his partner were on the verge of bankruptcy due to lack of revenue in 2007. Their small company became unprofitable, though earlier they had produced a yearly turnover of more than 10 million HUF.

By 2008, Mészáros successfully mobilized his social capital and consolidated his business. At the beginning of the first decade of the century “Mészáros was outstanding in the village for the fact that he built a house for Prime Minister Viktor Orbán’s wife, Anikó Lévai.” As a youngster, he played football in the local adolescent team. Later—as usual among the local business society of small settlements—he sponsored the local football team’s club, Felcsút FC, which advanced from the county football league in those years. He took part actively in the management of the club. In that role he met Viktor Orbán, who often visited the team’s matches. According to Mészáros, they were schoolmates. Later, as a

volunteer, Mészáros became the president of the Felcsúti Utánpótlás Nevelésért Alapítvány (Foundation for the Education of the Youth Team at Felcsút).

Mészáros became the winner of many arable land tenders of the two last decades. He was elected as the mayor of the village of Felcsút<sup>48</sup> and also stabilized his business (Ferenczi 2006, 2014). But the real breakthrough took place after 2010: “the performance of Mészáros and Mészáros Company Limited is similar to a fairy tale. The company’s 853 million HUF annual turnover of 2010 increased to 9.7 billion HUF by 2013.”<sup>49</sup>

### ***Accelerated Growth and Organizational Changes***

At first sight, the spectacular conflict between Prime Minister Viktor Orbán and the businessman Lajos Simicska (one of the 18 members of the selected group and for decades a key figure in Fidesz itself) in 2015 doesn’t belong here. But this sequence of events is unavoidable in explaining the momentum of the Mészáros story. More precisely, the consequences of the clash may help us to reconstruct the development of Mészáros’s Fidesz-connected company group. When Simicska’s conflict erupted, the special regulatory advantages and procurement privileges he and his company conglomerate Közgép enjoyed disappeared quickly (Bednárík and Nyusztay 2015; Kapitány et al. 2015). As a result, the Simicska-connected company group began to shrink. His personal estimated wealth diminished from 83 to 77 billion HUF between 2016 and 2018 and to only 27 billion HUF in 2019.<sup>50</sup> Companies owned-controlled by Simicska were driven out of the procurement market: “Közgép was stagnating without state orders. The company—which almost had the monopoly on the market of highway construction projects and of other infrastructural investments a few years back—had significant revenues in 2016, but in 2017 only 5 billion HUF went into the company’s coffers . . . They didn’t get significant state investments although they offered more favorable prices than their competitors. They repeatedly failed in the labyrinths of public procurement. Accordingly, only a hundred people are working at the company although more than 1000 was the number of employed there in 2014” (*The 100 richest Hungarians* 2018, 37).

The spectacular lesson to be learned here is that several important market and/or managerial conditions were lacking at Közgép for the company to grow and remain profitable, or even to preserve its market share in a period of unexpected difficulties.

48 Felcsút is a village in Fejér county in Hungary near the industrial town Székesfehérvár. Felcsút has a population of 1,700. See <https://felcsut.hu/>.

49 Krisztián Magyar, “Orbán és Mészáros Co.: A felcsúti polgármester milliárdos gyarapodása” [Orbán and Mészáros Co. The billions of prosperity of the mayor of Felcsút], *Magyar Narancs*, October 12, 2014, <https://magyarnarancs.hu/kismagyarország/orban-meszaros-co-91875>.

50 See the appendix, table 4A.2.

It is important to note here that the group of Mészáros owned-controlled companies is also vulnerable. The group's assets have grown faster than the average since 2010, when it held just two businesses, rising to 203 in 2018,<sup>51</sup> but this capital stock was not significant in international comparison. The undocumented but perceptible goal of the Mészáros group is to avoid the Közgép situation. The implied strategy would be to achieve a safe (larger) size and international recognition as quickly as possible. Continuous acquisition of companies has been the most important way to achieve this goal.

Similar to several Fidesz-connected companies, the Mészáros group became a net borrower in 2016–2018, resulting from the group having taken out significant loans for the purchase of various companies during this period. This technique was implemented by the group, and its subcontractors largely contributed to their overall wealth accumulation. And, “Mészáros is not an exception. Other Fidesz-connected businesspeople have behaved similarly: Andy Vajna, István Garancsi and Mészáros together will soon own as many companies as there are stars in the sky. We have counted 377 in 2018.”<sup>52</sup>

In contrast with holdings like those of László Bige, with a leading company and a dominant production service profile, the company set of Mészáros is very mixed in terms of size, region, and profile. This “omnivorous” group of companies expands in many directions and its presence abroad (in the neighboring countries) is remarkable. They are present in the agriculture and energy sectors, construction industry, information technology (IT), and tourism. They are expanding in the financial sector, wealth management, real estate development, and are active in the world of security firms too.

The Mészáros company group has become one of the largest employers of the country. In 2018, more than 10,000 people worked for him.

And nowadays we cannot go shopping in a larger supermarket chain without seeing his mineral water or products from his many agricultural and food companies. If we would like to build a house in Hungary, purchasing from a Mészáros company is almost unavoidable. Mészáros and Fenstern Ablak Kft. recently established the window manufacturer Fenstherm Future Company, from which you may purchase your built-in windows. You could get your new stove delivered by the Wamsler SE Háztartástechnikai Európai Rt., which is also a member of the Mészáros group. Until recently, the power supply for your new house also could be related to this set of companies since he was the main

51 György Farkas, “Már 203 cége van Mészáros Lőrincnek” [Lőrinc Mészáros already has 203 companies], *24.hu*, January 10, 2018, <https://24.hu/belfold/2018/01/10/mar-203-cege-van-meszaros-lorincnek/>.

52 Babet Oroszi, “Már csaknem 400 cég köthető Mészáros Lőrinchez, Garancsi Istvánhoz, és Andy Vajnához” [Almost 400 companies can be connected to Lőrinc Mészáros, István Garancsi, and Andy Vajna], *Átlátszó*, October 17, 2018, <https://atlatzo.hu/2018/10/17/mar-csaknem-400-ceg-kotheto-meszaros-lorinchez-garancsi-istvanhoz-es-andy-vajnahoz/>.

owner of Mátrai Erőmű, which delivers about 15–17% of the domestic power production. Perhaps the finance to pay for this new house and its completion came from MKB Bank, in which case your loan is owned by Lőrinc Mészáros. Even your access to outside information may come filtered through the Mészáros empire, since his purchase of local and national newspapers, Echo Television, and Radio Gong have created a national media network in his name.

(Magyar 2018, 16)

The clothes on your back may also ultimately come from the Mészáros empire, as his company group also acquired shares in the clothing industry. They began to produce and distribute the “2rule” brand (a word play on Turul, the name of an allegoric bird, whose statue was erected in Hungary) of sports apparel products. In the words of the company manager:

The domestic sporting goods’ market pays billions to big foreign manufacturing companies in Germany, Denmark, and the USA. In the absence of a Hungarian clothing industry, multinational brands benefit in this market niche. As she [Kővári Ágnes, co-owner of the Talentis Ltd and 100% owner of the Magyar Sportmárka Zrt.], said: she contacted Mészáros with the idea of a Hungarian-owned brand, and convinced him with the positive effect on job creation of developing new products and with the opportunity for the reorganization of the Hungarian clothing textile industry in the long run.

(K. Magyar 2018, 16)

The new company (Magyar Sportmárka Company) was established with 51 percent of shares owned by one of the companies of Mészáros (Talentis Group Limited).<sup>53</sup> This is only one of the several businesses of Talentis that “is also expanding abroad: they have registered companies in Austria, in Croatia, in Montenegro, Germany, Romania and Slovakia, or their Hungarian company has local units (plants) or hotels and sites in these countries” (K. Magyar 2018, 16).

### ***The Mészáros Group on the Budapest Stock Exchange***

In this chapter we document and evaluate that most of the assets of the Mészáros group have been placed in private equity funds.

The decision-makers of the conglomerate placed the overwhelming majority of assets in private equity funds in the first months of 2017. Thereafter, these funds’ shares were listed on the Budapest Stock Exchange in 2017–2018. The potential benefits of the move of this large-scale market action for someone like

53 Talentis Ltd. belongs to the Mészáros company group.

Mészáros would be the lack of transparency. It is not easy to find out who, and in what proportion, the owners of these funds are. “The central bank keeps records of the funds. They have tax identification numbers, but do not have company registration numbers. The investor’s name is not published anywhere. This last piece is noteworthy because these funds became owners of the companies (funds are registered as shareholders or as limited company members in the company register) and not the fund managers who are acting on their behalf. So the identity of the real investors can remain a secret” (Gyenis 2018, 8).

Despite these difficulties, investigative journalists have tracked the Mészáros empire’s fast expansion. But less discussed in their publications was how it was possible to efficiently manage and coordinate this group of companies. What we know almost certainly: consciously designed money market transactions have been an important source of the asset’s rapid growth for the last three years.

“Instead of establishing new funds, the Mészáros group bought majority stakes in existing ones. Appeninn Holding Vagyonkezelő Nyrt. was established in the last months of 2009. It focuses on acquiring low-priced but potentially high-yielding capacity assets. Among others, Appeninn is in action on the market of A-B class office houses, but invests in industrial and logistics real estate as well. The company’s real estate portfolio grew quickly between 2009 and 2018, from 7 billion HUF to 20 billion HUF (Laki 2019, 89).

The story of the often-mentioned Metis Private Equity Fund is as follows. Its predecessor Minerva Befektetési Alapkezelő Zrt. was established in 2012 and did not show significant business activity until 2016. But suddenly, in less than a month and a half, new business partners of Minerva invested 42 billion HUF into the fund. Minerva launched the Metis Private Equity Fund in February 2016. Metis was taken by the Konzum Private Equity controlled by the Mészáros group not long after this transaction in February 2016 (Laki 2019, 88).

These portfolio purchases managed by the Mészáros group definitely changed the functioning and performance of these funds. For example, “Konzum fund—which belongs to Mészáros’s group—has bought in an over the counter (OTC) transaction 975,567 pieces (per piece 100 HUF value of) ordinary shares of the Appeninn fund. These shares embody 24.51% of the fund’s authorized capital. At the same time, the private equity company Konzum bought 975,567 shares (24.51%) of the authorized capital of the same fund. The outcome of these transactions is that Konzum controls a 49.02 percent share of Appeninn” (Laki 2019, 89).

Very spectacular results followed this transaction: “Appeninn’s financial statements revealed that the company’s annual income increased 42% (7 million euro) for calendar year 2018. Profit increased significantly as well: the company’s overall results increased 543.8 percent (16.4 million euro) in 2018.” This story was not exceptional. The value of shares belonging to Mészáros’s private equity funds have multiplied in the years since 2017. There were cases when fortyfold growth of shares was registered in this period.

Konzum and Optimus—another stock company which belongs to the Mészáros group—came into the focus of interest in March 2017 when Lőrinc Mészáros purchased a significant share in both companies. The announcement significantly moved the price of the shares. In less than two weeks, the share price nearly doubled for both companies. Since then we have observed unprecedented shifts accompanied by unrealistically high trade. In June 2017 there was a point when the exchange rate of Konzum stocks showed a 6,000 percent increase. And there was another case when the trade of Konzum stocks exceeded the trade of blue chips.

(Laki 2019, 89)

At the time of acquisition the (Konzum) stocks were recorded at 57 HUF. But on Thursday (August 2, 2017) when their trade reached the 20 percent limit, the exchange rate increased to 730 HUF. This is a 1,280 percent increase. On Friday at 11 a.m., the same share price reached 760 HUF. This is striking because Konzum belongs to illiquid securities and did not pay dividends until that time. In addition, it belongs to the group of small companies with 15 billion HUF in capitalizations. It happened several times in June-August that only blue chips outperformed Konzum's daily trade.<sup>54</sup>

We may conclude here that one of the reasons for these fast price and asset volume increases is that the booming wealth and property of Mészáros and his companies increased the confidence, interest, and optimism of stock market investors as well. As an expert summarized how the funds worked during this period: “The remarkable price increases of the two (Optimus-Konzum) papers produced billions for share holders. If we look at the last steep price increase: it began on the 29th of May [2017], two days before the announcement of MKB bank's (stock) sale on the 1st of June. Between that time and 11 am on Friday [17. June 2017 LM) Lőrinc Mészáros won on his 16.9 percent Optimus share 4 billion HUF, and on his Konzum parcel of shares 2.1 billion HUF.”<sup>55</sup>

A remarkable but not exceptionally large proportion of Mészáros stock buyers are small investors: “Many small investors feel now that by buying Optimus or Konzum stocks—in which Mészáros purchased shares—they are part of his incredible success story. Not by chance, as soon as about a procurement is to find out that it was won by one of the Mészáros connected companies, or state assets landed near to this company group, on internet forums of small investors dealing with Konzum and Optimus stocks immediately start the speculation, how many forints does that mean in the exchange rate of the stocks of the two stock

54 Dániel Szabó, “Mészáros Lőrinc tőzsdei cégei az eget ostromolják” [The companies of Lőrinc Mészáros are aiming for the stars], *napi.hu*, June 9, 2017, [https://www.napi.hu/tzsdkiacok/mszros\\_lrinc\\_tzsdei\\_cgei\\_az\\_eget\\_ostromoljk.640551.html](https://www.napi.hu/tzsdkiacok/mszros_lrinc_tzsdei_cgei_az_eget_ostromoljk.640551.html).

55 Daniel Szabó, “Mészáros Lőrinc tőzsdei cégei.”

companies.”<sup>56</sup> But the vast majority of exchange rate gains remained (was generated) at the decisive owner of these stocks. Moreover these changes of ownership and the extremely fast growing price of the Mészáros-listed shares resulted in another more comfortable situation on the market: there were many cases when Mészáros funds and companies paid with their own shares instead of money. For example, in the summer of 2018 “decisive owners of 4iG—when they got out of the company—were paid by shares of Opus” (Gyenis 2018, 56).

### ***Stock Market Price Explosion Finished and Company Growth Continued***

The half-year-long price explosion of Mészáros shares ended in the first months of 2018. Since then, their stock prices have fallen slightly. In January 2019, the opening prices were 20–30 percent lower than the year before. The stagnation continued in the first part of 2019. But the group’s management and decision-makers did not modify the strategy. There are several signs that they decided to continue the increase of the company group’s assets.

A long list of newly acquired public procurement contracts in 2018–2019 increased the optimism of the decision-makers at the Mészáros company group. Some examples:

A company owned by László Szíjj and Károly Varga, who are long-term business partners of Mészáros, won a tender held by a state-owned company (Hungarian Public Road Nonprofit Pte Ltd Co) to deliver salt to defrost 32,000 kilometers of roads in winter time for 12 billion HUF in the next two years.<sup>57</sup>

Two companies (4iG NYrt and Sauviter Zrt) jointly develop and operate the computer system for tobacco product identification and emission (DAKIR), which belongs to the ND National Tobacco Trade Nonprofit Private Share Company. The Konzum private equity fund, which belongs to Mészáros’s company empire, has more than 49 percent voting rights in DAKIR. Four billion HUF was the estimated value of the tender to serve the rollback of illegal tobacco trade. This tender includes the implementation of a 5-year operation and maintenance of IT services suitable for real-time tracking.<sup>58</sup>

56 Daniel Szabó, “Mészáros Lőrinc tőzsdei cégei.”

57 Zoltán Jandó, “Mészáros Lőrinc üzleti köre 12 milliárdból sózza a magyar utakat” [Lőrinc Mészáros’s business circle is salting the Hungarian roads from 12 billion HUF], *G7*, March 28, 2019, <https://g7.hu/kozelet/20190328/meszaros-lorinc-uzleti-kore-12-milliardbol-sozza-a-magyar-utakat>.

58 “Mészáros cége fejlesztheti a dohánytermék-azonosító rendszert” [The company of Mészáros can develop a tobacco product identification system], *24.hu*, March 25, 2019, <https://24.hu/belfold/2019/03/25/4ig-nyrt-dakir-dohanytermek/>.



Duna Aszfalt, which belongs to László Szíjj, won an enormous tender. They will build a section of the M44 highway for 5 billion HUF per km. Duna Aszfalt will receive 50.4 billion HUF, which is more than the preliminary estimate. Earlier, 47 billion was estimated for the project.<sup>59</sup>

### *The Acquisition of Companies Continued in 2018–2019*

One of the important new elements of this activity was that the companies owned by the Mészáros–Szíjj–Garancsi team purchased the assets of the “disgraced” businessman Simicska. To get started: a remarkable part of Lajos Simicska’s assets, including a construction company, agricultural businesses, and media portfolio, became the property of his business partner Zsolt Nyerges (see Tóth and Hajdu, chapter 3 in this book) and soon it was transferred to Mészáros and his circle (*100 richest Hungarians 2019*, 74).

And the last maneuver: in an exceptional meeting of the staff of Simicska’s former construction company it was announced that Zsolt Nyerges sold a 30 percent share of the company to the other Fidesz-close construction company, Duna Aszfalt, owned by the government-favored businessman László Szíjj. The management of the company quickly resigned. A new management was not appointed and the company is managed by the chief manager of Duna Aszfalt.

### *Further Organizational Changes*

The slow and persistent shrinking of the stock prices of the Mészáros funds led to a new merger within the group. On April 8, 2019, shareholders held an extraordinary general meeting, where they decided on a merger. Mészáros has majority ownership in both of the companies—Konzum and Opus. If the merger is carried out, the new Mészáros stake will be the fifth largest listed company in Hungary.<sup>60</sup>

Motivations of entering the stock market may be only hypothesized. For example, *the extremely fast growth of stock prices was a single, hardly repeatable project*. The number of cheap, obtainable, and at the same time promising companies has been shrinking. It looks unlikely that the stagnation and fall of the stock prices traded by Mészáros’s funds can transform into an increase.

The decision-makers considered that *entering foreign stock markets* would potentially help to avoid the slowdown. But the first experiences were less than positive. In early 2019, the

59 “Tíz kilométer utat 50 milliárdért építhet Orbán kedvenc vállalkozója” [Orbán’s favorite entrepreneur can build a 10-kilometer road for 50 billion HUF], *Népszava*, July 11, 2017, [https://nepszava.hu/3001247\\_tiz-kilometer-utat-50-milliardert-epithet-orban-kedvenc-vallalkozoja](https://nepszava.hu/3001247_tiz-kilometer-utat-50-milliardert-epithet-orban-kedvenc-vallalkozoja).

60 RJ, “Április elején lesz döntés Mészáros Lőrinc két óriáscégének összeolvadásáról” [A decision will be made to merge the two giant companies of Lőrinc Mészáros in early April], *Index*, March 7, 2019, [https://index.hu/gazdasag/2019/03/07/meszaros\\_lorinc\\_konzum\\_opus\\_global/](https://index.hu/gazdasag/2019/03/07/meszaros_lorinc_konzum_opus_global/).



Opus Global and Konzum campaigns were introduced simultaneously on several stock exchanges, not only in London but in Frankfurt, Stockholm, Helsinki and Tallinn as well. Their debuts were managed by reputable banks like Goldman Sachs and Britain Renaissance Capital. These meetings were about getting acquainted and building trust. But no investment promises and no commitment were made. Mészáros representatives presented the extremely broad portfolio of the company group: power station, hotel and camping chain, insurance, real estate development, property management, and information technology were on offer. It is remarkable that there are no comprehensive, independent analyses available on the process. There is no Hungarian broker company that will/would openly take open assessment of this politically sensitive company system.

(Gyenis 2019, 6)

### ***The Impact of External Shock on Mészáros Business Activity: COVID-19***

I finished the first period of this research on Fidesz-connected companies and businesspeople in September 2019 (Laki 2019). Over the last months of 2019, I continued the data collection and did not find any development that would modify the analyses of the previous period.

In February 2020, however, the COVID-19 epidemic reached Europe. A few days later, in the first days of March, Hungary saw its first infected person. In connection with this sad development, as in many European countries, share prices on the Budapest Stock Exchange (BUX) quickly fell. The BUX index<sup>61</sup> shows precisely the degree of price decrease: on March 20 its value fell to 71.5 percent of the previous two weeks. Shares issued, owned, and distributed by the Mészáros group were affected by this price fall more severely than the average due to the relatively large share of tourism, construction, and investment companies in the portfolio. For example, the price of Appenninn shares dropped to 56 percent; those of Opus 65.9 percent.

After March 20, 2020, the price fall stopped. The BUX index on April 6 had grown to 74.3 percent of what it had been on March 4. In addition, the Mészáros shares performed better than average. Appenninn's share value was 78 percent of what it had been on March 4. Opus increased to 85 percent. What was the reason for this sharper and faster increase of the share prices?<sup>62</sup>

Some anecdotal events and transactions are available that tell us that nothing important has changed. There are several transactions, favorable for the

61 Measured and issued by the Budapest Stock Exchange.

62 "Alaposan elbántak a magyar sztarrészenyekkel" [Hungarian bonds were badly damaged], *Portfolio*, March 11, 2020, <https://www.portfolio.hu/uzlet/20200311/alaposan-elbantak-a-magyar-sztarreszenyekkel-418957>.

Fidesz-connected companies, especially for the Mészáros company group, which started before the outbreak and continued undisturbed. These spillover effects may have improved shareholder's expectations and sentiments. The renationalization of the Mátra Power Plant is a typical spillover issue since it started in "normal times" and continued in the first weeks of the COVID world crisis.<sup>63</sup>

On the list of the carryover projects we may find among others state-financed motorway building and railway electrification investments as well.<sup>64</sup> In these cases, tenders were invited before the COVID crisis but the tender closings happened in the first weeks of the epidemic, which was favorable for the winning Mészáros companies. This was a message for shareholders and for the Hungarian public that there were to be no changes to the list of preferences of the Hungarian government during the epidemic. The new tenders and public procurement strengthened these optimistic calculations and expectations.<sup>65</sup> For it happened that the Mészáros group has also continued company takeovers<sup>66</sup> and such transactions are also positive indicators of the financial position of Mészáros and his companies. And there are some regulatory advantages or favors that also improved the market position of the Fidesz-connected companies, for example, exceptional financial support for the reconstruction of a campsite of major touristic importance at Lake Balaton<sup>67</sup> and the government declaration that a residential park investment became a national economic interest (with remarkable regulatory favors).<sup>68</sup> These examples also indicate that the advantages of the politically supported companies did not diminish in the first months of the

63 Szilárd István Pap, "Lezárult a Mátrai Erőmű adásvétele: 17 milliárdért vásároltuk vissza Mészáros Lőrinctől" [The sale and purchase of the Mátra Power Plant has been completed. We bought it back from Lőrinc Mészáros for 17 billion HUF], *Mérce*, March 26, 2020, <https://merce.hu/2020/03/26/lezarult-az-matrai-eromu-adasvetele-17-milliardert-vasaroltuk-vissza-meszaros-lorinctol/>.

64 Zoltán Jandó, "A járvány árnyékában 100 milliárdnyi közbeszerzést húzott be Mészáros Lőrinc üzleti köre" [In the shadow of the epidemic Mészáros's business circle won 100 billion in public procurement], *G7*, April 22, 2020, <https://g7.hu/kozelet/20200422/a-jarvany-arnyekaban-100-milliardnyi-kozbeszerzest-huzott-be-meszaros-lorinc-es-uzleti-kore/>.

65 "Létesítmény: új sportcsarnok alapkövét tették le Tatabányán" [Facility: the cornerstone of a new sports hall was laid in Tatabánya], *Nemzeti Sport*, January 19, 2020, [https://www.nemzetisport.hu/egyeb\\_egyeni/letesitmeny-uj-sportcsarnok-alapkovet-tettek-le-tatabanyan-2744773](https://www.nemzetisport.hu/egyeb_egyeni/letesitmeny-uj-sportcsarnok-alapkovet-tettek-le-tatabanyan-2744773).

66 CSD, "Mészároshoz került az étterem, amelyet korábban Ákos üzemeltetett" [The restaurant, which was previously operated by Ákos, went to Mészáros], *Index*, April 15, 2020, [https://index.hu/gazdasag/2020/04/15/meszaros\\_lorinc\\_akos\\_etterem/](https://index.hu/gazdasag/2020/04/15/meszaros_lorinc_akos_etterem/).

67 Tamás Mázsár, "Milliárdokból építhetnek luxust a Mészárosék által üzemeltetett füredi kempingbe" [They can build luxury in the Füredi campsite operated by Mészáros from billions], *24.hu*, April 28, 2020, <https://24.hu/fn/gazdasag/2020/04/28/balatonfured-kemping-egyedi-tamogatas-balantourist-meszaros-lorinc/>.

68 ZED, "Nemzetbiztonsági érdek lett Tiborc és Mészáros üzletfelének lakóparkja" [The residential park of Tiborc and Mészáros's business partners became a national interest], *Index*, April 30, 2020, [https://index.hu/gazdasag/2020/04/30/nemzetgazdasagi\\_erdek lett\\_tiborc\\_es\\_meszaros\\_uzlettarsanak\\_lakoparkja/](https://index.hu/gazdasag/2020/04/30/nemzetgazdasagi_erdek lett_tiborc_es_meszaros_uzlettarsanak_lakoparkja/).

epidemic. It is an open question how the worsening macroeconomic conditions will influence this decade-long behavior of the Hungarian government.

## Summary and Open Questions

The Mészáros company group is a blank page: the author of this chapter, like the vast majority of market players in the Hungarian economy, had no reliable information about what is happening within the set. The composition and structure of the management is not transparent. We have no idea about the incentive system of the decision-makers. Whose business is it to evaluate the performance of these persons and organizational bodies? It is likely that the secondary sources (including the self-images of the Mészáros companies on the internet) do not help in providing such information. That is the main reason why content analysis is suitable for only a partial and rough composition of the stories. But it is interesting to summarize the lessons learned so far.

Concerning Fidesz-connected entrepreneurs among the wealthiest hundred Hungarians, I came to the following conclusions:

- Their property increased faster than the average after 2010.
- In this group there are many who have a large and growing influence in the Hungarian society (political, public, and professional positions).
- They have significant regulatory and procurement advantages.
- Cross-ownership and lack of transparency is very common in their inter-company relationships.

These characteristics are valid for Mészáros and his company group too, as supported statistically in this book by the analysis of political favoritism by Tóth and Hajdu (chapter 3), by the political characteristics of redistribution in the recombinant development projects defined by Gerő and Kovach (chapter 2), and by the systemic characteristics of politically selective redistribution in the politically captured centralized power distribution revealed by Csanádi (chapter 1). The reconstruction of their history reveals that forced growth was the key element of the company group's behavior. An important factor in this strategy is the permanent acquisition of companies or parts of companies. By purchasing relatively cheap assets, the company group often entered new markets. The consequence is a less and less transparent product and service portfolio, and growing regional configuration.

Because of these problems of control and incentives as well as the sad lessons of the collapse of the Közgép company, novel methods of management and ownership were introduced at the company group. As I documented earlier, the majority of the Mészáros asset portfolio was placed into mutually owned private equity funds. The funds' stock prices grew very quickly. This market success was among the decisive sources of fast growth of Mészáros's private equity funds in 2017–2018 (table 4.4). But the forced growth did not change when the price

**Table 4.4** Share price changes (2017–2019)

Share's name	Opening price of share/HUF (or Euro) (January 2017)	Opening price share/ HUF (or Euro) (January 2018)	Previous year 100% (2018/2017)	Opening price of share/HUF (or Euro) (January 2019)	Previous year = 100% (2019/2018)	Beginning of the fast price increase	Trend change period	Free float %
Konzum	5.0	340.0	6,800	245.0	72.1	April 2017 – May 2017	December 2017–February 2018	35.9
Opus	39.0	664.0	1,702	488.0	73.5	May 2017	November 2017 – February 2018	35.1
Appenin	225.0	667.0	246.4	458.0	68.6	July 2017	October 2017 – November 2017	42.3
CIG Pannónia	(0.67)	(1.53)	228.3	(1.26)	82.3	June 2017	December 2017–February 2018	48.8
OTP Bank	8,405.0	10,850	129.1	11,600.0	106.9	April 2017	February 2018–May 2018	73.7
BUX index	32,781.0	39,444	120.3	39,682.0	100.6	January 2018	January 2018–March 2018	

Sources:

Konzum (2.5 HUF) árfolyam (Konzum (2.5 HUF) exchange rate), *nefolio.hu*, June 17, 2019, ([https://www.netfolio.hu/arfolyamok/reszveny/konzum\\_\(25\\_huf\)\\_80543](https://www.netfolio.hu/arfolyamok/reszveny/konzum_(25_huf)_80543));  
 Opus árfolyam (Opus exchange rate), *portfolio.hu*, <https://www.portfolio.hu/arfolyam/OPUS/OPUS>;  
 Appenin árfolyam (Appenin exchange), *portfolio.hu*, <https://www.portfolio.hu/arfolyam/APPENINN/APPENINN>;  
 CIG-Pannónia árfolyam (Cig-Pannónia exchange rate), *portfolio.hu*, <https://www.portfolio.hu/arfolyam/CIG/CIGPANNONIA>;  
 OTP árfolyam (OTP exchange rate), *portfolio.hu*, <https://www.portfolio.hu/arfolyam/OTP/OTP>;  
 BUX index (BUX index), *portfolio.hu*, <https://www.portfolio.hu/arfolyam/BUX/BUX%20Index>.

increase was followed by stagnation. To counterbalance this unpleasant development, the decision-makers tried to enter foreign stock markets. The first stock market introductions and campaigns were not so promising. The other elements of the business behavior did not change either: Mészáros and the company group bought new assets (companies) at a constant rate over the same period.

A necessary but not sufficient explanation for this constant and forced growth is the (expected) relatively greater safety as a result of larger company size. But, based on the documented case of the media market, there is a further possible reason for this constant growth: Fidesz-connected businesspeople are forced to counterbalance the political favoritism with loss-making market transactions. These actions need remarkable incomes, and to make this profit they are forced to grow.<sup>69</sup>

69 Another hypothesis is that they used and distributed the profit differently than ordinary entrepreneurs. Further research (mainly fieldwork) would be required to prove this assumption.

## Appendix

**Table 4A.1** Ranking of Fidesz-connected big entrepreneurs and businesspeople on the yearly lists of the 100 richest Hungarians

<i>Fidesz-connected owner-managers, businesspeople</i>	2014	2015	2016	2017	2018	2019
József Béres		45	48	56	72	77
István Garancsi		19	30	23	22	14
Zsolt Hernádi			85	79	78	63
Tibor Kuna				97	83	
Csaba Lantos		80	83	82	84	83
Lőrinc Mészáros		86	31	5	2	2
Elek Nagy		26	28	31	21	18
Attila Paár		78	55	32	35	29
Tamás Rákosi	9	8	8	10	10	11
János Sánta			98		96	90
Sándor Scheer		97	97	70	49	46
Mária Schmidt					31	22
Lajos Simicska		10	9	11	13	47
Zoltán Spéder					50	48
Gábor Széles	6	5	4	6	6	6
Tamás Szemerey		60	50	47	23	74
László Szijj		29	26	21	17	10
István Tiborc						32
György Vajna and relatives			16	14	14	
Károly Varga		29	27	22	25	28
György Wáberer	10	9	7	13	11	12
Total number on the list of 100 richest	3	14	17	16	18	17

Sources:

*A 100 leggazdagabb 2019*, Perche Kft., Budapest, 2019, ISSN 1789-2570;*A 100 leggazdagabb 2018*, www.Napi.hu Online Kft., Budapest, 2018, ISSN 1789-2570;*A 100 leggazdagabb 2017*, www.Napi.hu Online Kft., Budapest, 2017, ISSN 1789-2570;*A 100 leggazdagabb 2016*, www.Napi.hu Online Kft., Budapest, 2016, ISSN 1789-2570;*A 100 leggazdagabb 2015*, www.Napi.hu Online Kft., Budapest, 2015, ISSN 1789-2570;*A 100 leggazdagabb 2014*, www.Napi.hu Online Kft., Budapest, 2014, ISSN 1789-2570.

Note: Empty boxes mean either not yet among the 100 wealthiest or no longer among them in the given year.

**Table 4A.2** Estimated property (billion HUF)

<i>Fidesz-connected owner-managers, businesspeople</i>	2014	2015	2016	2017	2018	2019
József Béres	17.4	17.0	16.1	15.9	15.4	16
István Garancsi	13.7	19.0	24.0	38.0	48.0	66.0
Zsolt Hernádi			9.1	11.2	14.0	19.2
Tibor Kuna				7.9	12.5	
Csaba Lantos	8.5	9.0	9.4	10.4	11.6	13.2
Lőrinc Mészáros	7.7	8.4	23.8	120.0	280.0	296.0
Elek Nagy	25.0	24.5	26.0	29.0	50.0	59.7
Attila Paár	7.4	9.3	14.5	25.5	31.5	43.0
András Rákosi	79.0	84.0	87.0	92.0	100.0	107.0
János Sánta		3.8	7.2	4.9	8.8	10.4
Sándor Scheer		6.3	7.3	13.0	27.0	28.3
Mária Schmidt					38.0	54.5
Lajos Simicska		73.0	83.0	80.0	77.0	27.0
Zoltán Spéder	22.5	24.2	35.5	21.0	21.0	26.0
Tamás Gábor Széles	88.0	92.0	100.0	112.0	142.0	165.0
Tamás Szemerey	13.7	19.0	24.0	38.0	48.0	16.5
László Szíjj		23.0	27.0	40.0	55.0	110.0
István Tiborcz						35.0
György Vajna and relatives			44.0	60.0	89.0	41.0
Károly Varga		25.0	26.5	39.0	43.0	460.0
György Wáberer	73.0	80.0	90.0	70.0	84.0	92.0

Sources:

*A 100 leggazdagabb 2019*, Perche Kft., Budapest, 2019, ISSN 1789-2570;*A 100 leggazdagabb 2018*, www.Napi.hu Online Kft., Budapest, 2018, ISSN 1789-2570;*A 100 leggazdagabb 2017*, www.Napi.hu Online Kft., Budapest, 2017, ISSN 1789-2570;*A 100 leggazdagabb 2016*, www.Napi.hu Online Kft., Budapest, 2016, ISSN 1789-2570;*A 100 leggazdagabb 2015*, www.Napi.hu Online Kft., Budapest, 2015, ISSN 1789-2570;*A 100 leggazdagabb 2014*, www.Napi.hu Online Kft., Budapest, 2014, ISSN 1789-2570.

Note: Empty boxes mean either not yet among the 100 wealthiest or no loner among them in the given year.

# Summary

*MARIA CSANÁDI*

This book deals with the evolution and reproduction of Viktor Orbán's authoritarian system between 2010 and 2021 in Hungary. The first novelty of our book is that it discusses the systemic approach through dynamic aspects: how this authoritarian system has developed step by step in Hungary since 2010 under Viktor Orbán's consecutive governments. It examines how authoritarian system-characteristics and centralized power structures evolve, occupying and dominating expanding segments of social and economic life. It also traces the network of politically discriminative redistribution for expansion, simultaneously serving as channels of systemic self-reproduction. The second novelty is that in order to explore the evolution of this political system and its reproduction dynamics, our book engages in broad and wide-ranging empirical analysis based on government documents, case studies, our own databases, cases of political favoritism uncovered by investigative journalists, and statistical analysis of administrative data. The combination of these novelties, tracing structural dynamics through empirical instruments, made it possible to track the metamorphosis of a political party into a system, and through it the dynamics of evolution of an authoritarian construct; to perceive the emergence and expansion of systemic features and its differentiation from mere fluctuations; to detect the interplay of automatisms, its main instruments, and individual actions in the evolution of the system; to demonstrate the interrelationship between evolution and self-reproduction; to point to the factors of the cohesion of such structure; and to shed light on the contribution of domestic and external sources to the authoritarian system's evolution and reproduction.

We have described the evolutionary dynamics of this regime as the metamorphosis of a political party (the Fidesz) into a centralized authoritarian system; and empirically demonstrated that the evolution of the systemic traits of this metamorphosis occurs through the gradual political capture of all social and economic subfields, and its diffusion into the thinnest veins of the society. Mechanisms of diffusion, expansion, and self-reproduction are uniform: this is the forced resource redeployment, characteristic to centralized power structures. However, diffusion varies in time, in space, or in speed, because advancement occurs adapting to the specifics of economically preferred subsectors and according to local actors' bargaining capacity. The lower the bargaining capacity,



the higher the speed of diffusion. Centrally advancing diffusion forms a network of actors binded to it, with different bargaining capacities. This network simultaneously provides the avenues (infrastructure) through which resource redeployment is carried out. Privileges in the redistribution of resources follow the level of intensity of integration into this network from less integrated toward more integrated, from lower to higher bargaining capacities. Consequently, the diffused network of political capture serves as the infrastructure of institutionalized corruption.

Along with the process of evolution of Orbán's authoritarian system in our book, we have followed its major modes of self-reproduction through redistribution. We have distinguished three different but interdependent channels of redistribution. These are sources that flow through the expanding channels of diffused political capture: the welfare redistribution, the project-based redistribution, and the recombinant redistribution. They interweave the economy and social governance as a whole and give politicians unprecedented decision-making power in the areas of resource use, market power, and property redistribution. We have demonstrated a novel social classification that stratifies the society based on the different capacities of integration into the diffused channels of political capture, and access to redistribution shaped by those channels and interweaving distribution mechanisms through it.

We have also revealed the systemic embeddedness of the most privileged group composed of businessmen closely attached to the political elite. We have exposed their mutual financial and personal interdependence and common gain. This complex group enjoys many privileges of forced resource redeployment in many subspheres, as well as judicial, financial, administrative, and legal protection, as guarantees for their uncontrolled and unconstrained wealth accumulation through forced redistribution. This complexity underlines the systemic character of political favoritism, kleptocracy, and cronyism through the channels of diffused political capture.

In order to demonstrate the empirical results of the systemic nature of institutionalized corruption, we have pinpointed one of the major systemic tools of politically discriminative distribution: public tenders. We have statistically analyzed more than 142,000 tenders of public procurement. Within those, we examined tenders awarded to companies where the owners are connected to Hungarian Prime Minister Viktor Orbán and some members of his government by friendship or kinship. We have compared the tenders won by this group with those won by ordinary Hungarian companies without such political connections. Our results show that the corruption risk is higher, and the control of corruption and intensity of competition is lower in contracts won by politically connected companies than for those where the winning owners had no kinship or friendship ties to Orbán or the members of his government. The results of the analysis support the existence of systemic effects, that is, signs of systemic corruption during the Orbán regime through the channels of diffused political capture. The politically selected companies as crony companies benefit from systemic effects

as increased corruption risk, lower control of corruption, and lower competition levels. Furthermore, it appears that the Orbán regime allows crony companies to win a higher proportion of large projects than they did before Orbán took power. In doing so, the Orbán regime also indirectly allows crony companies to face weaker price competition than before the regime was set up. These effects show the systemic prevalence of political favoritism under the Orbán regime: crony companies enjoy this policy. It can be argued that the favoritism prevails in this system through family relationships and close friendships.

This argument is also supported by the respective nonmarket properties of the wealth accumulation, investment behavior, and enterprise characteristics of the entrepreneurs closest to the political elite. To demonstrate nonmarket properties and behavior in this group, special attention has been paid to the ventures of Orbán's closest friend, and Hungary's richest businessman, Lőrinc Mészáros. Mészáros's economic career, wealth, and resources have risen steeply since 2014 to rank him among Hungary's wealthiest. His momentum of persistent wealth accumulation proves to be boundless, purchasing huge assets in every economic field, from water, gas, electricity, banking infrastructure, to hotel chains; getting strategic functions in managing of and investing in intranet infrastructure, national election software, and mobile networks; or endlessly winning over strategic investments in tenders of public procurement and state subsidies sucking up newer and newer budgetary sources, development funds, loans from domestic banks, or huge foreign loans from interstate agreements. The proliferation expands by occasionally subdividing wealth, functions, resources, and investments with involved family members; or redistributing it to newly appointed cronies.

We have concluded that individual motivations for integration and adaptation, and respective redistribution will provide the cohesion of the network and secure the reproduction of the centralized power structure. Therefore, self-reproduction requires continuous provision of domestic and external resources to selectively redistribute through institutional channels. As the power network expands, more and more subspheres of society are captured. Consequently, more and more actors integrated into the channels strive for redistribution. If external and domestic constraints are "soft," uncontrolled reproduction and further expansion of the power structure does not meet obstacles. However, in the event of declining resources to redistribute, individual motivations to integrate into the network and adapt to redistribution criteria transmitted through it might decline. In such periods, social support of the system weakens, the power network's cohesion loosens, and power destabilizes.

We have demonstrated in the book that for almost a decade, the Orbán regime was resilient to this process: sources for redistribution did not meet hardening constraints, externally or domestically, and economic growth seemed boundless. Behind the scenes, the expansion of the diffusion of political capture and institutional corruption developed, accompanied by destruction wherever it took ground. The book draws attention to the role of European Union (EU)

funds in keeping the softness of external constraints of the Hungarian authoritarian system, both in its building up and self-reproduction through resource distribution. We have demonstrated that the political elite has been using the EU subsidies as a tool to finance the system's beneficiaries by using public tenders, state investments, or direct support to companies or pro-Fidesz organizations.

However, constraints began to simultaneously harden. Years-long political conflicts in the EU have led to the temporary suspension of fund provisions since 2020, thereby hardening external constraints of self-reproduction. In the meanwhile, domestically, hardening constraints evolved due to the dramatic economic and social impact of the COVID waves on the already strongly and systemically exploited public and private economic subspheres. Simultaneous pressure prompted the government to escalate forced redeployment with new measures: to contract huge intergovernment loans with harsh repayment conditions, severely indebting the country for decades to come; to increase the budget deficit higher than the EU's loosened criteria during COVID crisis; and to let loose inflation. To meet expectations and keep cohesion, scarce resources are being compensated also "in kind." The government is distributing profitable state functions to privileged businesses as concessions for 35 years; public assets in central possession are being emptied and transferred for free to Fidesz-close individuals and Fidesz-created foundations with Fidesz-appointed members in lifelong curator positions; and an increasing number of government-supported investments of cronies are fast-tracked for the sake of "national strategic interest." Actions are legalized by escalating government decisions in the name of a prolonged health emergency situation justified by the loosely controlled COVID crisis that is being prolonged by a new constitutional amendment reflecting to war threat owing to the Russian invasion of Ukraine. These laws give full direct power to Orbán and his government for any intervention into any field of the society without control. The costs of this process are clear: the restriction of individual freedoms and, ultimately, the free market, and overall destruction of the public sphere and the built, natural, and social environment through institutionalized corruption.



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