

BTI 2014 | Hungary Country Report

Status Index	1-10	8.05	# 16 of 129	
Political Transformation	1-10	7.95	# 21 of 129	➔
Economic Transformation	1-10	8.14	# 14 of 129	➔
Management Index	1-10	4.96	# 63 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 — Hungary Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

Population	M	9.9	HDI	0.831	GDP p.c.	\$	22118.6
Pop. growth ¹	% p.a.	-0.3	HDI rank of 187	37	Gini Index		31.2
Life expectancy	years	74.9	UN Education Index	0.890	Poverty ³	%	0.4
Urban population	%	69.9	Gender inequality ²	0.256	Aid per capita	\$	-

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

In the review period, Hungary has experienced a dismantling of its democratic institutions, through actions pursued by the government under Prime Minister Viktor Orbán following his party's "voting booth revolution" and as part of a regime change to fully re-establish what the government has called "Hungary's national sovereignty." Relying on the two-thirds majority of the Fidesz-Hungarian Civic Alliance (Fidesz) party in parliament, the government quickly adopted a new constitution in April 2011, without the consent of the opposition, broader societal participation or proper parliamentary debate. The constitution, in addition to a number of newly adopted qualified-majority laws (officially called cardinal acts), seeks to consolidate the nationalistic/conservative priorities of the current governing parties and protect these priorities against future changes in government. The Fidesz-led government has tried to monopolize political power by taking control of a number of independent agencies and supervisory bodies; it has also damaged the independence of the judiciary. Such anti-democratic measures have constrained freedoms of expression and association and curtailed various civil liberties. On the other hand, the protection of civil liberties by the Constitutional Court was considerably strengthened by the new constitution. Yet new rules concerning the nomination of constitutional judges were gradually turning, at the time of writing, the newly independent Constitutional Court into an assembly of Fidesz-loyal affiliates. In pursuit of its authoritarian statist policies, the Orbán government has interpreted European values in a way inconsistent with (and sometimes unacceptable to) other EU member states and the European Union itself. As a result, the government has had regular confrontations with EU institutions.

In 2012 and 2013, the Hungarian economy fell into recession, a situation that is likely to continue. This new crisis has emerged as a result of the Fidesz-led government's push to meet at least a minimum of its unrealistic promises, such as drastically lowering personal and business taxes. Due to the excessive deficit procedures in the European Union, the government's only goal is to keep the budget deficit below 3%. As the country's new flat tax has created a huge budgetary hole, the

deficit has to be addressed through other sources, such as with special “crisis taxes” on the financial sector or the collection of new indirect taxes and higher VAT.

Two main tendencies in Hungary’s social transformation have become clear during the review period. First, the country’s middle class is fragmenting, if not collapsing altogether. Second, lower-income groups are more quickly descending to poverty levels. Due to the world economic crisis, two basic changes have taken place, with both relative and absolute losers. First, middle-income groups have been weakened and their numbers have shrunk to some 70% of previous levels. This group as a whole has faced growing uncertainty, unemployment and status inconsistency; it has become even more dependent on the state than before. Second, the poor and the lowest levels of society have fallen decidedly into a social exclusion trap, and have become structurally more isolated from other social strata through poverty (most especially vulnerable are the Roma), and far more dependent on the state for their survival.

The government’s management of policy reforms has been characterized by the creation of a number of weak and dependent pseudo-institutions that have replaced existing (and sometimes effective) institutions. Government has become over-centralized instead of maintaining a system of checks and balances, reliant on demagoguery as communication instead of transparent public information and democratic debate, and pursuant of artificial campaigns of consultation instead of following the rules of a participatory democracy. The result is a very low level of government effectiveness, efficiency and efficacy.

Altogether, Fidesz has turned an economic deficit that emerged amid the global crisis into a democratic deficit. The party has completed not only a political takeover but also an economic, social and cultural takeover of Hungary. It has produced pro-Fidesz but artificial interest and civic organizations; also a loyal Hungarian Academy of Arts. Finally, the Fidesz government has staged religious state events and has established a personality cult of Miklós Horthy, the authoritarian governor of Hungary’s interwar period.

History and Characteristics of Transformation

Hungary began its socioeconomic and political transformations of the late 1980s as a trendsetter among East-Central European (ECE) countries, leading the way for some years. Although this initial regional advantage was soon lost, Hungary proved to be successful in Europeanization and democratization, becoming a consolidated democracy with a working market economy in the 2000s. However, all ECE states have gone through a triple crisis: a transition crisis, a post-accession crisis and the global economic crisis. These waves have produced three negatively affected generations. However, there have been great variations in the extent to which the crises affected each ECE country. Hungary seemed to manage its transition crisis well, but was shaken by the post-EU accession crisis. There is no doubt that Hungary has been hit harder by the global crisis than other partner states. This implies retrospectively that there were moments in the

country's transition crisis that created larger issues that were then compounded by the later and multilayered post-accession crisis, which has been further exacerbated by the global crisis. The weakest point of Hungarian transformation has been its high level of economic inactivity, the worst in the EU27 at the time of writing, with an employment rate scarcely above 50%. This anomaly has resulted in a deeply troubled social transformation, splitting Hungarian society into three – winners, relative losers and absolute losers. The far-reaching consequences of this lack of social consolidation are weak social capital and a low level of institutional trust, combined with high political corruption and poor governance.

This social transformation too has drawn in sharp relief the contrast between the calmer period of the 1990s and the turbulent 2000s, the end result being the populace's deep dissatisfaction with the two decades of democracy and market economy. This contrast can be observed in economic, political, social and cultural terms. At the start of Hungary's transition, people held high – perhaps too high – expectations that a democratic system and a market economy would produce Western standards of living. In the 1990s patience among the populace predominated; there were no mass demonstrations or other outbursts of public dissatisfaction. In the 2000s, however, Hungarians lost patience to a great extent, and with the growing social polarization, social unrest also increased. In political terms, at the end of the 1990s there were already signs of early consolidation, with Euro-Atlantic integration (NATO membership in 1999 and the beginnings of EU accession talks). However, in the 2000s, destabilization and deconsolidation had taken hold. A strong populist tone, both socially and nationalistically, became the mainstream message of the opposition party and reached the government level when Fidesz won the April 2010 elections. Between 2002 and 2010, socialist-liberal governments tried, for two government cycles, to cope with the problems that had accumulated, yet eventually failed. Between 2002 and 2006, the governments under Prime Minister Péter Medgyessy and then Prime Minister Ferenc Gyurcsány increased living standards significantly and made great efforts toward improving the social inclusion of marginal groups, but these policies considerably increased state debt. Thus from 2006 to 2010, the Gyurcsány government and subsequent government under Prime Minister Gordon Bajnai were forced to introduce heavy austerity measures. Although the management of the global economic crisis was fairly successful, mass dissatisfaction with the general situation and encouragement by vocal populist movements produced a huge protest vote against the Bajnai government in 2010, as well as against democratization and Europeanization.

By the late 2000s Hungary had entered a new phase of its transitory crisis, facing an uncertain future with ongoing tensions at home and with international partners. Still, the processes of democratization and Europeanization have reached a point of no return in Hungarian history. After this period, a deep crisis in the process of re-democratization and re-Europeanization will return, with full force.

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

Transformation Status

I. Political Transformation

1 | Stateness

There is no meaningful competition with the state's monopoly on the use of force throughout the country. But in recent years, the (New) Hungarian Guard (the paramilitary force of the extreme right political party, Jobbik) has been active in some parts of the country and has provoked violent clashes with the Roma population as well as intimidated the local population. Criticisms of this situation include that both the government and local police forces tolerate this partial usurpation of the use of force for political expediency.

A large majority of population accepts the nation-state as legitimate. Individuals and groups enjoy the right to acquire citizenship without discrimination. Roma and other minorities however have become frequent targets of harassment and hate speech. In November 2012, a right-wing extremist parliamentarian called upon the government to survey how many Jewish people lived in Hungary, and particularly how many held seats in parliament and in government, as these people, the legislator claimed, represented a national security risk for Hungary. The government, though hesitant in responding, later clearly distanced itself from such a position.

The state is still largely defined as secular, but the government has tried to impose some religious – mostly Catholic – influence over public institutions. High-ranking church officials have often made political party announcements, and political parties have often used the church for political purposes. For its loyalty, the church receives more state funding, which enables the further growth of a religiously affiliated education system and other religious institutions. The “Christian course” – the name used by Hungary's interwar period's authoritarian regime to summarize their ideological stance, using religion to consolidate power – has made a significant return. The Catholic Church, and to a lesser extent, other “historical” churches, has played an eminent role in public media and in public events sponsored by the state. Pertinent legislation, especially Act 2011: CCVI of 31 December 2011, grants parliament a certain margin of flexibility in conferring privileged legal status on a

Question
Score

Monopoly on the
use of force
10

State identity
9

No interference of
religious dogmas
9

“church/religious community.” The parliament makes use of this discretion to the detriment of smaller religious groups and sects that are usually not considered a “church.” Thus, equal protection under the law for all religions is violated, to the detriment of sects or groups that belong to “new religions” or similar movements.

The state maintains a differentiated administrative structure which provides all basic public services throughout the country. Hungary’s central and territorial state administration has been completely restructured by the Fidesz-led government, a system that has been associated with widespread patronage, a weakening of local self-government and the replacement of elected representatives by centrally appointed officials. The government abolished local self-governments in settlements with less than 2,000 residents, creating instead larger units of self-government. Furthermore, a newly established lower tier of district-level state administration took over some of the state functions that so far had been conferred to and exercised by local self-governments; local self-governments henceforth exercise mostly self-government functions only. Furthermore, the law redefined some self-government tasks, mainly local education, as state functions; before 2010 – 2011, the law had treated the tasks as original functions of local self-government. These tendencies considerably narrow the scope of local politics. In all counties (19) and in Budapest, “government offices” were established on 1 January 2011, led by Fidesz politicians as “government commissioners.” County-level self-governments had to transfer their assets and important functions to the state administration. On January 1, the smaller units of state administration within counties – administrative districts (198) – were organized in the same way, led by Fidesz politicians. Territorial self-governments with elected officials have been drastically reduced, and the power of selected officials, that is officials appointed by the government, has been extended.

Basic
administration
10

2 | Political Participation

The most important new legislation during the period under review was the electoral law of 23 December 2011 (to be followed in 2013 with the Act on Electoral Procedures). Fidesz wanted to focus on its core voters during the election campaign via personal mobilization and exclude swing voters susceptible to opposition parties. Thus Fidesz introduced several amendments to the electoral law to create favorable conditions for its own interests for the 2014 elections. Fidesz redesigned electoral districts (gerrymandering), restricted election campaigning to public media (which have since been brought under direct government influence) and required voters to register via a complicated procedure two weeks prior to the elections – a measure aimed at preventing last-minute voters from participating. In January 2013, the Constitutional Court ruled that pre-registration was unconstitutional; however, Fidesz possesses a two-thirds majority in parliament and may therefore work to include the registration requirement into the constitution itself, making the measure immune to

Free and fair
elections
9

scrutiny by the Constitutional Court. The court also abolished restrictions on campaign advertising.

Elected rulers have the effective power to govern. Business elites, multinationals, the political representations of Magyar minorities in neighboring countries and the clergy have some influence on government decisions, but no veto power. But legal uncertainty is high due to quickly changing legislation, including retrospective legislation.

Effective power to govern
10

There are no formal restrictions to association or assembly rights. Activities of NGOs however have been seriously curtailed, either by the personal takeover of the leadership of formally independent associations or by the withdrawal of financial support. Act 2011: CLXXV on the right of association is the legal basis for inequalities in state sponsoring, which allows that pro-government associations receive more funds than do associations that are critical of the government. This, combined with the traditional weakness in social self-organization in Hungary, leads to a situation that the government can and has created its own “civil sphere.” Nonetheless, opposition parties and organizations have been able to hold regular protest demonstrations against the government.

Association / assembly rights
9

The new constitution has severely curtailed the possibility of direct democracy by creating a high double threshold; the former constitution was more accommodating of the possibility of referendums.

Public media have been consolidated under one holding company, and are supervised by a media council that is exclusively composed of persons affiliated with the ruling Fidesz party. Control over media reports and content and the distribution of broadcast frequencies, formerly in the hands of two separate authorities to prevent any abuse of power, are now united under one strong media supervision authority. The media law of December 2010 originally outlined serious restrictions for print and electronic media, restrictions that were criticized inter alia by the European Union, the Organization for Security and Cooperation in Europe and the Council of Europe. The European Commission was mainly concerned over the “disproportionate application” of rules on balanced reporting, as well as over the fines that could be levied against foreign media outlets, the rules on media registration and the stipulation that media content may not cause offense to minorities or majorities. Reacting to the international outcry, parliament modified the law in March 2011. Some of the more questionable parts of the 2010 media law were quashed by the Constitutional Court, but this ruling didn’t much influence government practices. Protests over the media law have continued throughout the review period, both in Hungary and abroad, as the comprehensively anti-democratic character of the new law has not essentially changed, even with amendments. Although the courts have ruled several times that Klubrádió, the only remaining opposition radio station, should have been given an official public radio license, the media council has resisted and refused granting the

Freedom of expression
7

license on curious pretexts, thus illustrating the danger of uniting content control and market access control under one authority. The Hungarian press, however, continues to report freely and due to its pluralist property structure, is much less influenced by the government. It is to be seen, however, whether potential fines anticipated by the media law could lead to “self-censorship” among media enterprises and staff.

3 | Rule of Law

In April 2011, the deputies of the governing Fidesz/Christian Democratic People’s Party (KDNP) coalition adopted a new constitution (called the “Fundamental Law”) that was envisaged to embody the completion of a regime change that was proclaimed by the government. The constitution contains over 50 references to cardinal (organic) laws that require a two-thirds majority in parliament to regulate a number of issues and sectors, such as family policy, the designation of ministries and other public administration organs, public service provisions and the pension system. While the number and scope of these laws tend to restrict the autonomy of future parliamentary majorities, they also leave other issues insufficiently specified in the constitution. According to an opinion issued in June 2011 by the Venice Commission at the Council of Europe, “the more policy issues are transferred beyond the powers of simple majority, the less significance will future elections have and the more possibilities does a two-third majority have of cementing its political preferences and the country’s legal order.” By mid-2012, the governing majority had passed 32 cardinal laws. The fine-tuning of parliamentary work through partly replacing former standing orders took place by the act on parliament on 16 April 2012. This act was meant to “discipline” parliament, since special powers were given to the parliamentary speaker. The new parliamentary guard was organized to discipline members or remove them from the legislative chambers if needed. The new constitution was immediately amended, by putting transitory provisions into the text (18 June 2012); by legislating over electoral pre-registration as part of the new constitution (9 November 2012); and by legislating on landed property (to fix present rules by the two-thirds majority) on 21 December 2012.

The government has replaced the leadership of a number of supervisory, whistleblower and watchdog institutions – such as the State Audit Office, the Public Prosecutor’s Office, the Monetary Council (which supervises the Hungarian National Bank as well as the National Bank) and other bodies – with its own supporters. In the same spirit of power concentration, on 1 January 2012 the office of the ombudsperson was reorganized; instead of the former four-person organization, only one person was kept and named the parliamentary commissioner for basic rights. Prior to this, independent specialized ombudspersons were made specialized deputies of this parliamentary commissioner. This move, however, backfired, as Máté Szabó, the remaining ombudsperson, has been active in protecting his independent role as a

Separation of
powers

6

guardian of human rights. By following closely government activities, Szabó has turned regularly to the Constitutional Court for support against acts of parliament, government decisions and rulings. His activities can be seen as a remaining vestige of a system of governmental checks and balances; yet his appointment will end in 2013.

Under the Fidesz-led government, with its two-thirds majority in parliament, the constitutional system of checks and balances (both under the old and the new constitution) is more or less inoperable, as it presupposes an opposition presence of at least one-third in the legislature. Therefore, the constitutional separation of powers remains dysfunctional as long as the two-third majority lasts, and the opposition remains as fragmented and paralyzed as it has been since 2010. Furthermore, the Fidesz government has a strong will to power and makes use of all the benefits a two-thirds majority provides, showing little consideration for the separation of powers or the rule of law.

In March 2012, 194 judges, aged 62, were suddenly dismissed. Although the usual retirement age for judges is 70, this group was forced into early retirement, to be replaced in part with party cronies of the Orbán government and in part with younger lawyers. A law enacted especially for this purpose permits the speedy nomination of new judges, dispensing with certain formalities that would be observed amid a “normal” nomination process. The Constitutional Court partly objected to this move, arguing that forced retirement at such short notice violated, *inter alia*, judicial independence. However, the Constitutional Court did not provide any remedy for judges who had already been retired. The judges who were part of the early retirement group also appealed to the European Court of Human Rights in Strasbourg. The European Commission launched infringement proceedings against Hungary, arguing that the early retirement constituted an unjustified discrimination on grounds of age. In September 2012, the European Court of Justice ruled that the early retirement violated EU law, yet carefully avoided any allusion to judicial independence. Although this ruling forced the government to retreat, the issue had not yet been completely remedied by January 2013.

Independent
judiciary

7

The Constitutional Court has still maintained a balancing role, for example by warning the government in July 2011 about the conflict between international law and the new constitution. The court’s composition was also changed drastically. In 2010, Fidesz changed the rules over the nomination of Constitutional Court candidates, with the result that the prior nomination process (the compulsory inclusion of opposition voices, irrespective of their representation in parliament) was replaced by a simple two-thirds rule, thus giving Fidesz a free hand in nominations. As a consequence, those judges who completed their terms were replaced by Fidesz loyalists, and by augmenting the number of constitutional justices from 11 to 15, more vacancies for Fidesz supporters were created. Most of the Fidesz nominees are not experts in constitutional law; those Fidesz loyalists nominated to the four extra court

positions have shown in their frequent dissenting opinions a clear affiliation toward Fidesz party interests. Before 2010, court appointments had been a consensual process, with both large political parties promoting their own candidates. But after 2010, Fidesz dominated the process and has not consulted opposition voices or attempted to create consensus. With an eye to the imminent retirement of two additional judges, the Fidesz-controlled parliament elected a Fidesz/KDNP parliamentary member of long standing (László Salamon, in parliament since 1990) and another judge also affiliated with Fidesz, creating a clear Fidesz majority in the Constitutional Court.

Judges involved in the sentencing of individuals who took part in extremist-right street riots in 2006 were called before parliamentary committees to explain their sentencing. The former President of the Supreme Court (LB), András Baka, called this action a violation of the independence of the judiciary. The government's response was to annul most of the sentences handed down for violating public order from October 2006 through the passing of a special law.

The 2011 constitution removed mention of the National Council of Justice, a judicial institution of self-administration. Consequently, the government dissolved this body in 2011. Since its creation in 1997, the National Council of Justice was an object of strong debate within and outside the judiciary. Many judges were dissatisfied with what they saw as a low professional level of work and rampant cronyism (especially with view to promotions, but also to the distribution of funds among individual courts) among some groups that dominated the council. Many judges and legal experts had called for the council's abolition and suggested to confer the administration of courts and the judiciary back to the Ministry of Justice which, before 1997, had proved to be a professionally efficient and politically neutral administrator. None of the critics of the National Council of Justice, however, called for a politicized body, as was created by Fidesz in 2011. Based on a law on the organization and administration of the courts adopted in November 2011, the professional and administrative management of the court system of Hungary has been separated into the National Judicial Office (Országos Bírósági Hivatal, NJO) and the Kúria (the re-named Supreme Court). As of 1 January 2012, court administration has been assigned to the president of the National Judicial Office, while the president the Kúria has been invested with the task to coordinate the court's professional activities. NJO President Tünde Handó belongs among the top Fidesz leaders, as the wife of the author of the new constitution, József Szájer. The power of the NJO to move a pending court case from one court to another, as enshrined in the transitional provisions to the new constitution, was quashed by the Constitutional Court on formal grounds; Fidesz may consider including this power in the constitution proper, thus putting it beyond the scrutiny of the Constitutional Court. The NJO operates supposedly under the control of the National Council of Judges, consisting of 15 judges, but it is not an effective control. The Kúria, the highest court in Hungary,

continues its role as the main guardian of the uniform application of laws, a role given to it as part of a comprehensive court reform in 1997 and a modernized version of what the Supreme Court was supposed to do before 1949. As of 1 January 2012, parliament elected Péter Darák president of the Kúria. Both institutions – or more specifically, the presidents of the NJO and Kúria, personally – have made a series of politically biased decisions, ordering and influencing court business against the representatives of former governments, in what some observers have perceived to be akin to a show trial. The trials have been widely discussed in the opposition press as well as by international media. Yet re-opening old cases and bringing new ones against former government officials has legal basis in the new constitutional order and in some laws, many of which were created by the Fidesz-controlled parliament for exactly this purpose.

Various abuses of public office has resulted partly from the pressures of maintaining the party budget, and partly from private efforts by individuals to convert political positions into economic gains. According to a report by Transparency International, Hungary's politics has been captured by "powerful interest groups." Some 65% to 75% of public tenders are believed to come about through corrupt transactions. The Fidesz-led government has used cases of corruption that occurred during the previous socialist-liberal administration to discredit leading politicians of that era – irrespective whether they were involved in the actual corruption cases or not. The Fidesz-led government has appointed a government commissioner responsible for the "accountancy of former politicians." The commissioner has since accused Ferenc Gyurcsány, Hungary's ex-prime minister, of being involved in the misuse of public funds and state property.

Aside from politics there is widespread common corruption, such as in the health care system, the origins of which date back to the communist era. It is insofar detrimental to the general social fabric as it forces many citizens into engage in corrupt behavior (perhaps at a very small level, but still significant) and contributes to the pervasiveness of small- and eventually large-scale corruption in public administration – providing perpetrators with the simple argument that, "everybody is doing it," and thus continuing the cycle.

The government established a Data Protection Office (Adatvédelmi Hivatal) within state administration to replace the office of the previous, independent Data Protection Commissioner as of 1 January 2012. The European Commission criticized this legislation inter alia as it prematurely terminated the regular six-year term of the Data Protection Commissioner, who was appointed in 2008. Although the European Commission initiated infringement proceedings against Hungary before the European Court of Justice, the government refused to restore the independent status of the Data Protection Commissioner.

Prosecution of
office abuse

8

Civil rights

8

The Civil Guard Association for a Better Future is a group of self-appointed and uniformed individuals who organize allegedly to “restore order.” The general practice of this group is to march through settlements with a high population of Roma. The guard “occupied” the Gyöngyöspata settlement for a few days in 2011 and during this time humiliated and terrorized the Roma population. In a January 2013 article for the right-wing daily Magyar Hírlap, Zsolt Bayer, a founding member of Fidesz, claimed that many Roma were “unsuitable for coexistence, unsuitable for living among people,” and behave like “animals.” Bayer as well as other Fidesz leaders and activists have made similar racist statements in an attempt to attract extremist voters from the far-right party Jobbik to Fidesz.

In September 2010, the government established an “anti-terror” police unit (TEK) made up of about 800 individuals and given de facto considerable power. Its head is the former personal bodyguard of Prime Minister Viktor Orbán. TEK primarily provides protection for leading government officials, yet the unit is supposed to participate in international cooperative efforts against terrorism.

The 2011 constitution creates some new basic rights in Hungary (such as the right to good administration, as copied from European constitutional examples), articulates other provisions (especially so-called social rights) more precisely and, most importantly, considerably improves the protection of human rights by introducing the right to constitutional complaint against court judgments. Under the old constitution, a constitutional complaint could be lodged not against an individual decision but only against the underlying law. The Constitutional Court has now started to shape the scope of this new jurisdiction which may strongly boost the legal protections of individual constitutional rights.

4 | Stability of Democratic Institutions

In 2011, some 225 pieces of legislation (72 new laws and 153 amendments) were passed; for instance, the civil service act was amended a dozen times. This legislative fever reached its height in December 2011, when dozens of pieces of legislation were passed; first and foremost, an act over the stripping from local self-governments a number of state functions. Given the dysfunctional state of many local governments as well as the limited services they provided, the transfer of functions from local bodies to (newly created) state authorities was in itself not wholly negative, although the comprehensive reform of local government may have been a better solution.

In 2012 the hectic legislative pace continued, with 213 pieces of legislation passed (107 new laws and 106 amendments), with much back and forth, as many amendments addressed prior Fidesz acts that had already been subject to amendment. These poorly and hastily prepared draft bills produced legislation of dubitable quality, with many controversial acts requiring amendments upon amendments to alter them

Performance of
democratic
institutions

7

as questions were raised, not to mention as the ruling party's political strategy changed. Laws and other legal regulations were also often used as instruments of power for direct and short-term political purposes in order to "solve" a certain problem. What's more, several legislative acts were incredibly narrow in scope; for example, one law was passed for a single individual to circumvent general rules (allowing the appointment of György Szapáry as Hungarian Ambassador to the United States, as he was older than the compulsory retirement age for diplomats at the time of the appointment).

During the review period, the legislative process was often manipulated in such that government bills were introduced to parliament as private member bills. Due to standing orders, debates on private member bills do not require, *inter alia*, consultation with experts and interest groups. This trick allowed the government to speed up the legislative process and push poorly formulated bills and sometimes those with arbitrary content through parliamentary procedures without political debate or general public awareness.

On 2 April 2012, Hungarian President Pál Schmitt, a Fidesz nominee who openly declared that he did not consider that the control and scrutiny of government and parliament was the job of the head of state, resigned following the revelation that his doctoral thesis was plagiarized. Subsequently, the constitution and other pertinent legislation were amended to give Schmitt access to his considerable pension (as head of state) although he had yet to "earn" it by the time of his resignation, due to the shortness of his term. Deputy Prime Minister Zsolt Semjén in November 2012 was also charged with plagiarism, but by January 2013 he had still refused to resign his post. The president at the time of writing, János Áder, comes from the top ranks of Fidesz leaders. Áder was elected president on 2 May 2012 and took office 10 May 2012. He has taken a more active role in scrutinizing legislation and has, for example, submitted a law on electoral procedures to the Constitutional Court for approval. However, Áder has not questioned the general strategic goals of his fellow party leaders.

The majority of Hungarian political parties are committed to democratic institutions, or at least pay lip service to the ideals of democratic institutions.

The right-wing extremist party Jobbik, which holds 12% of seats in parliament, promotes a vision of an ethnic Hungarian nation-state, encouraging the self-determination of ethnic Hungarian minorities in neighboring countries. The party has revived historical symbols once used by Hungarian fascist groups, and has repeatedly instigated anti-Roma and anti-Semitic conflict. Jobbik was allied with a paramilitary organization called the Hungarian Guard, which was banned in 2009 but has since been reorganized under various a different names. The Fidesz party has tolerated, accommodated and sometimes even cooperated with Jobbik.

Commitment to
democratic
institutions

8

5 | Political and Social Integration

Hungary's party system has been characterized by a bipolar confrontation between two main parties, the left-wing Hungarian Socialist party (MSZP) and the right-wing Association of Young Democrats (Fidesz). In the 2010 elections, two new parties, the right-wing extremist Movement for a Better Hungary (Jobbik) and the eco-social party Politics Can Be Different (LMP) entered parliament. Since support for the above parties has radically changed since the April 2010 elections and the future of all four parties is uncertain, electoral volatility may still be considered very high. In early 2013, an overwhelming majority of citizens (50% to 60%) was not ready to support any political party. Fidesz thus kept its position of claiming the "majority within the minority," that is, the party still claims a major share of voters within that minority committed to a certain political party. The MSZP had gained support and follows Fidesz closely in opinion surveys, although a group of MSZP politicians led by former Prime Minister Ferenc Gyurcsány left the party to organize the Democratic Coalition (DK), a center-left party (supported by 2% to 4% of the surveyed electorate). Jobbik lost some support and is suffering infighting between its radical and realist wings. The LMP (supported by 5% to 8% of the surveyed electorate) developed an even deeper split, between a group that refuses to form a coalition with the MSZP and a group willing to form a coalition in order to oust the anti-democratic, Fidesz-led government. On 23 October 2012, three social movements and "pre-parties" declared the establishment of an electoral alliance, called Together 2014 (Együtt 2014, E14), a group which includes Patriotism and Progress (Haza és Haladás), the Hungarian Solidarity Movement (Magyar Szolidaritási Mozgalom) and Milla, or One Million People for Hungarian Media Freedom (Egymillióan a Magyar Sajtószabadságért). In January 2013 MSZP, DK and E14 began negotiations to form an electoral alliance, including some smaller groups, but the LMP and the Movement for a Fourth Republic (Negyedik Köztársaságot! or 4K!) did not join this alliance.

Ideological aspects seem to be a secondary consideration in the parties' primary fight for power. The extreme right-wing party Jobbik appears to be the only party committed to a comprehensive ideology.

The Fidesz-led government adopts and implements its policies irrespective of approval by Hungary's tripartite body of interest reconciliation. The original council was dissolved and a consultative body was instead created. The 2011 constitution obliges the interest representations of employers and employees (trade unions) to support the economic policies of the current government. Such a clause was not included in the former constitution, but the sentiment of the group was in practice not dissimilar; the relative weakness of trade unions and employers' unions created an opportunity for the government to dominate both groups.

Party system

7

Interest groups

7

The government has excluded interest groups from consulting on draft legislation by regularly submitting private member bills through legislators from the governing party.

Students have formed a network of grassroots organizations to protest the government's education reforms and a series of radical cuts to university budgets.

While societal approval of democratic norms and procedures used to be high, years of political polarization have deeply divided Hungarian society with regard to attitudes and beliefs about the legitimacy of the constitution and of key democratic institutions. In a survey conducted by the Pew Foundation in November 2009, support for democratic principles in Hungary was higher than in the Czech Republic and Poland (66% versus 52%) but disappointment with the market economy or capitalism was also highest (a 34% decrease in Hungary versus a 9% decrease in the Czech Republic and Poland, as compared to 1991). More than three-quarters of Hungarians (77%) were dissatisfied with the way democracy was working in their country. In 2012, about 80% of Hungarians considered that "things were going into the wrong direction."

Approval of
democracy

7

There is a very low level of trust in institutions, among the lowest in East-Central European (ECE) countries. In 2012, Eurobarometer surveys found that only 21% of the population trusted the national parliament or the government.

Hungarians appear to be disappointed not only with a market economy but also with democracy as a value. One reason certainly is the exaggerated expectations that many people had vis-à-vis a market economy and democracy in the early 1990s; people were bound to be disappointed by the reality of transformation. The behavior of the political élite has given rise to a cynicism that affects the appreciation of democracy as a principle. Whereas some citizens may criticize democracy as such, this should not be understood as expressing a preference for totalitarianism. There does, however, seem to be a longing for a "strong state" led by a "strong man" to solve people's problems for them. The rule of law, as opposed to democracy and a market economy, is still widely accepted as a positive.

The social pattern of long working hours, even on weekends, to maintain a decent standard of living has severely damaged the extent and depth of Hungarian society's political engagement. The constant struggle to provide consumer goods or to support a family in general makes political participation impossible for most citizens.

Social capital

6

In general, Hungarian civil society is weak and has always been since the end of communism. According to a representative opinion survey from Gallup, only 13% of respondents believe that people are trustworthy. The larger political parties have tended to create associations to represent interests that are affiliated with the party's interests – yet these structures are not as stable as in the Dutch pillarization system,

for example. Apart from these semi-official associations, grassroots civil society is weak.

The government under Prime Minister Viktor Orbán promoted the Hungarian Academy of Arts (Magyar Művészeti Akadémia, MMA) as the country's official organ of cultural and artistic life. The MMA was organized to support the party's national-conservative ideology in the arts and culture. On 21 November 2012, the MMA as a public institution was granted for its headquarters valuable and historical buildings in the capital, Budapest. Many eminent and internationally renowned artists and cultural organizations have protested against the organization's domination over public Hungarian cultural life.

The Fidesz-led government decided that it was within the parliament's sphere to grant religious organizations church status; originally there were about 300 applicants. In 2011 only 14 organizations were granted church status, although, due to an international uproar, according to new legislation in 2012 a further 18 organizations received church status while 66 organizations were again refused.

The omnipresent government ideology and practice of dividing society in "we/friends" and "others/enemies" (a differentiation which may target ethnicity, religion or political affiliation), leaving no room for a "neutral status," has pervaded Hungarian society down to the family and personal level. The constant over-politicization (which is now much stronger than it was under communism in the 1960s) of all spheres of life has destroyed a considerable amount of social trust in Hungarian society.

II. Economic Transformation

6 | Level of Socioeconomic Development

In 2011, Hungary's Human Development Index score was 0.816, placing the country higher than Poland but lower than the Czech Republic or Slovakia. In 2010 the country's Gini coefficient was 27.2, better than the OECD average (31.0) but since 2010 the situation has worsened, due to the government's polarizing social policies. The Social Watch Gender Equity Index (with a score of 100 representing the best) ranked Hungary with 98 in education, 82 in economic activity, both very good scores; yet with a 40 in empowerment the country's overall score is 73. Hungary's Gender Inequality Index score was 0.382 in 2011 (rank 36 of 146 countries globally).

Question
Score

Socioeconomic
barriers
8

In 2012, some 36,000 jobs were lost and 30% of citizens 25 years old or younger were unemployed. Employment in general has still grown slightly (by about 20,000 positions) but these are exclusively from “public work” or employment abroad.

In 2011, according to Eurostat figures, 13.8% of the population had disposable incomes that were under 60% of the national median equivalized disposable income, or the at-risk-of poverty rate as defined by the European Union. The average household income in 2011 was 61% of the EU27 average, whereas in Poland, the average household income was 69% of the EU27 average. The rate of impoverishment in Hungary has increased; lower-income citizens lost about 15% of their income in 2012, while social benefits for the poorest strata and the long-term unemployed were seriously cut back. In December 2013 the Central Statistical Office published a Social Atlas of Hungary, in which the country was shown split in two regions, between west and east, according to both economic and social development. This division has radically deepened as a result of the global economic crisis (for example, in 2011 the employment rate in northeastern Hungary is 48.7%, while in the western Transdanubian region it is 60.2%). This gap between east and west is visible in most social data, including in health, life expectancy and so on.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	126631.7	127956.8	138696.9	125507.5
GDP growth	%	-6.8	1.3	1.6	-1.7
Inflation (CPI)	%	4.2	4.9	4.0	5.7
Unemployment	%	10.0	11.2	10.9	-
Foreign direct investment	% of GDP	-2.3	-16.1	8.2	6.8
Export growth	%	-10.2	14.2	6.3	2.0
Import growth	%	-14.8	12.7	5.0	0.1
Current account balance	\$ M	-193.4	1401.7	1210.9	2087.3
Public debt	% of GDP	79.8	81.8	81.4	79.0
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-

Economic indicators		2009	2010	2011	2012
Cash surplus or deficit	% of GDP	-4.1	-3.6	3.6	-
Tax revenue	% of GDP	23.9	23.1	21.2	-
Government consumption	% of GDP	22.7	21.9	20.8	20.3
Public expnd. on edu.	% of GDP	5.1	4.9	-	-
Public expnd. on health	% of GDP	5.1	5.0	5.0	-
R&D expenditure	% of GDP	1.17	1.16	-	-
Military expenditure	% of GDP	1.2	1.1	1.0	0.8

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Market competition is guided by state-guaranteed rules, but the informal economic sector in Hungary is large, estimated at 25% of GDP. Domestic entrepreneurs have advocated state intervention to constrain foreign competitors. Government favoritism has increased for some Fidesz-associated firms in public procurement. In 2012, opposition voices attacked the advent of Fidesz “oligarchs” in parliament, based on the example of construction company Közgép, one of the country’s biggest pro-government firms, which has received a large portion of public procurement tenders. The government has supported many domestic business leaders in business deals and through public procurement tenders, and in return, the companies have publicly supported the government’s policies. For example, Gábor Széles, a Hungarian “oligarch” who made his fortune in the electronic and telecommunications industries, finances a pro-government newspaper (Magyar Hírlap) and a TV station (Echo TV). Government favoritism has been increasing in public procurement for some Fidesz-associated firms.

Interestingly this situation can be seen as a model of enforced modernization by the state from above, as was the case in South Korea and Taiwan in the 1980s and 1990s. Fidesz has also pursued a policy of “first market economy, later democracy,” but has since demonstrated its belief that democracy amid a crisis can be reduced or even suspended. From a practical perspective, the Fidesz vision is a low-wage “working” society model; accordingly, the Orbán government has drastically diminished education expenditures at all levels, decreasing at the same time the number of students at middle and higher educational levels while increasing the number of students in special schools dedicated to industrial or manual work.

Market-based
competition
9

Several laws designed to help indebted homeowners seriously amended existing loan contracts between homeowners and banks. Many homeowners had signed loan contracts denominated in foreign currencies, as interest rates were at the time lower for loans denominated in Swiss francs or euros. With the deepening of the international economic crisis and the collapse of Hungary's overheated real estate market, the Hungarian forint lost its value while interest rates (calculated in foreign currency but payable in forints) grew enormously. To alleviate this situation, several laws put forth non-market exchange rates as a basis for calculation of the interest payable under existing and future housing contracts; other laws suspended (practically ad infinitum) the banks' ability to enforce existing contracts in case of non-payment if the debtor actually lived in the home or piece of real estate under consideration – thus undermining the banks' legitimate right to use the mortgages that secured their loans. In the accompanying propaganda to the legislation, the government styled itself as a "protector of Hungarian families against foreign capitalists," giving the whole situation a strongly nationalist, anti-European, anti-market and, under the surface, anti-Semitic tone.

In 2011, a government decree created the "Economic Planning Authority." This act made the Fidesz-led government the first since the end of socialism to re-establish economic planning as a separate authority (which is, according to the number of employees as outlined in the annual budget, one of the larger central authorities). So far, the powers of the authority are moderate, but may be broadened easily if more authoritative government oversight of the economy is desired.

Comprehensive competition laws try to prevent monopolistic structures; the Hungarian Competition Authority (GVH) has acted accordingly. The government has waged a campaign against foreign multinationals and banks and has levied substantial taxes against them. While the government does support large Hungarian-based firms, some multinationals have also enjoyed privileges. The government has concluded "strategic agreements" with numerous multinationals, including Coca Cola as well as some larger car manufacturers.

Anti-monopoly
policy
10

Foreign trade is liberalized within the European Union as well as with third countries. The limitations and restrictions that do exist, mostly over "dangerous goods" such as weapons or dual-use products, are in line with EU law.

Liberalization of
foreign trade
10

The new Criminal Code of 2012 penalizes unlawful behavior in international commercial relationships more extensively than did the previous law.

Hungary's banking system was affected by the global financial crisis, but later suffered even more through government policies. The Fidesz-led government has imposed a tax on banks to help cover the costs of Hungary's economic and financial crisis. Banks have responded by restricting their credit supply, which has contributed to a significant decrease in private investment.

Banking system
9

8 | Currency and Price Stability

Hungary's national currency during the review period has been very volatile, and price stability has been compromised due to government policies. The exchange rate of the forint to the euro has swung from HUF 265 to HUF 320 for €1. This wide swing, from 15% to 20%, has also been characteristic of the country's credit-default swap levels. The unpredictability and volatility of the forint has contributed a great deal to the vulnerability of the Hungarian economy. Inflation in 2012 was high, at 5.7% the highest level in the EU27. High currency volatility has also caused volatility in Hungary's foreign debt levels, as about half of the country's debt is denominated in forints. Therefore, the sporadic freefall of the forint has rapidly affected the size of euro-denominated Hungarian debt.

The largely independent National Bank has managed its position well. The government however wanted to merge the National Bank with the country's other main financial organization, the State Supervision of Financial Institutions (PSZÁF) to remove the National Bank's governor and appoint a new head of the merged institution. Since the European Commission launched infringement proceedings against Hungary for violating the independence of the National Bank, the government refrained from its plans. However, the government has still curtailed the independence of the National Bank – as well as the governor's salary – and appointed loyal government people to the bank's Monetary Council.

The government's fiscal and debt policies are both inconsistent and insufficient in securing macroeconomic stability. The expert-based and independent Fiscal Council, established to control the budget and investigate the impact of changes to the budget, was abolished in its original form. The weakened Fiscal Council at the time of writing, however, has also been critical about the government's improvisatory economic policies and has indicated problems with long-term macrostability. In January 2012, the European Union found Hungary's actions in addressing its excessive government deficit insufficient, and following this, part of its commitment from the EU Cohesion Fund was suspended. However, in May 2012, the European Commission reversed its decision as Hungary appeared to be able to contain its public deficit below the threshold of 3% of GDP for the following year. In October 2012, the government announced a new package of tax increases, including inter alia a postponed reduction of the bank levy and an increased tax on financial transactions. As a consequence, the president of the Banking Association resigned in protest. The government has avoided direct austerity measures and has instead enacted drastic financial measures, through so-called crisis taxes for banks and large multinational firms. Instead of raising individual taxes directly, a high VAT (27%) instead has been introduced, in addition to dozens of other smaller taxes, duties or compulsory indirect taxes, to increase state revenue. All in all, the government has not pursued long-term

Anti-inflation /
forex policy

8

Macrostability

6

structural budget reforms but has acted piecemeal on a case-by-case basis. Both the European Union and the IMF have demanded from Hungary a sustainable and reliable macroeconomic trajectory, rejecting the government's short-sighted actions at decreasing the deficit within a given year. Negotiations with the IMF have been suspended several times, leading to a significant increase in the financing costs of Hungary's state debt.

9 | Private Property

Property rights are usually well-protected. By "renationalizing" private pension funds in 2010, the government used private savings to reduce the budget deficit and public debt. In the period under review, the government leased state-owned arable land to private individuals. While the relevant laws envisaged the transfer of such land to local farmers to ensure the land's optimal utilization, it was revealed that large swaths of land were distributed by the National Land Fund to Fidesz party supporters, who were on the whole not local residents and not engaged in farming. The state secretary who oversees this process resigned to protest the government's policy, and several demonstrations took place.

In 2011, state property was awarded new legal status, which is to a certain extent different from private property. This change is to reflect the special functions of property owned and utilized by the state. The law also solidified regulations over the direct government disposal of state property.

Private companies are viewed as the primary engines of economic production, although the Fidesz-led government has tried to remove some private companies from offering public services, promoting public companies instead.

10 | Welfare Regime

The country's social safety net does not cover all risks for all population groups. In recent years the gap between society at large and economically marginal groups has become more marked, and the reintegration of these groups into the mainstream more difficult, since the trap of social exclusion has been deepened by the global economic crisis. The most significant trigger that contributed to the further economic marginalization of individuals, in some cases resulting in bankruptcy, has been the plight of the hundreds of thousands of debtors holding foreign currency loans (mainly denominated in euros or Swiss francs). With the decline of normal salaries and the erratic rise and fall of the forint against these currencies, loan payments have increased drastically and most debtors have not been able to meet their commitments regularly. The largest group affected was those who held apartment mortgages. In 2012, real wages decreased by 3.5% on average in Hungary.

Property rights
9

Private enterprise
10

Social safety nets
8

The basic social message of the Fidesz party during the 2010 elections was that the party would fight for the upward mobility of Hungarian society, by representing the common interests of the middle and lower-income classes. While this message is essentially a model of a middle class “open from below,” actually the opposite has become true in Hungary, as a large part of the middle class has “fallen” into lower-income strata. This process has been partly generated by the effects of the global economic crisis, but even more so by the conscious economic and social policies of the government, first of all through the introduction of a flat tax that benefits high-income earners. With the flat tax, the government reduced the tax burden for high-income groups, while lower-income groups have suffered from the elimination of tax deductions. Moreover, family allowances which were directly paid have been unchanged and not adjusted for inflation. High-income earners can deduct state child support, while lower-income earners’ tax burden now is lower so that such a deduction isn’t allowed.

There have been two main tendencies in Hungary’s social transformation during the review period: the fragmentation and collapse of the middle class and the acceleration into poverty for lower-income earners. Hungary’s middle class is weaker, suffering economic uncertainty with growing unemployment and status inconsistency, and has shrunk to 70% its former size during the review period. The country’s poorest groups have fallen even further into the trap of social exclusion and have become structurally more isolated from the rest of society (first and foremost, the Roma) and even more state-dependent for their survival. The Orbán government has made a pact with Flórián Farkas, head of the National Roma Council, president of the Lungo Drom and Fidesz loyalist, to introduce a series of measures to improve the Roma situation, yet none have been implemented; as a result the Roma situation has deteriorated further. The Ministry of Human Resources has shown an incredible lack of sympathy for the poor, the sick and the homeless (the Misdemeanor Act of 2012 made homelessness a punishable misdemeanor, but this clause was quashed by the Constitutional Court). With the exception of Slovenia, Hungary has spent more than any new EU member state on social welfare, which has resulted in lower poverty rates. Yet Hungary has not been successful in investing in social integration efforts (such as using state resources to get unemployed people back to work, through training programs or solutions for the long-term unemployed). A new labor code was adopted in 2012 that weakened employee protections; for example, employers now face easier conditions in firing workers.

In principle all citizens have equal access to higher education and public office; women too enjoy equal opportunity, although they do not receive equal pay. Those citizens living in poverty or Roma citizens, however, have insufficient means, both cultural and economic, to access higher education, public office or fight for equal pay. Women are fundamentally underrepresented in Fidesz in particular, and in the Hungarian parliament in general. Most Roma live in conditions of deep poverty. The

Equal opportunity

8

government has not elaborated a complex reintegration program for Roma, but has introduced severe measures to maintain public law and order.

11 | Economic Performance

Hungary's real GDP grew by 1.6% in 2011, but fell by approximately 1.5% to 1.7% in 2012. Economic growth for 2013 has been estimated at zero, signaling that Hungary is in recession. The actual level of unemployment has remained high at around 11%. During the review period a new public works program was introduced, where unemployed persons would be hired to perform unskilled labor under questionable conditions and supervised by retired policemen, for modest remuneration.

Output strength
7

12 | Sustainability

While environmental regulations are in place, their enforcement is deficient. According to World Economic Forum data, Hungary occupies the 25th rank among European Union countries over environmental protections, whereas in the Happy Planet Index, Hungary is ranked 99 out of 151 countries as to its environmental footprint.

Environmental
policy
8

The new constitution stresses "sustainability" on many levels, including in environment issues. A deputy ombudsperson is responsible for the interests of future generations and is supposed to advocate "green" issues. On the other hand, recent legal changes have made it easier for the government to set aside rules geared to protect natural as well as cultural treasures once an economic project, usually of a large scope, has been deemed as one of "increased importance."

In public debate, "green" arguments have never greatly captured the public's attention, and since the deterioration of economic conditions in general in Hungary, they are even less heard.

Hungary's school system has increasingly deepened the country's social cleavages during the review period due to continuous cuts in the education budget; higher education has suffered regular deep cuts. The country's budget for education is around 0.5% of GDP, while the EU average is above 1%. In December 2012, the government declared its intention to cut again radically tertiary education spending inter alia by reducing the number of state-funded study grants from 30,000 to 10,000. This government policy hits social sciences, humanities, law and the arts especially hard, whereas engineering and technology-relevant subjects were spared. The cuts triggered a wave of student protests that as a result caused the government to revise its plans. The government has totally reorganized education at all levels (primary, secondary and tertiary) by passing legislation on public education, in which self-

Education policy /
R&D
8

governments were deprived of their functions in primary and secondary education, and the autonomy of universities was reduced. From 1 January 2013, all Hungarian teachers were officially employed by a government agency, a move that provoked increasing concern and resistance by teachers as well as parents. Altogether, the Hungarian schooling system and the general level of education has declined greatly. The research and technology sector is fairly advanced but chronically underfinanced; spending has hovered around 1% of GDP in the 2010s.

Transformation Management

I. Level of Difficulty

Structural constraints have been felt more drastically as the global economic crisis turned in Hungary also into a social crisis. The government has tried to use this crisis, if not abuse it, to pursue its non-democratic political goals and cement its political power for the long-term. Much of the difficulties society faces has been created by the government itself, in its efforts to consolidate its semi-authoritarian rule. Thus, the structural constraints on governance are low in comparison with other transitioning or developing countries, as Hungary has initially been able to rely on a relatively homogeneous society, a high level of general education, a skilled labor force, a relatively developed infrastructure and a territory that has not been contested internally or externally. However, social, cultural and political polarization has grown in recent years. While the country is aging and the state of public health has deteriorated, Hungary's geographical location has become more advantageous with the potential for EU enlargement in the Balkans and the western Balkan pre-accession process. Infrastructure deficiencies have decreased, with highway construction and with the north-south development of gas and oil pipelines (and with the new gas and oil reservoirs). In this respect, the effects of the global economic crisis have only been transitory constraints.

Structural
constraints

1

The reorganization of Hungarian civil society took place in the wake of regime change in 1989 and 1990. The quantitative extension and qualitative development of civil society according to the Western model has been one of the main tendencies of social transformation in Hungary. However, there has also been an opposite tendency toward decline and fragmentation. Hungarian civil society is well-organized with many actors, but it is socially and territorially asymmetrical, and over-politicized. Many associations and organizations that appear to belong to civil society are, at closer inspection, far from grassroots activities but are much rather organizations originating from power circles, state authorities or similar agents. True grassroots activities are not very frequent and often asymmetrical. In addition, the government has declared that in order to increase efficiency it will recentralize basic services in education and health care from self-governing groups to higher units of state administration, a move that will deprive local civil actors of responsibilities. Resistance against the authoritarian efforts of the government however has

Civil society
traditions

2

revitalized and mobilized civil society. From December 2010 until January 2013, there were regular peaceful mass demonstrations and protests, although – despite an increase of participants and events – these demonstrations have so far been limited to certain urban strata and intellectual circles.

During the review period and previously, Hungary has struggled with public order and security, including a series of violent attacks on the country's Roma population. Politics have become increasingly confrontational, and Hungarian society has been deeply divided along political and cultural lines. Violent incidents along ethnic lines have been provoked by the right-wing political party Jobbik and its paramilitary guard. The confrontational nature of politics has mostly been apparent in the verbal cultural wars as documented and published by media outlets.

Conflict intensity
3

II. Management Performance

14 | Steering Capability

The Fidesz government has developed a strong prioritization along both ideological-symbolical and pragmatic-political lines, as can be seen in a series of ambitious official programs, such as the Széll Kálmán and Magyary plans, that while advertised often in the media have not been followed up with actual results. Other plans include the New Széchenyi Plan (January 2011) for a national development policy, the Széll Kálmán Plan (March 2011) and the Széll Kálmán Plan 2.0 (April 2012), against the state debt, as well as the Magyary Program, MP 11.0 (June 2011) and Magyary Program, MP 12.0 (August 2012) for the development of public administration. These plans are austerity packages but are also part of a huge program to transform all economic and social sectors in Hungary.

Question
Score

Prioritization
7

The economy-focused plans also cover compulsory EU programs, such as the Convergence Program and the National Development Program. Severe austerity packages have followed one after the other, with serious budget cuts to the health sector, to education, to social welfare and the culture sphere within the same year. The strategic plans were further elaborated on in the three fiscal adjustment packages from economics minister György Matolcsy on 5 October 2013, 17 October 2013 and 19 November 2012, in a rush to reach the goal of a budget deficit below 3% for 2013. Drastic austerity measures were introduced and applied, with the budget for 2013 amended several times (with the first act in June 2012) before its finalization in December 2012. Beyond these economic packages, an even more ambitious strategic plan to “modernize” state administration was introduced with the goal of reorganizing the public sector as a whole, thereby changing radically much of

Hungarian society. The plan contains elements of social philosophy over government and a concept of the “good state,” with a somewhat medieval idea about the “common good” that is directly represented by the state, for all citizens. In fact, this plan is essentially an anti-modernization push and provides an explanation for an over-centralized state as well as details for its implementation. In spite of these ambitious programs, the total failure of (good) governance has been demonstrated by the inability of the much advertised “good state” to adequately absorb EU transfers.

Although Fidesz has emphasized as one of its symbolical goals national independence, still the main strategic priority of the Fidesz government is very pragmatic, namely to consolidate its power for the long-term, across governmental cycles. All political actions have been subordinated to this main goal. However, short-term steps on occasion contradict this long-term priority, since both the policy planning and the performance of the government is weak. There has also been a clear contradiction between the party’s political savvy in maintaining power and its inability to craft or enact any sort of complex policy strategy for the country. Its haphazard actions to meet tough budget targets have actually undermined its long-term goals of consolidating power; what’s more, Fidesz had apparently elaborated fake as well as controversial priorities from the policy implementation side. Under the Orbán government there has been a stark contrast between the facade of sensational strategic programs and the miserable implementation of the government’s strategic development policies. The government usually sets strategic priorities, but sometimes postpones them in favor of short-term political benefits. It shows deficits in prioritizing and organizing its policy measures accordingly. The hastened adoption of the 2011 constitution that cemented institutional reforms against future oppositional majorities shows that a major strategic priority of the Fidesz-led government is to consolidate its power beyond the next election.

The government has had only limited success in implementing its policies, as there is a stark contrast between the government’s centralized decision-making and its inability to adequately determine the feasibility of those decisions. The only response of the Orbán government to this weakness has been further centralization. The overwhelming tendency of the government during the review period is “statization” or the absorption of all sectors by the state. In January 2011 and January 2013, the government introduced county-level government offices and new administrative districts, restricting the powers of local and regional self-governments. On 1 May 2012, the “nationalization” of hospitals took place (under a direct ministerial ruling, instead of through a decision by local-regional communities or self-governments). Newly adopted acts on public education have deprived primary and secondary school self-governments of their functions and have reduced the autonomy of universities. Hungarian politics in essence has been reduced to a one-man show, as all powers have been concentrated in the hands of the prime minister. This overconcentration of decision-making in the chancellery, or simply in the hands of Prime Minister Viktor

Implementation
6

Orbán and his personal entourage, has been the main reason for the poor performance of the Fidesz regime. The closest subordinates of Orbán form the true government, or the highest decision-making body in Hungary. For instance, the real foreign affairs minister is Orbán's former personal spokesman, József Szigjártó, who has been appointed as the chancellery's state secretary of foreign affairs and foreign trade. Similarly, Orbán's former state secretary, Mihály Varga, who was chancellery head, has been moved instead to manage IMF talks and Hungary's relationship with the European Union. Finally, Fidesz "strong man" and faction leader, János Lázár, has been named chancellery head and coordinates Fidesz politics. The new faction leader, Antal Rogán, has also been moved up in the ranks of top Fidesz leaders. These four men surrounding Orbán appear to have accumulated most decision-making powers. A prominent case of failure in implementation is illustrated by the insolvency of Hungarian airlines company Malév in February 2012. The government had re-nationalized the airline in February 2012 through an increase in capital but failed to restructure the company. Since no restructuring program was developed, the European Commission found that the government's subsidies violated the rules of the internal market.

The Fidesz-led government has so far followed a policy learning strategy of trial and error. EU budget regulations that require Hungary to keep its deficit low have been the main inspiration for the permanent improvisation on behalf of the government, as it changes its financial strategy seemingly day to day. This practice has led to a vicious circle in economic policy and finally to economic recession, yet the government has not learned from its failures. The same can be observed in the field of public administration, with the process of continued centralization and reorganization.

In public debate, the government denounces constructive criticism as untrue or, if the criticism comes from Fidesz affiliates, "treason," thus creating an atmosphere where innovative ideas or constructive criticism are not likely to be formulated.

Policy learning
5

15 | Resource Efficiency

The government has misused and abused its available resources. The biggest issue has been the loss in the country's international prestige, as credit-default swap prices have increased and foreign direct investment has fallen. Organizational resources have been lost in many institutions, due to repeated and drastic reorganizations – institutional memory, valuable experience and best practices have vanished. Many socioeconomic resources also have been lost because of the legal unpredictability of the business environment (not to mention uncertainty in everyday life), including the forint's instability.

Efficient use of
assets
5

The most common problem has been the loss of human capital through the politically motivated dismissals of public servants, who are then replaced with Fidesz loyalists. These changes have officially been supported as a move to enhance the efficiency of government by removing poor performers and instead hiring new and talented individuals. In fact, the exact opposite has happened, and the result is the poor performance of government ministries. Thousands of civil servants (3,200 in central government alone) as well as heads of schools, hospital directors, state company managers and other public sector employees have been replaced as they were considered politically unreliable, or their posts were needed to satisfy Fidesz supporters. New civil service legislation has facilitated the dismissal of state and/or public employees with little or no justification. Hundreds of dismissed employees have turned to the courts. In sum, party affiliation trumps professional competence, and any resistance or hesitation in support of the government can result in the loss of a position.

In one particularly absurd example, a complete intergovernmental professional committee was dissolved at the behest of the government, as the group disagreed with a government proposal to change the name of Budapest's main airport.

The government fails to coordinate conflicting policy objectives. Although this coordination is the job of the Ministry of Public Administration and Justice, the various ministries tend to compete with each other. After the reorganization of government in May 2012, Zoltán Balog gained influence as minister in the renamed Ministry of Human Resources (previously the Ministry of National Resources). Due to the centralization of decision-making at the prime minister's office, informal powers have shifted from the cabinet and ministers to the prime minister's personal confidants. Most political power is now centralized in the prime minister's chancellery. The chancellery is a smaller decision-making group that directly surrounds the prime minister, endowed with considerable political power and the ability to act quickly. The resulting informal coordination mechanisms have undermined the authority of ministers and the division of task areas between line ministries. The strongly personalized institutional setting around the prime minister often leads to voluntary decisions and a lack of coherence.

Among the existing integrity mechanisms aimed at preventing corruption, the system of party financing can be considered the weakest. Corruption is basically a politics-related issue. It is also responsible for the populace's low trust in the political elite and in institutions. Corruption is endemic in public procurement, and since the government at the time of writing took office, political life in Hungary has been full of scandals, chronicling the government's favoritism in creating Hungarian "oligarchs" as the new national bourgeoisie. The government has allocated significant public funds and leading positions to persons with close ties to the ruling political elite. For example, the prime minister's family dentist was entrusted with elaborating a project on the development of dental tourism (worth HUF 1 billion). In

Policy
coordination
6

Anti-corruption
policy
6

October 2010, a 25-year-old transport specialist, a relative of the prime minister, was appointed CEO of the Budapest Transport Company.

Below this large-scale political corruption, there is a broad layer of daily small-scale corruption, practices inherited from the communist era. For example, to gain access to health care services, individuals must often offer “thanks payments” to providers; even though such services ought to be provided as part of compulsory health insurance. This way, corruption pervades the daily life of many citizens which could, in the long run, change social attitudes in a way that favors corruption or at least tolerates it. There have been occasional government initiatives to fight this sort of daily corruption, but usually such efforts are short-lived or inefficient, more propaganda than serious action.

16 | Consensus-Building

There is no government consensus on goals, as Hungarian politics is deeply split between national-social populists and anti-European Union actors in the government and pro-European Union, democratic actors in the opposition. In very abstract terms, all political actors and/or parliamentary political parties advocate the goals of democracy and a market economy, except for the right-wing extremist party, Jobbik. In actual terms, however, there are deep cleavages between and among political actors as to the understanding of the concrete concepts of democracy and a market economy. The Fidesz-led government rejected Hungary’s democratic constitution of 1989 – 1990 as they believed it represented a “Stalinist” legal document that was adopted when Hungary had not regained its full sovereignty. According to Fidesz, a full change of the political system was only achieved in 2010, through the electoral victory of Fidesz. The Orbán government has used this ideology to legitimize radical changes of all existing political institutions. Hungary unquestionably has arrived at a crossroads, as the concept of democracy held by the Fidesz-dominated government has been markedly different from that advocated in the two prior decades, and also of that held, if not insisted upon, by the European Union. The government itself has declared that it preferred a majoritarian democracy versus a consensual democracy. They have argued that through its two-thirds majority in parliament, voters had empowered the government to carry out any profound changes to society it saw fit, without having to consult the stakeholders of such changes.

On the other hand, the large number of pieces of legislation that now requires a two-thirds majority in parliament will eventually force the government and opposition parties to cooperate, if the parliamentary majority ceases to exist through future electoral results.

Consensus on goals

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The Fidesz-led government cannot completely control the political party Jobbik, but it can limit significantly Jobbik's influence. Jobbik is in fact an extreme right party, although the party qualifies itself as national radical party. Fidesz and Jobbik aim, in part, to capture the same electorate, as many voters support both parties or are undecided in between the two. Therefore, Fidesz has introduced several measures and issued declarations to appease this extreme right group and to weaken Jobbik's popular support, channeling this support to Fidesz. At the same time, under international pressure Fidesz leaders have condemned the racist statements of Jobbik representatives. In November 2012, Fidesz faction leader Antal Rogán participated in a demonstration against a Jobbik deputy's anti-Semitic speech. Observers and opposition politicians have doubted the credibility of such dissociating declarations, charging Fidesz of tacitly allying with Jobbik to mobilize right-wing voters. However, as Fidesz and Jobbik are basically competing for the same voters, a tacit collaboration between the parties – if it ever existed – would have been more typical before 2010 when both were in the opposition.

Anti-democratic
actors

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Extreme right political groups have been demobilized by the government to a great extent, as the government has met many of their demands. At the same time, conflict levels have been significantly increased with regard to the Roma population and with core interest groups, such as trade unions (and less openly with employers) and university students. The government has not been able to effectively manage any of these groups. In some cases, for example with the Roma population, the government seems to even seek to intensify existing conflicts when it looks like such actions might offer political benefit. In Fidesz official discourse, the government is managing Hungary's complete transformation amid difficult circumstances, against the "colonizing" efforts of the European Union, while fighting the global economic crisis and countering pressure by large international financial institutions, banks and multinationals. Fidesz has always used military rhetoric to present its case, with words such as war, fight and power used often in Prime Minister Orbán's speeches. The most important symbolic change in Hungarian politics is that the government has renamed Hungary as a country, from the Hungarian Republic to simply Hungary. The term "republic" has disappeared from official vocabulary. Another important symbolic change is that almost all official institutions have been renamed as "national." In Hungarian, this term is loaded, as there is a neutral term that means "countrywide" (országos, or covering the whole country), while "national" means that an institution is connected with "national" (nemzeti) interests. So ministries and state agencies under the Fidesz-led government have turned from "országos" to "nemzeti." The nationalistic preamble of the 2011 constitution rehabilitated the interwar authoritarian regime of Miklós Horthy. The government also decided to restore Kossuth square, in front of the Hungarian national parliament – the very heart of political life in Hungary – to exactly how it looked in 1944, at the end of the Horthy regime.

Cleavage /
conflict
management

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The governing coalition has largely refrained from consulting with civil society as part of the legislative process, by submitting bills regularly through individual parliamentary members. Such private bills no longer need to be discussed with stakeholder groups. Societal participation in legislation is regulated by a law from 2010, but its implementation has not led to a broad, inclusive representation of societal interests. The Fidesz-led government has declared its commitment to adopt and implement policies irrespective of approval by Hungary's tripartite body of interest reconciliation. In fact, the former tripartite National Interest Reconciliation Council was abolished and replaced by a new National Economic and Social Council in October 2011. The new council was established with the participation of employer representatives, chambers of commerce, civil society organizations, churches, organizations of Hungarians abroad and scientific-academic bodies (Act XCIII of 2011 on 4 July 2011). The government has tried to build a comprehensive system of state corporatism, covering all fields and sectors of society with state-organized and loyal pseudo-civil organizations. The new organization can consult, make proposals and provide advice but cannot make any decisions, unlike the former council. It meets once or twice a year and appears to serve mainly to show to the European Union that an institution of interest representation or some kind of social dialogue exists in Hungary.

Social actors have been marginalized not only by the government's neglecting interest consultation but also with the reorganization and "statization" of the National Civil Fund (Nemzeti Civil Alap, NCA) that distributes state support to civic organizations. The Civil Solidarity Forum (CÖF) has been organized and is indirectly financed by the Fidesz-led government. This forum and its associated Civil Cooperation Council may be considered twin phantom organizations that simulate dialogue with civil society. The speaker of Hungary's parliament in December 2012 awarded a prize to the organizers of pro-government, anti-European Union demonstrations, for supporting the government in its struggle to sustain Hungary's national sovereignty.

During the preparation of the new constitution, the government sent a questionnaire to all Hungarian citizens, resulting in approximately 900,000 answered questionnaires, or from around 10% of the population. In March 2011, the Venice Commission at the Council of Europe criticized the procedure of drafting, deliberating and adopting the 2011 constitution for its tight time limits and restricted possibilities of debate by political groups, within the media and in civil society. Altogether there were four rounds of "national consultation," with diminishing returns. Opposition parties criticized the high costs and the non-transparent processing of the questionnaires as well as the discretionary use of the results by the government.

Civil society
participation
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The present political leadership strongly stresses the need to address the totalitarian past, but manipulates the memories of historical injustices as a weapon against political opponents. The preamble of the 2011 constitution can be construed as rehabilitating the authoritarian regime under Miklós Horthy during the interwar period. Extreme right groups responded by erecting statues to Horthy and renaming central plazas as “Horthy squares” in some rural settlements. On 31 December 2011, parliament adopted a “Transitory Provision” to accompany the 2011 constitution’s entry into force, which denounced the main opposition party, MSZP, as having been a post-communist party and responsible for all the crimes committed by the previous dictatorship. This part of the Transitory Provision was qualified as unconstitutional by the Constitutional Court. In early 2013, historical reconciliation under the current government looks near impossible; it will be one of the largest and most urgent tasks of the next government.

Reconciliation
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17 | International Cooperation

The political leadership tries to use international assistance for its own development agenda, but has a clear deficit in devising consistent, long-term strategies to integrate this support effectively. The government’s worst performance has come in its management of European Union affairs. The absorption of EU transfers has been completed with great difficulty and minimal effectiveness, hampering the country’s ability to develop economically. Some 97% of all state investments have originated from EU resources. By December 2012, Hungary used only 43.02% of its EU transfers; the EU27 average is 45.1%. Poland performed better (51.66%), while Slovakia and Czech Republic performed worse (39% and 37% respectively). As usual, poor government efficiency is the result of centralized government decision-making; crisis management for the government has always meant more and more centralization. It has also been so with recent government reorganizations. In July 2012, the government established a committee, consisting of the prime minister, two ministers and a state secretary, to decide on major EU-funded development projects. This centralized decision-making body sidelined the National Development Agency that was initially created to manage such projects. In December 2012, the government further marginalized the agency by entrusting branch ministries with the distribution of EU transfers. The future of the agency is unclear.

Effective use of
support
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While the government tries to present itself as a credible and reliable partner, it is not trusted by many international partners, including European Union leaders, the IMF and the financial community. The government is unpredictable and uses double-talk in delivering its promises. International partners do not believe the government’s efforts are genuine with regard to structural reforms or long-term macroeconomic and political stability. Although on 24 April 2012, in talks with European Commission President Jose Manuel Barroso, Prime Minister Orbán promised to

Credibility
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properly amend legislation on the independence of the Hungarian National Bank, on the country's data protection authority and on certain measures affecting the judiciary, Orbán was actually not ready to follow European Union rules. As Orbán said in an infamous speech, he did what he publicly called a peacock dance (*pávatánc*). This means in essence to appear to behave according to agreed-upon rules, but actually act according to one's own interests. In short: to promise but not deliver.

In November 2012, the Hungarian research group TÁRKI carried out a representative survey on prime ministers between 1990 and 2012. Among active politicians, Gordon Bajnai was deemed the best (2.78 points out of 5), Viktor Orbán's second term (2010 onwards) was deemed the worst (2.35 points); and even a majority of Fidesz supporters thought that Orbán's first term (1998 – 2002, 2.76 points) was better than Orbán's second term. Yet, supporters of the Orbán government have organized several demonstrations to protest against the European Union, the IMF, international credit ranking institutions, banks and multinationals, accusing them of interfering in Hungary's internal affairs and violating its national sovereignty. In October and November 2012, the government placed large posters in several cities and ordered a series of media advertisements with the slogan, "The IMF wants this but we still won't do it" (such as reducing pensions or wages). The IMF protested against these statements, declaring that it had demanded none of the stated issues as requirements.

By the end of the review period the traditional populist game before the electoral season had begun, continuing a cycle of irresponsible economic demagoguery. This pattern is characteristic of the rollercoaster that is Hungarian politics, as every four years there is a competition of populist promises, which without fail seriously damage the state budget in the first year of the new cycle. Fidesz started its election campaign with an election budget for 2014, as the government lowered energy prices by 10% from 1 January 2013. The Fidesz leadership realized before the elections in 2002 that they had made a mistake, acknowledging that they must start their election campaigns with earlier "electoral budgeting," and attributed the party's loss in 2002 to this delay. From January 2013, Fidesz has made some financial gestures toward selected groups, first off with a 10% cut in energy bills (electricity and gas). Through this demagogic move, the party's socioeconomic credibility has been completely lost.

Hungary's political leadership cooperates with neighboring states but has been reluctant to comply with rules set by regional and international organizations. Government leaders have portrayed Hungary as a country struggling for its national sovereignty against the European Union and the IMF, against international financial markets and multinational companies. In March 2011, Prime Minister Orbán declared that Brussels intends "to dictate to Hungarians like Vienna and Moscow in the past," or as a colonizing foreign power. According to the economics minister, Hungary is waging a war, "a life and death fight against the IMF." At a formal or legal level, regional cooperation is working well within the Visegrad Group (V4) framework,

Regional
cooperation

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which has been in fact a V4+2 structure with the addition of Austria and Slovenia, especially with politically neutral issues such as transport and water management. But when considering more politically charged issues such as dual citizenship, the nationalist-populist government of Prime Minister Viktor Orbán has created tensions with neighboring states, most of all with Slovakia. In 2012 and 2013, the focus of Hungarian foreign policy was allegedly on Central Europe, given Hungary's rotating presidency with the Commission on Security and Cooperation in Europe (CSCE) and the V4. In August 2012, the government decided to return to Azerbaijan an Azerbaijani army officer, Ramil Safarov, accused of killing an Armenian participant of a NATO-sponsored study program in Budapest. His extradition enabled the Azerbaijani regime to welcome him as a national hero, provoking an international protest which caused a deterioration of relations between Armenia and Hungary. The extradition has been part of Orbán's personal opening policy to the "east," which included visits to Azerbaijan and attempts to strengthen economic ties with emerging markets in Asia. Azerbaijan has also been expected to purchase Hungarian bonds. While the incident has further deteriorated Hungary's already poor international image, there has been no significant foreign direct investment from these countries as the government had announced and expected.

Strategic Outlook

At the end of the review period, the call from Hungary's political opposition under the Fidesz-led government is increasingly that the leadership has betrayed its electoral promises, it has misled the population with its ideas of painless crisis management, and that it is in essence illegitimate. Furthermore, the party's call for "constant mobilization" with favorite Fidesz topics of "nation," "sovereignty" and "enemies within and without," not to mention "Christian values," is wearing thin with the population. Although the government-controlled media continues to beat the propaganda drum over these issues, a growing part of the public, including many "conservative" Hungarians, are fed up with these rallying cries and can no longer be mobilized by them. It remains to be seen whether other pet Fidesz topics – of which dealing with the communist past is one of the most important – will resonate enough to retain electoral support. As the party grapples with the results of its false promises, Hungary's goals of overcoming a deep economic recession and addressing its political crisis with its accompanying economic, social and cultural consequences will be an enormous task in 2014 – a task only to be compared to that of Hungary's last major transformation in 1989 – 1990.

Looking forward, three scenarios can be envisioned for Hungary:

- A Fidesz consolidation. The party has started its campaign very early for the spring 2014 elections, striking out with irresponsible economic demagoguery. The Fidesz-led government has enforced a 10% price cut on electricity and gas providers, to appease the population with a decrease in daily energy costs. Fidesz has also presented several welfare measures and offered promises to the most important voting groups (such as retirees), which could be decisive in the elections. Prime Minister Orbán has announced that there will be no more new conflicting measures that could hurt the interest of some social sectors (teachers in primary and secondary education will get a salary increase in the fall; the conflicts in higher education will be solved; and so on). There has also been an aggressive propaganda push in government-controlled media. The government electoral strategy is to mobilize core supporters through the Kubatov list (director of the party apparatus) to win the next elections with a majority of the minority (with large abstentions).
- A weak or nonexistent opposition. If the fragmented democratic opposition groups cannot agree upon a program for the next government and it plans to compete in the same electoral districts, then the Fidesz candidate will win with a small, relative majority. It is a good sign that the democratic opposition has not engaged in the usual spiral of populist electoral promises, a primary characteristic of the rollercoaster that is Hungarian politics. Every four years before elections, the competition over promises starts, and such "electoral budgeting" unsurprisingly has caused serious damage to the state budget in the first year of the new cycle.
- A strong democratic opposition alliance. If the democratic opposition organizes strongly, then it may win the next elections. According to current electoral law, only two or (eventually) three

parties can run separately but in a coordinated way, agreeing on the distribution of candidates in the districts and supporting each other's candidates. The key issue in current discussions is what comes after the elections; on one side is the new government's need to manage the country's series of crises, and on the other the new government's rehabilitation of democracy and political culture, with a possible new democratic constitution.

With successful negotiations between and among opposition parties, their chances in winning the next election looks good, given widespread dissatisfaction with the Fidesz-dominated government. For sure, 2013 will be a difficult year, as Hungary grapples with much economic and political trouble amid a sour political mood. Hungary is facing a creative crisis, due to the mass frustration caused by multiple failures over the past 20 years. The sobering, new perspectives needed to overcome this malaise are comparable to the basic changes experienced in 1989 – 1990, in both democratization and Europeanization. Hungarian history has moved in cycles, with more marked turning points than elsewhere in Eastern and Central Europe. Re-democratization scenarios are thus high on the country's agenda.