Hungary's municipal elections are unlikely to see Fidesz loosen its dominant hold over Hungarian politics

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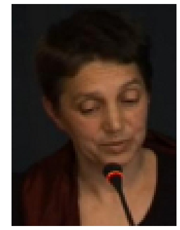
Hungary will hold municipal elections on 12 October. **Yudit Kiss** *writes on the governing Fidesz party, led by Viktor Orbán, which has held power since 2010. She argues that Fidesz has used its economic policies to secure its own support base over the last four years, while a reform of the constitution and tighter restrictions on the media have also entrenched its dominant electoral position. Fidesz' strength, combined with in-fighting among opposition parties, will ensure the party is likely to once again receive a favourable result in the upcoming elections.*



The approaching municipal elections in Hungary are unlikely to bring a surprise. The ruling Fidesz party prepared two 'presents' for voters: a further reduction of utility prices and a campaign to bail out foreign currency debtors. The reduction of utility prices performed so well at Fidesz' election campaign in the April Parliamentary and May EP elections that a third, "decisive" run was decided.

Here is how it works: the government imposes reduced consumer prices on the public utility providers that try to restructure their activity and assets and economise their costs (among others by skipping maintenance and imposing harsh workloads on their workers), but sooner or later go bankrupt or voluntarily exit the field. The state re-enters the game by taking over the bankrupted companies.

The debtors' problem originates in the early 2000s when Hungary had its real estate bubble, encouraged by generous credits. There was a wave of property purchases, most for personal use, but many for investment and speculative purposes as well, with the prospect of the country's accession to the EU in sight. After 2008, with the plunging economy and a weakening Hungarian forint, many property owners became unable to service their debts, particularly those who took credits in foreign currency (mainly Swiss francs) with more favourable conditions than those of forint.

The Fidesz government decided to solve the problem by declaring the banks that provided the credits "immoral" and forcing them to write off the debts. The banks were given very limited time to prove their innocence in court, but since the juridical system is under heavy government surveillance, most have lost the cases and are obliged to accept the government dictated conditions. The banking sector has already been roughed up by a series of extra taxes; some foreign-owned banks have left the country and some Hungarian ones struggle to stay afloat – the terrain is prepared for further state participation.

The Fidesz government's economic policies: securing its own support base

Corporations, monopoly utility providers and banks need to be strongly regulated, particularly today, when the uncontrolled power of business groups makes enormous ravages all over the world. However, the Fidesz government limits the powers of certain business groups in order to empower other ones; it accumulates economic assets in order to pursue its own political interests and not to serve the common good.

Since it gained back power in 2010, the Fidesz-led coalition has confiscated the capital of private pension funds, squeezed out independent tobacco sellers, took over the savings cooperatives, some banks, productive companies and services (from printing and distributing school textbooks to weather forecasting), nationalised the assets of the local self-governments and several public institutions. Right now, it's the turn of public utility companies.

The state's presence can be necessary in certain economic sectors and state-owned companies can perform efficiently, but this is not the case in Hungary today. A recent Transparency International study confirms that the state and its companies are not transparent and accountable. Through nationalisation and redistribution, public procurement and other forms of allocation of public resources, the government created a powerful business group that directly benefits from its measures and supports its political undertakings. Another large group of well remunerated zealous followers was built by redistributing positions in the burgeoning state apparatus, the public sector and its institutions, including several lavishly financed new ones.

Viktor Orban, Credit: European People's Party (CC-BY-SA-ND-NC-3.0)

The introduction of a flat revenue tax system, the drastic cuts in unemployment and welfare benefits, health and education expenditures, and a series of measures that sanction poverty have benefited the new ruling class, hurting large sections of society. A new class of oligarchs is emerging, while the number of poor has reached 3.3 million, 33.5 per cent of the population, including 26.8 per cent suffering severe material deprivation according to Eurostat.

Fidesz claims to protect Hungarian citizens against exploitation and abuse. In fact, the radical institutional reorganisations and massive purges in the state sector, the unilateral rewriting of the Labour Code and the introduction of a large array of restrictive and controlling regulations – like the ban on political activity for state employees or the difficulties to set up an independent business – and, if needed, open political pressure, have created a system of existential dependence for the bulk of the population. Fidesz' predatory economic policies have cemented its own power base and eroded the country's future development potential.

Hungary's municipal elections

Giant election posters have announced a final "settling of accounts with the banks", and every household has received its gas and electricity bills with detailed calculations showing how much people will save thanks to the government's intervention. The calculations attached to the utility bills do not show, however, how much each household loses due to new taxes, extra fees and subsidy cuts introduced by the same government or how much they are bound to lose, when the companies eventually pass on their augmented costs to customers (as has already happened in the case of increased bank charges and the new telephone tax).

Triumphant statements about the improving economic indicators do not mention that GDP growth is principally due to an outstanding harvest, EU contributions and increased government expenditures related to the election year. Employment statistics have improved thanks to the government's 'public work schemes' that provide temporary, very poorly paid, usually unskilled jobs to the masses of unemployed, without a genuine opportunity to enter the labour market, and to those Hungarians who work abroad. Since 2010, approximately 500,000 citizens have left the country (including many young people with training, who end up as cleaners, servers or receptionists in Western Europe), but this large-scale brain-drain is accounted in a way that improves the economic statistics.

In the forthcoming municipal elections the government does not have to worry a great deal about opposition candidates – even though in principle they could have had a chance in Budapest. Fidesz comfortably dominates politics and economics in Hungary today. In addition, as with previous elections, opposition parties have spent a lot of time and energy on fighting each other; then, once a decision to cooperate has been made, they have in turn spent still more time and energy on finding a joint candidate and a joint programme which nobody is satisfied with.

The European Union has been astonishingly inefficient in preventing the Fidesz government's systematic destruction of Hungary's post-Communist democratic achievements. Its institutions have reacted to the most flagrant violations of social and human rights, like the unilateral rewriting of the Constitution, politically driven expropriations, the purging of the judges or the drastic restriction in the freedom of press, with a detailed critique and recommendations. However, the cases have been dropped following largely cosmetic changes by the government. Each EU retreat has further emboldened Viktor Orban, fuelling Euroscepticism and encouraging leaders with a similar approach elsewhere in Europe.

For its current election campaign Fidesz had a most unlikely boost from no less a personage then the outgoing President of the European Commission, José Manuel Barroso. Hardly two months after Orban's speech in Băile Tuşnad, in which he bluntly dismissed the basic values the EU is supposed to rest upon, Barroso visited the country to hand over almost 27 billion euros from the Union's cohesion and agricultural funds. The image of Barroso and Orban happily shaking hands would no doubt have been enough to convince the average Hungarian, exposed to government-controlled newspapers, radio and TV stations, that all is well in Hungary.

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Yudit Kiss is an independent economic researcher from Hungary, based in Geneva. Her academic publications deal with the post-Cold War economic transformations of Central Europe. Her latest book is *Arms Industry Transformation and Integration: The Choices of East Central Europe* (OUP 2014).