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Populism unrestrained: Policy responses of the Orbán regime to the pandemic in 2020–2021

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Abstract

The paper provides a case study on how the Orbán regime in Hungary has dealt with coronavirus disease 2019 (COVID-19) in 2020–2021. Despite having led worldwide rankings in pandemic-related death rates since the second part of 2020, the government was not politically shaken by COVID-19. Institutionally unrestrained, the governing majority periodically renewed emergency legal regimes to control public discourses and curtail the financial resources of opposition-led local governments. The policy conduct of the regime is discussed in the context of authoritarian populism, which is conceptualized along a strategy-based approach to populism. In this, authoritarian populism is seen to generate democratic legitimacy for dismantling the institutional foundations of liberal democracy and the rule of law. This had been happening in Hungary well before COVID-19 kicked in, but the pandemic provided enhanced opportunities for this strategy. Meanwhile, fiscal policies became increasingly expansionary, signalling a partial return to the practice of preelection overspending.

KEYWORDS

authoritarian populism, COVID-19, economic policy, fiscal policy, Hungary, Viktor Orbán

1 | INTRODUCTION: UNDERSTANDING AUTHORITARIAN POPULISM IN CONTEXT OF POST-2010 HUNGARY[1]

This paper is about the policy conduct of the Orbán regime in 2020–2021 with particular reference to economic policies during the coronavirus disease 2019 (COVID-19) crisis and the run-up to the April 2022 parliamentary elections. We argue that these policies can be interpreted in a conceptual framework of authoritarian populism, in which populism is considered a political practice or strategy (Weyland, 1996, 2021) instead of a discourse (Aslanidis, 2016; Norris & Inglehart, 2019) or an ideology (Mudde, 2004; Stanley, 2008). Populism in this paper is defined as a popularly legitimized political technique that implies the (ambition of) majoritarian conduct of power with disregard to the protective institutions of liberal democracy. Hence, this approach is also in line with the proposition of Pappas (2019), who treats populism as "democratic illiberalism." In other words, populism represents a majoritarian approach to power with disrespect to minority rights, relying on the explicit consent of a substantial part of the political community, typically expressed through competitive elections.[2]

This paper uses a case study method and discusses Hungarian policies during the pandemic. It also places economic policies in 2020–2021 into historical context, arguing that they represent a partial return to the more traditional version of predominantly left-wing economic populism of the pre-2010 period in Hungary.

Traditional, left-wing economic populism is historically associated with pronounced economic policy cycles. It responds to social and economic grievances of politically oppressed or vulnerable groups, demanding their political emancipation and economic progress. This is a political tradition with roots going back to the Russian Narodniks after 1861, the American Populist Party of the 1890s, and Hipolito Yrigoyen, Argentina's first populist president in the early 20th century. Their political movements demanded radical social reforms and sought to overturn the rule of entrenched social and political elites. The economic literature associates this kind of traditionally left-wing populism with Latin America, where it has generated marked economic cycles, starting with rising real wages and accelerating economic growth, and ending with high inflation, fiscal austerity, and recession (Dornbusch & Edwards, 1991; Sachs, 1989).

The globally emerging types of right-wing, authoritarian populism that have become increasingly powerful in past decades, however, are not associated with such economic cycles. They reinforce national or other culturally defined identities, seek to exclude culturally inferior minorities, and create unconstrained executive powers by eliminating the system of checks and balances. Meanwhile, they tend to be fiscally conservative and less redistributive, while pursuing more balanced and more sustainable economic policies than left-wing populists (Mickiewicz, 2021; also see Weyland, 1999). We treat Viktor Orbán's Hungary as a prime example of such an authoritarian populist regime.

Interestingly, it appears that the two versions of populism—the traditional, left-wing economic populism and the emerging, mostly right-wing authoritarian populism—potentially complement each other, and one can replace the other as political developments unfold. At least this is suggested by Hungarian historical developments in past decades, during which left-wing economic populism had first dominated until 2010, but was replaced by right-wing authoritarian populism afterwards under Orbán (Ádám, 2020b). We found, however, that the Orbán government has turned into a fiscally increasingly expansionist direction in the past

2 years as the COVID-19 crisis unfolded and the united opposition posed a credible threat of winning the April 2022 general elections.

This was a new phenomenon as the Orbán regime in the 2010s turned out to be particularly successful at ensuring fiscal sustainability, attaining economic growth, and improving external balances simultaneously (Ádám, 2020b). Since 2013, Hungary had exhibited one of the best economic growth performances in Central and Eastern Europe in parallel with gradually reducing its exposure to external financial markets. The policy developments following the outbreak of the pandemic seem to have upset this pattern leaving Hungary once again increasingly vulnerable to financial market investors, as the budget deficit and the public debt ratio increased, and the forint weakened.

One important reason for the increased vulnerability and recurring skepticism of investors toward Hungary was the growing isolation of the Hungarian government in Western Europe. The governing Fidesz has been finally excluded from the European People's Party (Brzozowski & Makszimov, 2021), and the European Parliament voted for the rule of law mechanism to be initiated against Hungary and Poland. Moreover, the payment of new European Union (EU) funds to Hungary (notably the Recovery and Resilience Fund and the structural funds for the 2021–2027 programming period) has become uncertain. While this has posed new financial constraints, the government has adopted an increasingly expansionary policy stance not only to mitigate the adverse economic effects of COVID-19 but also to boost its chances at the upcoming general elections. The policy turn witnessed in the examined period evoked some memories of the unsustainable economic policies of the 2000s. However, at the time of writing, the current levels of external and internal imbalances do not appear to be as dangerous as the ones seen in 2008–2009.

In what follows, we first describe authoritarian populism as a policy context in Section 2, substantiating our arguments about the way the Orbán regime operates. Section 3 presents the COVID-19 crisis as a particular policy challenge in the Hungarian case, discussing emergency legal regimes and COVID-19-related public health policies. An analysis of the economic policies of the Orbán government in 2020–2021 is provided in Section 4, including measures shaped by the political cycle before the April 2022 elections. Section 5 discusses our results and concludes.

2 | AUTHORITARIAN POPULISM AS POLICY CONTEXT

Authoritarian populist regimes tend to create a distorted policy space, in which channels of public discussion are mostly under government control, policy debates are restricted, and the opposition can hardly generate effective programmatic competition with the government. Policy debates boil down to the question of political loyalty and credibility. In consequence, public policies are overpoliticized, and politically neutral expertise rarely exists in public administration (Bartha et al., 2020). The government is organized hierarchically, with the primary holder of executive power—in Hungary, the prime minister—dominating both political and professional hierarchies. Or, to put it differently, as career bureaucrats are selected on a political basis, professional decision making in government apparatuses and agencies is politically conditioned. In a crisis situation, such as that of the COVID-19 pandemic, when rapid policy responses are crucial, this has potentially far-reaching consequences.

Crucially, the fact that professional government administrations are under strict political control is not simply a result of authoritarianism or reinforced political loyalty in selecting public servants. Exercising control over technocrats is one of the key political ambitions of authoritarian populists. This becomes part of regaining sovereignty and exercising control over self-seeking, "nonelected" technocratic elites that allegedly undermine traditional values and corrupt political decision making, both morally and financially (Mudde & Rovira Kaltwasser, 2017). Hence, strengthening political control over government bureaucracies is a key element of the authoritarian populist agenda, and this has been a particularly salient element of Hungarian government policies since the 2010 Fidesz takeover (Hajnal, 2016; Hajnal & Csengődi, 2014).[3]

Authoritarian populism has been also conceptualized as part of a backlash against the "silent revolution" of the post-WWII period (Norris & Inglehart, 2019), and as a political repercussion of perceived status loss by White male working classes and the more rural and less educated parts of society (Gidron & Hall, 2017). Reclaiming national sovereignty and mobilizing against the rule of oppressive technocratic elites, embodied in national or supranational public administrations, of which a key example is the EU, is a prominent political goal of authoritarian populists.

Self-perceptions of relative or absolute status losses can be generated both culturally and economically, and authoritarian populism speaks for both. With the perceived (relative) failure of traditional left-wing politics to mitigate such status losses through redistributive means and social policies following the 2008–2009 Great Recession, right-wing authoritarian populists constitute an attractive political choice for many. They enjoy a major advantage over traditional left-wing parties and candidates in their freedom in electoral optimization across culturally and economically framed political messaging. In other words, if authoritarian populists cannot (or do not intend to) redistribute fiscally for the benefit of losers of globalization and modernization, they can still redistribute symbolically, by reclaiming sovereignty over technocracies and reinforcing traditional values in policy-making. By doing so, they antagonize society ideologically, triggering political polarization and emptying the political center as a common ground for compromise-seeking liberal democratic politics (cf. Foster & Frieden, 2017; Halikiopoulou & Vlandas, 2020). Strengthening the authoritarian populist political cause, ideological polarization is economically reinforced by increasing within-country income inequalities in both developed and developing countries (Rodrik, 2018; also see Ravallion, 2018). Again, Viktor Orbán's post-2010 governance in Hungary is a good fit for this pattern: it has redistributed away from lower classes and yet kept their overwhelming political support by reclaiming sovereignty over externally supported technocratic elites (Szikra, 2014; also see Scheiring, 2021).

Authoritarian populism comes with a special flavor in Central and Eastern Europe, where both the "silent revolution" and the populist counter-revolution occurred over a condensed timeframe following the collapse of communism. Globalization, liberalization, privatization, economic, and cultural modernization, as well as all their counter-movements, took place in a matter of 20–30 years with profound structural and attitudinal transformations. EU membership has both modernized and frustrated societies in new Central and Eastern European (CEE) member states with far-reaching implications in terms of democratic decline and strengthening authoritarian tendencies (cf. Sedelmeier, 2014). Authoritarian populist parties have formed governments in all five Central European postcommunist EU member states: the Czech Republic (by Andrej Babis), Hungary (by Viktor Orbán), Poland (various PiS governments controlled by Jaroslav Kaczynski), and Slovakia (by Robert Fico), as well as Slovenia (by Janez Jansa). This has raised questions about the sustainability of liberal democracy in a semideveloped social and economic environment during crises and profound socioeconomic transformations (cf. Bochsler & Juon, 2019; Cianetti et al., 2018; Hanley & Vachudova, 2018; Havlík, 2019; Rupnik, 2018; Santana et al., 2020; Székely-Doby, 2021; Toplišek, 2020). COVID-19 has only further added to these turbulences.

3 | THE POLICY CHALLENGE OF COVID-19: THE HUNGARIAN CASE

With a confirmed number of deaths above 5.5 million by January 2022 worldwide, and a possible actual death toll of well above 20 million, COVID-19 can be considered one of the deadliest pandemics in human history. The officially registered total case number in January 2022 was 324 million, with the actual number of infected likely to be substantially more, perhaps above one billion. Meanwhile, the number of administered vaccine doses was approaching 10 billion according to the Coronavirus Resource Center of John Hopkins University.[4] Hence, COVID-19 has enormously impacted the world in the past 2 years, and the world has managed to give an exceptionally powerful response to it in a remarkably short period, including the production and administration of effective vaccines at a scale of the size of humanity. Yet, the pandemic disrupted social and economic life, and as a policy challenge, it has generated an extreme level of political polarization and politicization of public policies (Hart et al., 2020).

As Ádám (2020a) argued, there is a systemic difference across political regimes with liberal democracies on the one hand and more authoritarian regimes on the other one in how they tend to address the pandemic. In liberal democracies, with an open and competitive discussion of public policies, governments are publicly criticized and judged on the basis of their performance in addressing COVID-19. This can be measured through infection and death rates, the effectiveness and social costs of lockdowns, and any other indicator that is benchmarked against the corresponding performance of peer countries. Policy performance here is a subject of public discourse and is evaluated by the public. Because of the high human stakes and existential threats of the crisis, the values of security and survival are upgraded, typically boosting the electoral chances of mainstream liberal democratic parties that discuss COVID19 through "rational communicative action" (cf. Habermas, 1984, 1987 [1981], also see Bayerlein & Metten, 2022). To address increased electoral needs for security, governments consisting of (or dominated by) liberal democratic political actors often commission high-profile policy experts to coordinate crisis measures, further emphasizing the politically neutral—essentially "technocratic"—character of their COVID-19 policies. Authoritarian populist parties with their markedly antiliberal ideological orientation and antitechnocratic political stance, in turn, may have difficulties in gathering (or maintaining) public support during emergencies.[5]

Relatedly, authoritarian populists and far-right parties often pursued antivaccine and antilockdown campaigns during the COVID-19 crisis. They used them as tools of political mobilization against governing mainstream parties. In the particular Hungarian case, the far-right Mi Hazánk (Our Homeland) party adopted a markedly antivaccine stance with a campaign slogan of "Enough of Covid dictatorship." Yet, governing authoritarian populists could not afford such policies posing obvious public health risks. Thus, Fidesz adopted a provaccine policy stance, and the government propaganda advertised vaccination at full gear. Moreover, the government accused the liberal–democratic opposition of pursuing antivaccine policies for being critical of the usage of Russian and Chinese vaccines that were not approved by EU health authorities, and whose Hungarian approval also appeared questionable on professional grounds.

Hence, a superficially provaccine political stance by the government was accompanied by a substantively antitechnocratic, authoritarian populist position. On the one hand, the rector of the Budapest University of Medicine and the spokesperson of the national ambulance service were used as quasi-expert references, approving government public health policies and urging mass vaccination. On the other hand, no reliable information on the effectiveness (and potential risks) of vaccines was released, and professional approval procedures became politically controlled. Hospitals were placed under (nominal) military control and information on COVID-19 treatments and related public health statistics was monopolized and highly restricted. In a typical authoritarian populist fashion, public discussion of government policies was curtailed and the press was forbidden to report from hospitals. As Ádám (2020a) pointed out, private individuals were taken into custody for accusing local administrations of taking lacklustre measures against the public health crisis, signalling a new phase of occasional government repression (Biró & Német, 2020; Kaszás, 2020). The legal context of such measures was created through a series of authorization acts, states of danger, special legal order, and states of medical crisis, between March 2020 and the time of writing. These special legal regimes enabled the government to employ various extraordinary measures, including market interventions, limitations on powers of local governments, and limitations on fundamental civic rights such as the right for holding public demonstrations. (For a timeline of extraordinary legislation enacted by the parliament and the government, compiled by the Hungarian Helsinki Committee, see Box 1).

Meanwhile, Hungary has produced one of the world's worst COVID-19 statistics. According to data by Worldometer from January 17, 2022, Hungary exhibited the fourth highest number of COVID-19-related deaths per million globally (4210) with only one EU member state, Bulgaria, having a higher death per million rate (4672). The Hungarian case fatality rate (CFR) of 0.0300 (or 3%)[6] was the third highest in the EU after those of Bulgaria and Romania (see Table 1).

Notably, out of the 11 postcommunist EU member states, 9 were among those exhibiting the top-20 COVID-19-related deaths per million rates worldwide. Moreover, in the top 20, there were another six postcommunist countries that used to be parts of either the former Soviet Union or the former Yugoslavia. Hence, there might be some institutional factors at play that imply poor public health and/or healthcare performance even by the richest and most western-oriented postcommunist countries, with the notable exception of Estonia. Yet, the Hungarian public health performance with respect to COVID-19-related deaths appears dramatic even in a postcommunist or regional comparison (see Figure 1).[7]

Although the specific factors behind the tragic Hungarian COVID-19 statistics are beyond the scope of this paper, Pazitny et al. (2021) showed that Hungary had the worst CFRs in mid-2021 in a sample of 22 European countries. Focusing on the Visegrád countries,[8] they found considerable within-group variation that could be primarily explained by 2018 country performance scores in the European Health Consumer Index (EHCI) and its subcategories.[9] Meanwhile, examining a group of 24 European countries and using COVID-19-related cumulative death rates as a dependent variable, Kovács and Mihályi (2021) found the number of nurses employed in hospitals and health-conscious lifestyle, measured with the consumption of nonprescribed medicine, to be the two most important explanatory variables. Hence, they reinforce the view that nurses played a decisive role in the pandemic response in hospitals' intensive care units that have traditionally suffered from a shortage of nurses in Hungary.[10]

BOX 1 Timeline of emergency regimes introduced in relation to COVID-19

March 11, 2020. The government declared a state of danger, a special legal situation defined by the Fundamental Law (Hungary's constitution). According to the Fundamental Law, a state of danger may only be declared and only be terminated by the government in apparent breach of the principle of parliamentary oversight.

March 30, 2020. The parliament adopted Act XII of 2020 on the Containment of the Coronavirus (the so-called "Authorization Act"). It extended the already existing authorization of the Fundamental Law provided to the government to issue decrees in a state of danger. It provided the government unlimited mandate to override any existing piece of legislation until the state of danger is upheld.

June 16, 2020. Parliament adopted Act LVIII of 2020 on the Transitional Provisions related to the Termination of the State of Danger and on Epidemiological Preparedness (the so-called "Transitional Act"). It altered the legal framework applicable for a state of danger and a state of medical crisis.

June 18, 2020. The government terminated the state of danger. The parliament repealed the Authorization Act. This meant that over 150 emergency government decrees adopted during the state of danger lost their effect. The Transitional Act came into force. The government declared a state of medical crisis for 6 months.

November 3, 2020. The government declared a state of danger for the second time.

November 10, 2020. The parliament adopted Act CIX of 2020 on the Containment of the Second Wave of the Coronavirus Pandemic (the so-called "Second Authorization Act"). The Act was foreseen to lose force on February 8, 2021.

December 17, 2020. The government extended the state of the medical crisis until June 18, 2021.

February 8, 2021. The Second Authorization Act lost force. The government terminated the second state of danger. The government ordered the third state of danger.

February 22, 2021. Act I of 2021 on the Containment of the Coronavirus Pandemic (the so-called "Third Authorization Act") was adopted by parliament. It was foreseen to lose force after 90 days.

May 22, 2021. Upon the proposal of the government, the parliament amended the Third Authorization Act, extending its effect until the 15th day of parliament's 2021 autumn session. The state of danger was extended.

September 28, 2021. Upon the proposal of the government, the parliament amended the Third Authorization Act, extending its effect until January 1, 2022. The state of danger was extended.

December 14, 2021. Upon the proposal of the government, the parliament amended the Third Authorization Act, extending its effect until June 1, 2022. The state of danger was extended.

Note: Based on Hungarian Helsinki Committee (2021, pp. 1–2) with additional information from About Hungary (2021) and koronavirus.gov.hu (MTI, 2021).

It is also notable, however, that the tragic Hungarian public health performance with respect to COVID-19 seems to have had no impact on political preferences. Whereas Fidesz had been facing an increasing opposition challenge since mid-2019, when the six largest opposition parties started coordinating their electoral strategies before the fall 2019 local elections, voter behavior did not appear to have been impacted by the horrific Hungarian COVID-19 toll before the April 2022 general elections.[11] What seemed to matter more in the measured voter preferences was the credibility of the opposition as an actual political alternative, signified by victories of coordinated opposition candidates in major cities (including Budapest) at the 2019 local elections, as well as the opposition primaries in October 2021 (note the spikes in opposition support at both occasions in Figure 2).

Another key policy battle of the election campaign as well as of the COVID-19 crisis was dealing with the economic consequences of the pandemic—it is the subject of the next section.

4 | ECONOMIC POLICIES DURING THE PANDEMIC

The COVID-19 crisis impacted the Hungarian economy through various channels resulting in a V-shaped growth pattern in line with global trends. Compared to the EU as a whole, however, the fall in economic output was relatively smaller and the recovery proved to be faster (see Figure 3) in Hungary. Following a 4.7% contraction of real gross domestic product (GDP) in 2020 (EU: negative 5.9%), the Hungarian economy grew by a robust 7.1% (EU: 5.4%) rate in the first three quarters of 2021. Thus, the country joined the group of member states, which had already surpassed their prepandemic GDP levels by the end of 2021.

Importantly, Hungarian lockdown measures tended to be less stringent in constraining businesses.[12] Hungary was particularly late to introduce such measures during the second and fourth waves of the pandemic. Government reluctance to constrain economic activities could be explained by a preference to keep the economy running, whereas the loose Hungarian lockdown regime could be one important factor contributing to the very high Hungarian COVID-19-related death rate presented in the previous section (Bayerlein et al., 2021).[13]

From a purely macroeconomic perspective, the relatively better Hungarian performance in aggregate output can be attributed to two key factors. First, before the outbreak of the pandemic, the economy had a strong momentum. Thus, the so-called “carry-over effect” mitigated the extent of the recession (MNB [Hungarian Central Bank], 2021a). Second, structural factors also played a role. With a comparatively extensive manufacturing base, Hungary benefited from the pandemic-induced global shift in market demand from services to goods amid aggressive stimulus measures in major economies. Industrial and construction activity rebounded in the second half of 2020 and kept rising during the second and third waves of the pandemic. Although intensifying supply-chain disruptions put a drag on manufacturing in the summer of 2021, GDP growth was sustained due to the bouncing back of services as health-related restrictions were eased.

The economic impact of the pandemic was cushioned by domestic economic policies as well. A special feature of the Hungarian economic support package was that the fiscal response remained rather muted at the outset of the pandemic. The Convergence Program published in April 2020 increased the general government deficit target for 2020 only moderately, from 1.0% to 3.8% of GDP (Government of Hungary [GoH], 2020). The financing of fiscal measures was planned mainly from reallocating existing budgetary appropriations and partly centralizing certain local government revenues as well as from new taxes on banks and retail companies. In

TABLE 1 The world's 20 worst performer countries, ranked along cumulative COVID-19-related deaths per million people by January 17, 2022

		Total case/million	Death/million	Case fatility rate
1	Peru	77,381	6041	0.0781
2	**Bulgaria**	119,486	4672	0.0391
3	*Bosnia and Herzegovina*	97,770	4260	0.0436
4	**Hungary**	140,112	4210	0.0300
5	*Montenegro*	326,116	3946	0.0121
6	*North Macedonia*	117,796	3895	0.0331
7	*Georgia*	251,257	3641	0.0145
8	**Czechia**	242,445	3433	0.0142
9	**Croatia**	201,373	3236	0.0161
10	**Slovakia**	161,185	3176	0.0197
11	**Romania**	100,397	3112	0.0310
12	San Marino	304,045	3026	0.0100
13	Gibraltar	324,722	2970	0.0091
14	Brazil	107,381	2891	0.0269
15	**Lithuania**	214,211	2876	0.0134
16	**Slovenia**	258,888	2744	0.0106
17	**Poland**	114,430	2708	0.0237
18	*Armenia*	117,029	2699	0.0231
19	USA	201,291	2617	0.0130
20	*Moldova*	97,211	2600	0.0267

Note: Postcommunist EU member states are in bold, whereas other postcommunist countries are in Italic.
Source: Worldometer and own calculation based on the Worldometer database.

October 2020, however, the deficit target was relaxed to 8.0% of GDP. This turned out to be the actual budgetary outcome in 2020, 1.1 percentage points above the average fiscal deficit recorded in the EU (6.9%) and constituting 5.9 percentage deterioration compared to the previous year. The shift in fiscal policy attitudes is highlighted by the fact that the 2020 budgetary deficit occurred primarily in the fourth quarter, amounting to more than 17% of the quarterly GDP, mainly in the form of an end-of-year spending spree at a time when the economy was already recovering.

The restrictive fiscal stance at the beginning could reflect the underestimation of the economic downturn as well as the procyclical instincts of policy-makers. In addition, it could stem from the risk aversion of the government to avoid the threat of a potential Excessive Deficit Procedure by the European Commission, reducing the government's maneuvering room in a conflict-ridden relationship with the EU. This concern, however, was fully removed when the Commission announced in September 2020 that the severe economic downturn clause of

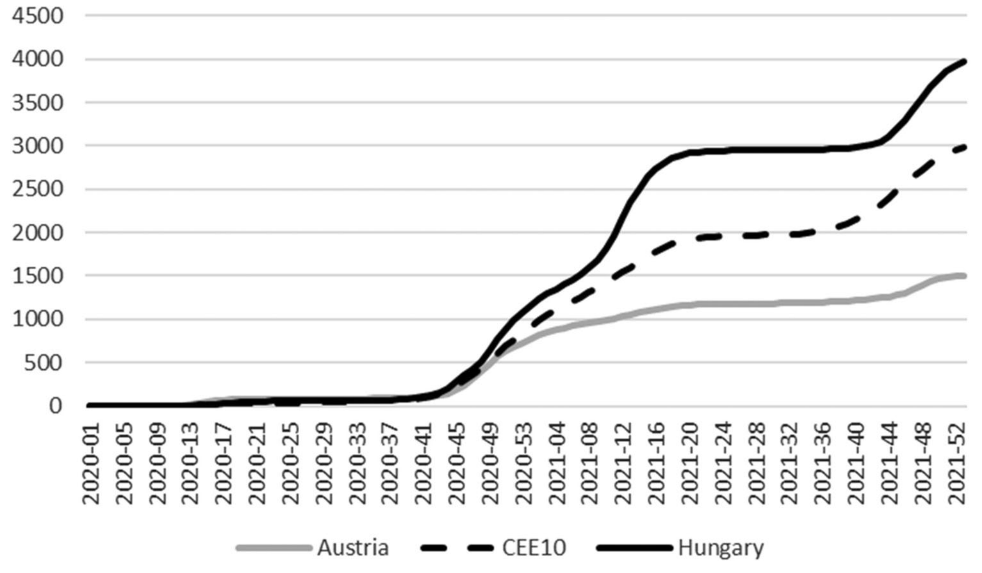

FIGURE 1 Cumulative coronavirus disease 2019 (COVID-19)-related deaths per million people in Austria, Central and Eastern Europe (CEE), and Hungary in 2020–2021 (weekly case development). (1) CEE10 is the simple arithmetic average of Bulgaria, the Czech Republic, Croatia, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. (2) Data on Austria serves as a reference. *Source*: Own calculation based on the European Center for Disease Prevention and Control database.

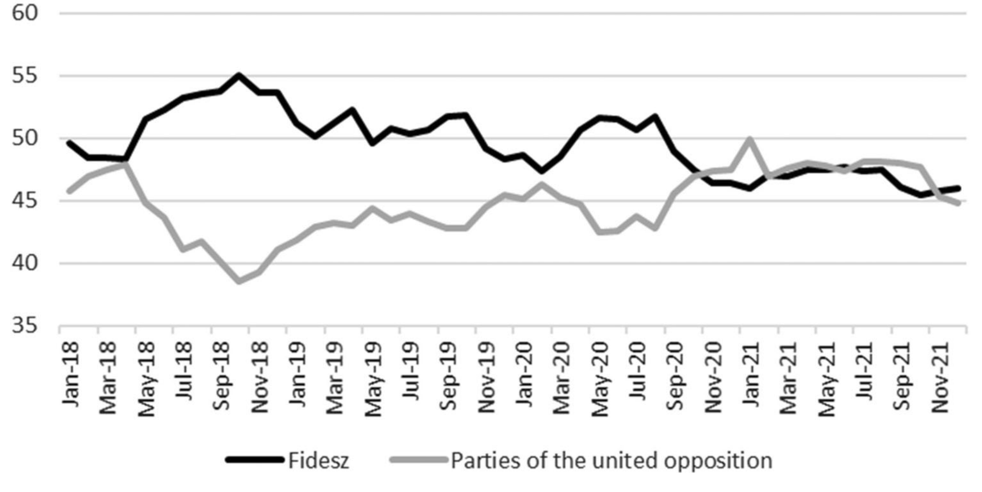

FIGURE 2 Monthly polling averages for Fidesz and parties of the united opposition (in percent of all party preferences). Monthly moving 41-day averages are shown. *Source*: Own calculation based on the Vox Populi database.

the Stability and Growth Pact was to remain active in 2021 as well, thus allowing the expansion of national budgets for a longer period (European Commission, 2020).

Given the self-imposed policy constraints, the immediate Hungarian COVID-19 support had a heavy monetary and financial focus on providing liquidity and maintaining credit flows, inter alia, through launching large-scale small and medium enterprise loan and bond purchase programs funded directly by the central bank. The single most extensive liquidity measure was the unconditional credit repayment moratorium for all existing company and household bank loans taken out by March 2020. This arrangement—which remained in place until November 2021—covered about half of the total outstanding loan stock during 2020, providing temporary relief to debtors amounting to Hungarian Forint (HUF) 1700 billion or 3.5% of GDP in that year (Hungarian Central Bank, 2021b). A unique feature of the Hungarian stimulus package was that the repayment moratorium had a far more important role in alleviating the fall of household consumption than any budgetary income support measure introduced during the pandemic. The liquidity provided to households through this channel was some six times higher than the total amount spent on various temporary wage subsidies and short-time work schemes, which were in place between April 2020 and May 2021 (Krekó & Varga, 2022). An obvious pitfall of this policy pattern is that low-income groups are typically underrepresented in the population having bank loans, while the higher debt tends to be correlated with higher income. Therefore, the protection of the most vulnerable remained insufficient.

The nature of fiscal efforts seen in 2020 following the spending boost at the end of the year can be studied closer on the basis of data on general government revenues and expenditures in terms of year-on-year changes as a percentage of GDP. It appears that the fiscal loosening of close to 6% of GDP occurred exclusively on the expenditure side, while the total revenue-to-GDP ratio remained unchanged in 2020. This does not mean that the revenues were not severely affected by the crisis as they fell in real terms, but it simply reflected the fact that tax receipts tend to move in parallel with the GDP.[14] The economic support measures on the expenditure side were heavily concentrated on capital spending and partly on other current transfers as well, surging by 3.0% and 1.3% of GDP, respectively, mainly involving capital grants, subsidies and other handouts to the private sector entities, nonprofit organizations and

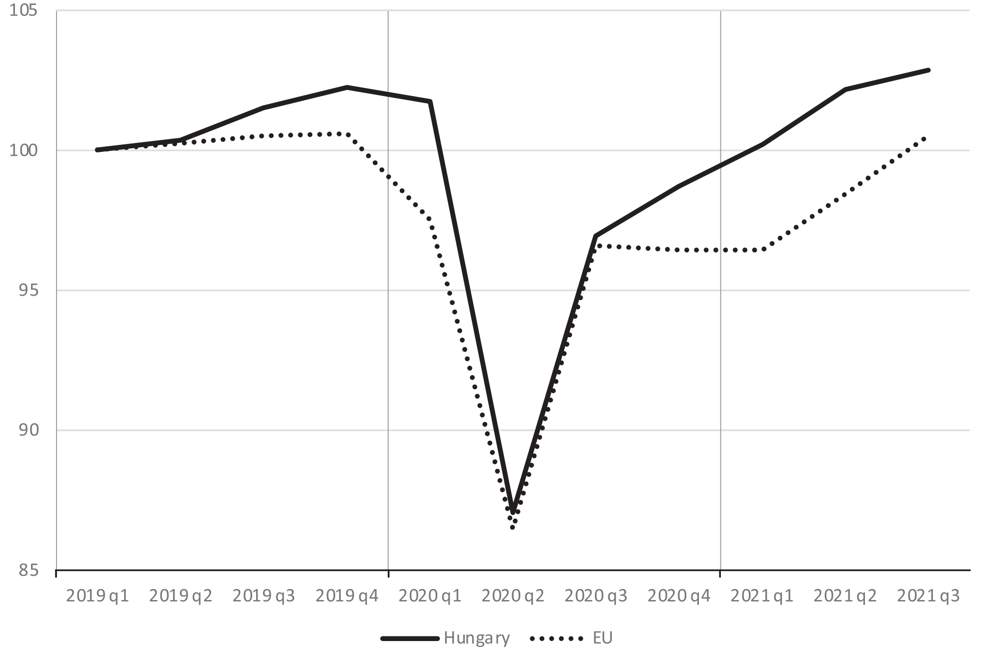

FIGURE 3 Evolution of quarterly gross domestic product (GDP) in constant prices in Hungary and the European Union (EU) (2019 Q1 = 100%). The data are seasonal and calendar adjusted. *Source*: Eurostat

churches as well as state-owned enterprises (see Figure 4). By contrast, spending on social transfers increased only by a modest 0.5% of GDP compared to 1.8% in regional peers and 2.8% in the EU (see also Király et al., 2022).

Several economic commentators raised concerns about the quality of expenditure measures regarding their impact on crisis management, economic growth, and competitiveness (e.g., Kovács, 2021; Surányi, 2021). For instance, budgetary support for competitive sports reached a record high of HUF 800 billion in 2020, mainly spent on stadiums and other sports facilities (Mfor, 2021). The expenditure package also included investment grants for hotel and tourism development projects with an envelope of HUF 219 billion, while economic analyses pointed to an emerging oversupply in the sector (Hungarian Central Bank, 2021b). According to a study by Transparency International (TI), those funds were allocated through an opaque system often benefiting investors close to the government (TI, 2021). The pandemic did not only provide a pretext for further curtailing the rule of law but also widened the opportunities for corrupt practices enhancing the crony-capitalist features of the Hungarian political economy (cf. Magyar & Madlovics, 2020). This is also highlighted by the fact that 22% of the total contract value of all Hungarian public procurement tenders in 2020 and 2021 was awarded to 42 companies owned by 12 business owners having close friendly relations with the prime minister and his inner circle of friends. A similar share in the preceding 5 years reached only 12% (Corruption Research Center Budapest, 2022).

In Spring 2021, budgetary deficit targets for 2021 and 2022 were lifted up significantly, to 7.5% and 5.9% of GDP, respectively (GoH, 2021a). Meanwhile, economic policies aimed at limiting the impact of the pandemic seem to have been increasingly reshaped by measures geared toward securing the re-election of the government at the April 2022 parliamentary elections. Thus, it appears that the economic cycle triggered by the COVID-19 shock has been intertwined with an endogenous political business cycle in Hungary. This could be seen as a reaction to the political landscape becoming more competitive with the six largest opposition parties forming a unified election block. Yet, at the same time, the stronger-than-expected revenue growth due to a robust recovery provided a budgetary leeway for additional expansionary steps.

The waves of measures affecting budgetary developments in 2021–2022, while being broadly based in terms of beneficiary groups, overall tended to disproportionally favor the (upper) middle classes reflecting the social policy preferences of Fidesz (Ádám, 2020b; Scharle & Szikra, 2015; Szikra, 2014). From 2021, additional generous supports were introduced to homeowners with children as part of the investment stimulus package. Higher-income groups were to gain the most also from the refund of income taxes levied in 2021 to families. Apart from income earners with children, the elderly and young-age adults have been targeted as well. The elderly benefited from the full reintroduction of the 13th month pensions (abolished in 2009) as well as from the payment of record high "growth premia" (i.e., a one-off pension supplement). Employees under 25 were made exempt from the personal income tax up to a certain earning level as of 2022.

The government has also announced a series of double-digit pay rises for several professions in the public sector.[15] The statutory minimum wages and the guaranteed wage minimum for skilled workers have been raised by 20% from January 2022. In parallel, to ease the costs of administrative wage increases, employers' social contributions were cut by 2.5 percentage points and the vocational training contribution (an additional levy paid by employers) was abolished. The private sector tax burden was also moderated through a temporary reduction in the local business tax until the end of 2022. While stimulating the economy, the latter measure also provided an opportunity for the government to financially penalize opposition-led municipalities as the resulting shortfall in local revenues was compensated by the government on a largely discretionary basis.

With a combination of fiscal expansion and an ultraloose monetary policy, Hungary started to show signs of emerging macroeconomic imbalances (Karsai, 2021; Matolcsy, 2021). The gross public debt-to-GDP ratio rose from 65.5% of GDP in 2019 to 80% in 2020 and is expected to remain close to this level in 2022, some 30 percentage points above the average of regional peers. Moreover, the country began to face an evolving twin deficit as the current account balance deteriorated. After more than a decade, the external financing capacity of the country (measured as the sum of current and capital accounts) was projected to have fallen again into negative territory in 2021 (OTP, 2021). Nevertheless, Hungary still displayed significantly lower financial vulnerabilities in terms of external and internal debt compared to the aftermath of the 2008–2009 global financial crisis. Furthermore, the deterioration of financial indicators reflected external and most likely temporary effects as well, including the semiconductor shortage and higher energy prices weighing on the trade balance.[16] In addition, the slowdown in the disbursement of EU transfers temporarily increased the prefinancing needs of the government resulting in an elevated public debt.[17] In sum, while risks on macroeconomic stability have increased and economic indicators already pointed to a need for a policy reversal in the coming years, economic imbalances have not entered a dangerous terrain yet.

Moreover, the end of 2021 saw some policy corrections as inflation accelerated. The annual consumer price index rose from 2.9% in January to 7.4% by the end of 2021. Although rising inflation was a global phenomenon in the aftermath of the pandemic, the Hungarian inflation

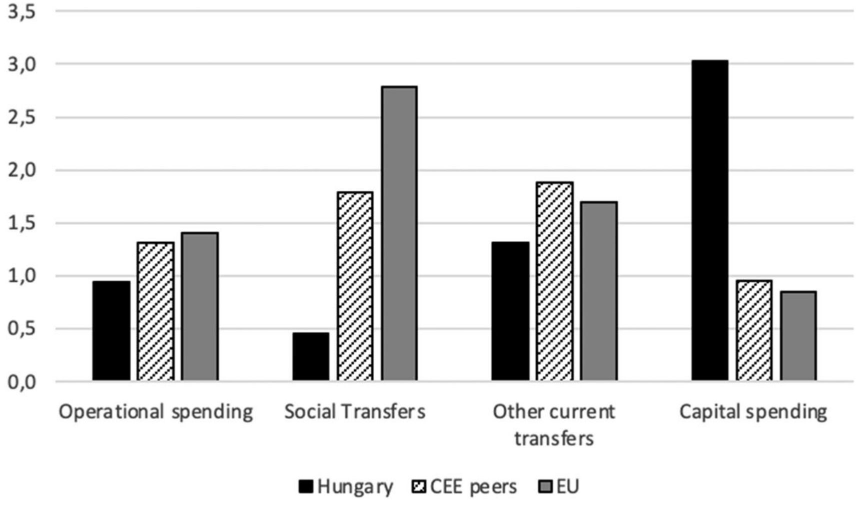

FIGURE 4 The composition of expenditure response in 2020: Hungary compared to benchmark groups (percentage of GDP). (1) General Government expenditure is grouped by major ESA2010 categories. Operational spending: Compensation of government employees + Intermediate consumption; Social transfers: Social benefits other than social transfers in kind + Social transfers in kind supplied to households via market producers; Other current transfers: Subsidies + Other current expenditure (UUOG); Capital spending: Gross fixed capital formation + Other capital expenditure, including capital transfers. (2) Central and Eastern European (CEE) peers: The average of Czechia, Poland, Slovakia, and Romania. *Source*: AMECO database, European Commission

rates exceeded the euro area levels by 2–3 percentage points during the course of 2021, highlighting the contribution of domestic factors, including fast wage growth and the loose monetary policy stance (Surányi, 2021).

In response, the Hungarian Central Bank has embarked on a cautious and rather half-hearted monetary tightening path starting in the summer of 2021. As the initial monetary steps proved to be ineffective in containing inflation, the central bank took a more aggressive course in December, raising the policy rate by 200 basis points and terminating the asset purchasing programs. The accelerating inflation also posed a dilemma for the government operating already in an election mode. While the plethora of fiscal measures was to boost household incomes and consumption before the elections, they simultaneously amplified inflationary pressures involving increased medium-term political risks.

The policy response to this conundrum by the government was twofold. On the one hand, they revised the 2022 deficit target lowering it by 1 percentage point, but doing so in a politically least painful manner, in the form of postponing public investments (GoH, 2021b). On the other hand, they engaged in price-fixing interventions limiting the price of gasoline and subsequently the retail prices of certain basic foodstuff as well as capping the floating interest rates of housing mortgage loans. Even if it was a recipe for short-term political success, the longer-term economic costs of the political business cycle seen in Hungary in the aftermath of the COVID-19 crisis may still turn out to be significant.[18]

5 | DISCUSSION AND CONCLUSIONS

This paper examined the responses of the Hungarian government to the COVID-19 pandemic in 2020–2021, with particular reference to economic policies. We placed policy actions by the Orbán government in a context of authoritarian populism. We defined such a political regime as a democratically legitimized autocracy, exercised with explicit majority consent while exposing social and political minorities to arbitrary government actions. Or, to use Pappas' (2019) definition, authoritarian populism is democratic illiberalism: it maintains majority support while radically reducing formal and informal constraints of the executive, eliminating the institutional foundations of liberal democracy. Analyzing policies of the Orbán government during the 2020–2021 COVID-19 crisis helped create a case study of "authoritarian populism in action": it provided an opportunity to scrutinize the actions of an authoritarian populist regime under stress as it performed a process of multiple optimizations.

We found that the regime exploited the pandemic as a pretext for curtailing civil liberties and further eroding the rule of law so that government power could be strengthened vis-à-vis rival political actors including opposition-controlled local governments. Although Hungary suffered one of the most devastating pandemic tolls worldwide in terms of COVID-19-related death rates, this did not impact significantly on the government's public standing. One plausible explanation was the strict government control over an overwhelming majority of public media outlets, and rules excluding journalist from hospitals under the special legal regimes of state of medical crisis and state of danger.

The pandemic also lent opportunity for additional redistribution toward members of the government-controlled economic clientele. Meanwhile, income support of households through social transfers lagged behind both the EU average and regional peers. In a macroeconomic sense, the first reaction of the government to COVID-19 was introducing relatively lacklustre fiscal measures. Through these, the regime was most probably trying to eliminate any chance of external interference in economic policies, by both financial market actors and EU policymakers. However, once EU rules were softened through the suspension of deficit and public debt provisions of the Stability and Growth Pact due to the pandemic economic emergency, the Hungarian government lifted up deficit targets and engaged in a spending spree at the end of 2020. The budgetary expansion continued in 2021 amidst accelerating inflation and robust budgetary revenues in the context of a fast recovery. The latter was assisted with relatively mild Hungarian lockdown measures that could play a part in the extreme high COVID-19-related death rates while enabling relatively undisrupted business operations.

Finally, the government also engaged in a preelection spending campaign as the April 2022 general elections were approaching, and the six major opposition parties were preparing to file joint candidates in individual electoral districts with a single national party list led by a joint prime ministerial candidate. As the united opposition generated a more substantial electoral threat to the regime than any time since 2010, the government introduced a plethora of preelection expenditure-increasing and tax-cutting measures amounting to several percentage points of GDP while fixing the prices of several commodities amidst rising global prices—a clearly unsustainable policy mix.

Through this, the Orbán regime has to some extent returned to the tradition of economic populism; the conduct of persistent fiscal overspending characteristic of Hungarian economic policies before the authoritarian populist turn of 2010. However, the recent policy turn was conducted in a much better macrofinancial environment with a low external debt and hence a lesser exposure to global financial markets. As a result, no economic meltdown is expected on the short-term horizon, and the government is likely to use its unlimited institutional prerogatives to initiate arbitrary stabilization measures. More recently, these included the renewal of sector-specific taxes that had been used in the 2010s, while effectively limiting the public discourse over stabilization policies. Nevertheless, the continued conflict with top decision-making tiers of the EU, including the ongoing rule of law procedure against Hungary, can still make life difficult at the commanding heights of the Orbán regime in the forthcoming period.

Conceptually, we argue, this suggests the policy flexibility of authoritarian populist regimes, and their ability to pursue multiple optimization processes. Although our case study method does not allow the generalization of lessons learnt in Hungary, other like-minded regimes have also exhibited remarkable flexibility in economic policies under stress. These include Turkey under President Erdogan, Poland under the various PiS governments, or the US under President Trump, by implementing arbitrary government interventions, protectionism, and politically motivated, selective taxes and tariffs. Economic policies in Viktor Orbán's Hungary while facing the COVID-19 crisis of 2020–2021 fit this pattern. It remains an open question until how long these fast-changing policies will prove sustainable both politically and economically amidst the ongoing deterioration of external circumstances and the return of relatively fragile domestic fiscal balances.

CONFLICT OF INTEREST

The authors have no conflict of interest.

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ENDNOTES

[1] The cut-off date for taking information into account in the initial manuscript of this paper was January 17, 2022.

[2] Competitive elections are a constitutive part of the populist project as they provide genuine democratic legitimacy for ruling populists. Without competitive elections, the illiberal way of governance that populists pursue degrades democracy into outright autocracy (cf. Sozen, 2019). The systemic role of competitive elections as the primary source of legitimacy also explains our choice of using the term “authoritarian populism” instead of “hybrid regimes” that is preferred by others (see, e.g., Bozóki & Hegedűs, 2018). Authoritarian populism relies on popular support that is expressed through competitive elections; hence in a democratic process, even if this is a poor-quality or “illiberal” democracy, in which checks and balances and the rule of law are operated partially at best.

[3] To be fair, the politicization of government bureaucracies had been present in Hungary already before the 2010 total Fidesz takeover (Staronová & Gajduschek, 2013).

[4] See https://coronavirus.jhu.edu/map.html.

[5] The German federal elections of September 2021 are a case in point, in which the authoritarian populist AfD performed poorly (along with the economic populist Die Linke). Right-wing populist parties also suffered losses in the Czech, Dutch, and Norwegian general elections in 2021 in comparison to their previous electoral performance. For electoral and opinion poll data, see https://www.politico.eu/europe-poll-of-polls/.

[6] The case fatality rate is defined as the ratio of those who die from a disease out of those who get infected.

[7] In Figure 1, Austria is used as a non-postcommunist benchmark with close regional proximity. Austrian infection dynamics were mostly in line with those of Central and East European postcommunist EU member states. The number of COVID-19-related deaths, however, was proportionately significantly lower in Austria.

[8] The Visegrád group of countries (or V4) consists of the Czech Republic, Hungary, Poland, and Slovakia.

[9] As Pazitny et al. (2021, p. 42) states, “EHCI, prepared annually by Health Consumer Powerhouse (Björnberg, 2019), is a widely accepted ranking of national healthcare systems according to their performance and consumer orientation”.

[10] See, for instance, Élő (2021).

[11] According to a December 2021 poll by Median public opinion research, 70% of Fidesz voters believed that Hungarian policies on the pandemic were more successful than those implemented in Western Europe. See Szabó (2021).

[12] On the basis of the stringency index of the “COVID-19 Government Response Tracker,” which measures the strictness of lockdown-style measures on a 0–100 scale, Hungary belonged to the third of EU member states with the loosest regimes. Over the period from February 2020 to December 2021, the average value of the stringency index was 49.6 for Hungary below the EU average of 52.8, while the most stringent nine member states recorded an average of 61.6 (Blavatnik School of Government, 2022).

[13] Also see: *Svéd helyett magyar modell: a tomboló omikron-hullámban messze Magyarország a leglazább az EU-ban* [Hungarian instead of a Swedish model: Hungary is by far the loosest in the EU amidst the raging omicron wave]. Portfolio, January 14, 2022.

[14] In fact, discretionary fiscal measures in 2020 had a notable revenue component including tax holidays for the most affected sectors as well as the originally planned 2 percentage point cut of employers' social contribution, which was brought forward from October to July. However, the impact of those measures on the tax-to-GDP ratio was offset by the strong dynamics of consumption taxes before the outbreak of the pandemic.

[15] The extent of public sector wage increases was differentiated among professional groups, ranging between 10% and more than 100% (in the case of medical doctors). The salaries of medical doctors and university professors were already raised in 2021. From January 2022, the affected professions included social workers,

midwives, military and law enforcement personnel, school teachers as well as employees in the cultural sector.

[16] As a result of the Russian–Ukrainian war, which broke out after the cut-off date of this paper, it is very likely that the Hungarian balance of payments will be adversely affected by supply-chain disruptions and the deterioration of terms of trade for a much more prolonged period than previously expected.

[17] On April 5, 2022, the European Commission announced the launching of the newly adopted rule-of-law mechanism against Hungary which can lead to the withholding of EU budgetary funds from the country. Even if Hungary will not be penalized eventually, it is quite likely that the payment of new EU transfers will be delayed for an extended time period.

[18] The Orbán government secured a fourth consecutive two-third majority at the April 2022 parliamentary elections. The ruling Fidesz-KDNP alliance received 54% of the party votes, while the unified opposition underperformed expectations with only less than 35% of votes.

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