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Hungary

The lead up to the 2022 election campaign in Hungary

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In passing measures against the pandemic, the Hungarian government took the opportunity given by the covid-19 pandemic to further centralize its power. This politics protected and expanded national capital's space of maneuver. However, unlike in previous rounds of economic measures, recent anti-pandemic measures taken by the government are part of a wide-reaching preparation for a possible change in the government after the 2022 parliamentary elections. We analyse these measures below, focusing on the government's use of foreign direct investments and reindustrialization, increase of national capital in domestic sectors, strengthening of new geopolitical alliances and associated capital, and minimalistic welfare measures. We discuss these in relation to opposition politics and the regime's ideological hardening in the run-up to this spring's elections.

Right after the outbreak of the pandemic, the Hungarian government was initially hesitant to undertake serious healthcare measures, and its first reactive propaganda attempted to link covid-19 to the official discourse on migration and George Soros. However, the regime soon changed course to make maximal use of the broader space for state interventions opened by the situation, in order to accelerate concentration of domestic oligarchic capital and increase centralized control over its external and internal conditions. In his [notable speech from March 2020](#) in the parliament before introducing the emergency regulation, Viktor Orbán said: "I need 133 brave people, the 133 bravest in the country. And that is you here on the government's side and I ask that you not be shaken, do not retreat, do not succumb to uncertainty." Using its parliamentary supermajority, the governing Fidesz party voted for a state of emergency regulation that both allowed the government to rule by decree and greatly extended the authority of the Prime Minister. While the decree was temporarily suspended after the first wave, the emergency period was extended until today.

The government's steps to further centralize power since the outbreak of the pandemic in March 2020 happened in a global context where swift concentration of capital (aided by state measures) motivated preemptive steps to enhance and protect the positions of domestic capital, and when the approaching 2022 elections promised a slight but realistic chance for a win by the united opposition. The regime reacted by stepping up new economic measures to secure favourable conditions for production and capital accumulation in entrenched economic sectors, thus also supporting domestic oligarchic groups behind it.

In contrast to the pre-Covid-19 era of economic nationalism and protectionist state intervention, however, this time the economic measures included privatization. State assets have been transferred to private hands as part of a broader preparation for the 2022 elections. In addition to the new rounds of privatization, the regime expanded benefits to multinational manufacturers, sped up the expansion of domestic oligarchic capital in domestic service industries, such as retail by squeezing foreign actors out of the market, and fed domestic oligarchic capital's concentration from the crisis of smaller domestic companies, while all along further flexibilizing labor and keeping crisis allowances to an extreme minimum. In short, these emergency measures had the effect of accelerating previous tendencies. In the following, we give a brief overview of these processes in the context of an escalation of the pandemic.

Support for manufacturing FDI and the centralization of industrial taxes

In the sphere of FDI in manufacturing, an extension of the 2019 modification of the labor law referred to by trade

union activists as the “[slave law](#)”, helped manufacturers shield themselves from labor-related costs. Also, new investment contracts and the use of rule by decree to reorganize the status of special economic zones propelled a new wave of reindustrialization. This shifted both decision-making and industrial tax revenues from the hands of local governments to the central government.

Part of this new reindustrialization process were: a new manufacturing unit that produces Rheinmetall's Lynx infantry fighting vehicles; an extension of the Kecskemét Mercedes factory to produce electric cars; and a planning of a new Chinese accumulator factory. So was the Samsung electric battery factory built against the will of local residents and the local opposition government, using the legal background provided by the special economic zones decree.

Expanding national capital's share in domestic services

In the realm of domestic services, one tool for pressuring foreign companies has been the levying of special taxes on banks and multinationals. The largest shares of such taxes were paid by large foreign retail companies – the same competitors of growing Hungarian counterparts that have felt the pressure of policies like Sunday closure in the name of Christian holidays since 2010. Meanwhile, sectors already dominated by domestic oligarchic capital including construction, tourism and agriculture received special subsidies that were also prioritized in state investment schemes or granted legal and tax exemptions. Flexible labor laws allowed such companies to get rid of employees without extra expenses while at the same time, benefiting from state subsidies.

The wave of closures and state-backed renovations in the hotel industry hit by the crisis is an illustrative example. Delayed and selectively limited measures of state assistance allowed smaller domestic companies hit by the crisis to fail, creating a favorable environment for oligarchic capital to take over those positions that struggling smaller domestic companies left vacant because of the economic crisis. This tendency has led to the concentration of capital. This is especially peculiar in hotel and catering industries where government-affiliated businesses rapidly took over the market, aided by state reallocation of EU-funds. This capital concentration was further propelled by a wave of privatizations in domestic services such as the energy and telecommunication infrastructures, and banking, where the state had previously extended its shares.

Diversifying external capitalist alliances – geopolitical and business deals with Russia and China

The Hungarian government used the opportunity of the pandemic to deepen economic ties with new geopolitical allies and push for a quick global recognition of their vaccines ahead of European or US approval. Russia and China in particular are the most important allies in this geopolitical space. Hungary was both the first EU member state and among the very few to this day that approved the Russian-developed Sputnik. Approval came ahead of the clinical testing phase, and it has been recently revealed that Hungarian authorities were under political pressure to approve the vaccine ahead of time.

In addition to the fast-track approval of Sputnik as well as China's Sinopharm vaccine, the Hungarian government purchased a large number of Chinese ventilators. But the resulting overcapacity of ventilators caused difficulties for their installation in the hospitals. Not only did the lack of doctors and nurses become a major problem, but the problems of the healthcare system were compounded by the fact that the Chinese distributor did not provide maintenance for said ventilators. Illustrating how geopolitics has been tied to subsidizing national capital, an

[investigative journalist](#) showed that the ventilators were purchased by a company that has often been subsidized by the state and the deliveries were extremely overpriced. Moreover, many of the Chinese ventilators remained in excess and were kept in warehouses before the Ministry of Foreign Affairs attempted to sell or donate excess capacities to allied countries, hence using them for diplomatic purposes.

Another illustrative example of the efforts to use the pandemic to feeding domestic oligarchic capital with the help of Chinese and Russian funds was the Hungarian government's announcement of the plan of a [EUR 1.25 billion Chinese loan to finance the construction of the Fudan University](#), while deciding to only withdraw non-refundable grants from the EU's post-pandemic recovery package, thus avoiding taking loans from the fund. Commentators noted, however, that the government's decision to quadruple foreign debt and its issuance of EUR 4 billion worth of bonds represents a strong break in the regime's continued effort to reduce foreign debt and thereby increase policy autonomy from Western donors since 2010.

While temporarily the current government strives to use the Hungarian currency's massive depreciation by applying EU transfers to sustain emergency funds without going deeper into debt, in the long term the sustainability of accumulating debt as well as the effect of rising inflation is very much an issue that any new government will need to face, in fact almost immediately after the elections.

Meanwhile, previous tendencies to substitute Western financing with Eastern sources have been reinforced because of the mounting corruption scandals with regard to use of EU funds. The European Union's anti-corruption body, OLAF, was scrutinizing several government supported projects and until those investigations become conclusive, Hungary's access to the post-pandemic recovery package- including the grants, has been suspended.

Using pandemic measures to weaken the opposition

In the 2019 municipal elections, the united opposition won a significant number of local governments, including that of Budapest. Weakening the maneuvering space for oppositional local governments has been another important aspect of the government's pandemic measures.

The confiscation of local industrial taxes by the state's fiscal authorities delivered a significant blow to local governments. To compensate for the revenue loss after the centralization and confiscation of the tax receipts, the national government allocated special subsidies to local governments. However, the political selection criteria put in place favored municipalities remaining loyal to the central government, whereas oppositional governments were allocated only a disproportionately small amount of money. In some cases even the day to day operations of oppositional local governments were jeopardized by the selective and discriminative emergency measures. The situation of oppositional governments was further worsened by the obligatory contribution to the state emergency fund required of all parties, as well as by local measures such as the temporary suspension of collecting parking fees in Budapest and other major cities (an important income source for local governments).

High death rates

Due to several factors, the two most often cited of which are relatively late and relaxed lockdown restrictions and the dire condition of the public health care system, Hungary was hit very hard by the pandemic. The number of cases and death toll during the first wave in the Spring of 2019 were still relatively modest, following the pattern of other

countries in the EU, but the second, third and fourth waves have had devastating effects, putting [Hungary on one of the highest ranks of the death/per capita global figures](#). Altogether 40 thousand people are estimated to have died from covid-19 in a population of less than 10 million since March 2019 and 1.24 million active cases were registered between March 2019 and December 2021.

The large number of cases is peculiar for another reason too. Although Hungary started early with vaccination compared to other EU states, and reached a relatively high rate of vaccination after the first wave, it has significantly slowed down since Spring 2021. By the end of the fourth wave in 2021 December the rate was stuck at a little bit above 60%. The reason for the rapid start was that Hungary was the first European country that officially approved both China's Sinopharm and Russia's Sputnik vaccines, even before the European Medicines Agency had tested and approved them (Russia's Sputnik has still not been approved by this agency). While the country gained access to vaccines distributed by Western suppliers too, government propaganda explicitly recommended Sputnik and Sinopharm vaccines to the general population. Prime Minister Viktor Orbán himself received the Sinopharm vaccination, and senior government officials stated that they believed the Chinese vaccine was the most efficient amongst all other types. With the large variety of vaccines available to the public, there have been political discussions and speculations about the efficiency of the various types of vaccines, with liberals and social democrats accusing the government of risking old people's health by promoting Sputnik and Sinopharm. In late December, Transparency International (TI) revealed, after gaining access to official documents related to the approval procedure in a legal case, that Hungarian authorities were also concerned about the efficiency of Sputnik and Sinopharm vaccines. Due to the fact that the entire documentation was not disclosed, TI actually sued The National Institute of Pharmacy and Nutrition (OGYÉI) for [keeping important sections of the approval documents from disclosure](#).

Social measures kept at minimum

An extension of the 2019 "slave law" allowed companies to temporarily lay off labor without compensation, while at the same time obliging it to work heightened hours of overtime when needed by capital. Hungary did not introduce a pandemic-related unemployment benefit, and wage subsidies related to lockdowns were kept at a very low level compared to most EU states. The lack of protective gear at workplaces, and especially in the healthcare and educational systems became a source of tensions, eased somewhat by workers' skepticism about the virus that was fueled by social media sites.

The crisis of the healthcare system, an underfunded and crumbling structure awaiting reforms and seemingly headed towards privatization already before the pandemic, became highly visible during the pandemic. Like elsewhere, pandemic measures repressed non-covid-19 related care functions, and put extreme pressure on women who were expected to substitute for institutional healthcare and education at home. Despite the peaking death rates, wide-ranging personal experience with the system's inadequacies, and the newly leaked documents revealing the unprofessional handling of the crisis on behalf of the authorities the healthcare issue seems to have been erased relatively successfully from public debates during the fourth wave and in the run-up to the 2022 elections, reflecting the government's strong media power. In contrast, deteriorating conditions in schools remain a visible topic of public discourse.

Two social aspects of the crisis, emerging from pre-pandemic characteristics of the Hungarian labor force, are household debt and migration. The boom of forex mortgage lending, fueled by Western financial capital during the 2000's, led to an especially deep penetration of indebtedness among lower-income households in Hungary, and after 2008, caused a mortgage crisis that stood out in its [social consequences within the region](#). While the Fidesz government used debt crisis measures to save better-off debtors and reconfigure the banking sector to the benefit of national capital, a large part of lower-middle class and working-class households with forex debts were pressed into work migration to be able to sustain payments. Next to the flexibilization of work to support manufacturing FDI after

2008, forex debt was a leading cause of the work migration boom of the 2010's, which created a serious labor shortage locally.

Like elsewhere in Eastern Europe, pandemic measures pressed migrant labor back from Western workplaces, leaving households deprived of significant chunks of income to take care of their reproduction at home. A moratorium on mortgages and other types of debt payments enacted by the emergency decrees is key to tackling the symptoms of the decade-long housing crisis in Hungary. Analysts expect, however, that the lifting of the moratorium could unleash a new spiral of debt crisis at the same or even higher level than that of 2008. This could also culminate in a sudden turnaround in the political landscape toward which Fidesz would need to deploy more repressive reaction and/or even more stringent ideological narratives.

Ideological repressions hardened

Although the Hungarian government and Viktor Orbán himself maintained the image of strong men not afraid of the virus, and pursuing security measures out of responsibility (i.e. to restart the economy), official discourse did not question medical understandings of the virus and maintained a pro-vaccine standpoint. By introducing Russian and Chinese vaccines ahead of their EU acceptance, as well as making immunity cards mandatory for participation at public events, the government successfully created an image of itself as having used its decision-making power to efficiently tackle the pandemic. Government communication downplays (or even ignores) other pandemic-related tensions – representing the healthcare crisis as a hard but successful struggle, and reframing the pressure on women as men responsible for the economy by thanking women for playing their due role in household work during the pandemic. It links popular income anxieties to promises to restart and expand the economy. Beyond the classic ideological games including opposing Brussels' imposition of liberal values on Hungary, anti-migration discourse and linking various threats to George Soros, the run-up to the 2022 campaign has drawn anti-LGBTQ measures and ideological propaganda into the center of political communication with the aim of creating a symbolic majority on Fidesz's side. A core face of the pro-family/anti-LGBTQ campaign, State Secretary of Family and Youth Affairs Katalin Novák has been recently nominated for State Presidency.

Preparations for the 2022 election

After Fidesz' 2018 super-majority victory, Hungarian opposition parties have been working to set up a unified coalition in order to create a chance to win elections. This collaboration involves all parties from the liberal to the extreme right. At the 2019 local elections, all-opposition candidates – supported by metropolitan and urban middle-classes disgruntled with the regime's monopolization of power and economic advantages – secured several victories, including at the Municipality of Budapest. These victories were interpreted as a sign that an all-opposition win at the 2022 parliamentary elections might be possible. As we showed, next to stepping up ideological-political struggle, Fidesz reacted to this possibility with moves to protect the economic beneficiaries of its rule by privatizing state assets, especially in the face of mounting corruption scandals that could possibly lead to the change of government.

To date, the corruption scandal on the highest political level as of yet has led to the [demotion of deputy justice minister Pál Völner](#), who was accused of having illegally received regular payments from the president of the Bailiffs Chamber of the Hungarian Court as a ministerial commissioner responsible for the Chamber. The payments are supposed to be linked to the distribution of bailiffs' positions, which constitute a highly lucrative private business, but require official appointment. While debt moratoria had the effect of shrinking the bailiffs' market, it is expected to expand once they are lifted. Meanwhile, commentators speculate whether Völner's demotion is also linked to the

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political scandal around the Israeli Pegasus spyware which was revealed to have been used not only against independent journalists but even against prominent figures from the Fidesz elite, with [State President János Áder's bodyguard seemingly targeted](#). The authorization of the spyware was signed by Völner instead of his superior, Minister of Justice Judit Varga.

In late 2021/early 2022, several measures targeted social concerns in face of rising inflation, particularly the boom in energy or food prices which were accelerating further by the currency depreciation. To control inflation in October 2021 the government introduced a freeze on consumer energy prices, a price cap on petrol and diesel consumer prices was announced in November, interest rates on retail mortgages were frozen on October levels for half a year. On [January 12 a price cap on six basic foodstuffs was introduced](#). These price control measures also have a glitch as these steps are widely seen as motivated by winning the popular vote in the forthcoming general elections in April. In addition, they also fit into Fidesz' post-2008 logic of using crisis measures to strengthen and protect interests of domestic oligarchs. Several signs show that these steps were coordinated with main domestic players in the respective sectors, with state-controlled oil company, MOL selling shares before the petrol price cap was announced, or István Tiborcz, [Orbán's son-in-law becoming the owner of Gránit Bank and the Coop retail chain](#) in late December (OLAF's anti-corruption investigations typically target Tiborcz's state-backed businesses)

Meanwhile, in terms of social support, the opposition coalition's electoral struggle partly relies on links to post-2010 demonstrations dominated by the urban middle-class and political alliances with liberal opposition parties which criticized the regime's rollback of democratic freedoms and corruption scandals together with its turn towards Eastern geopolitical alliances. These demonstrations somewhat opened towards expressions of social grievances (like those around ethnic discrimination, xenophobia, housing poverty, or union struggles), but framed these grievances under a dominant narrative of returning to pre-2010 Western-oriented development. While these groups mostly support liberal parties, a smaller segment of post-2010 middle-class politicization involved the appearance of a new left constituency who stepped up in alliance with liberal social critiques of the system. In the buildup to the 2022 opposition electoral campaign, new left groups are organizing together with social liberal-green segments of the opposition, led by Budapest Mayor Gergely Karácsony.

In the intra-opposition contest for all-opposition candidates for the national elections, Karácsony withdrew from the final contest that allowed Péter Márki-Zay, a conservative mayor of a rural city with a former marketing career in North America to take the lead over the social-democratic candidate Klára Dobrev (the wife of former prime minister Ferenc Gyurcsány). Márki-Zay is presently portrayed by local and international liberal circles as the ethical opposite to Orbán, and enjoys the support of neoliberal experts and capitalists (like former neoliberal minister of economy Gordon Bajnai) who have supported renewal attempts at liberal restoration since 2010. Jobbik, the extreme right party which temporarily benefited politically from voicing social grievances under the Orbán regimes, has been contained and fragmented by Fidesz throughout the recent years, and is presently an unhappy supporter of Márki-Zay. In this process, previous oppositional collaborations with groups expressing social claims are canceled or reduced to lip service. The extreme right flank of Jobbik, which split off after the 2018 election defeat under the name Our Homeland Movement, has continued to reach out to popular layers with xenophobic, anti-LGBTQ and anti-vaccination messages. This newly established far-right party is expected to be able to mobilize voters on the wave of the anti-vaccination sentiment, and so far it is the only political group which openly opposes vaccination, using the slogan 'Covid Dictatorship'.

As liberal opposition continues to stick to uncritical messages in support of Euroatlantic integration and free markets, and the outreach of Jobbik's social criticism has been relatively toned down, Fidesz' penetration of popular classes is the only significant political outreach to those who suffer most from the process of social polarization. While new actions from the trade unions did react to subsequent modifications of the labor code in 2012 and 2018, their organizational power remains low, while their integration into top-down economic and political alliances is strong. Small groups of anticapitalist new left activism are present, but so far lack substantive connections to popular constituencies. In the case the political space is opened up by an electoral change in 2022, it is likely to remain

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dominated by a rearrangement of inter-capitalist conflicts and alliances, without significant influence from popular self-organization, and seriously contained by the privatization measures Fidesz is currently pursuing the protection of its economic dependants. However, a possible post-pandemic crisis might induce more serious ruptures in the capitalist regime built up by Fidesz. While internal and external capitalist forces would remain the strongest actors in such a crisis, and social losses would be exacerbated, this kind of broader crisis of the current capitalist hegemony might provide some openings for anti-capitalist social coalitions.

Source [LeftEast](#).

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