

## Hungary as a Mafia State?

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**Whereas the country was still considered 10 years ago as a model of post-communist transition, the political choices of Hungary are now disquieting to many. A group of Hungarian economists, sociologists, legal experts and former politicians analyzes the oligarchic system set up by Victor Orbán's party.**

Reviewed: Bálint Magyar and Júlia Vásárhelyi (Eds), *Magyar Polip - a posztkommunista maffiaállam* [Hungarian Octopus - The Postcommunist Mafia State], Noran Libro, Budapest 2013, 426 p.

Ten years ago Hungary's democratic transition was considered as one of the most successful ones in post-communist Europe. The country adopted market economy, its institutions and legal system were close to those of Western democracies, and its party system was stable. In 2010 the conservative party Fidesz, together with its minor partner, the christian-democratic KDNP, obtained, with around 53% of the votes, a two-third parliamentary majority and launched what they called the "voting-boot revolution".

Today the country represents a dilemma for the European Union. Its prime minister, Viktor Orbán, has been summoned by the European Parliament to explain the institutional reforms voted by his majority<sup>1</sup>, the European Council has expressed its worries about the new Constitution<sup>2</sup>, the American and Norwegian Helsinki commissions have published critical accounts<sup>3</sup>. The book published recently in Hungary under the title "Hungarian Octopus – The Postcommunist Mafia State" is a contribution to an ongoing debate within Hungary, concerning the nature of this new regime. It gathers analyses by economists, sociologists, legal experts, members of the pre-1989 opposition and politicians from after 1989. Some of the essays have an academic standing, others are more political – all adopt a very critical position. This polemic attitude is certainly linked to the authors' intellectual and political commitments, being close to the center-left opposition. It also reflects the general state of social sciences in Hungary, which are polarized and politicized to the extreme by the present political situation.

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<sup>1</sup> [Report](#) of June 25 2013 on the situation of fundamental rights: standards and practices in Hungary by the Committee on Civil Liberties, Justice and Home Affairs of the European Parliament.

<sup>2</sup> [Draft report by the Venice commission of the European Council](#).

<sup>3</sup> [http://www.csce.gov/index.cfm?FuseAction=ContentRecords.ViewWitness&ContentRecord\\_id=1496&Content\\_Type=D&ContentRecordType=D&ParentType=H&CFID=3599416&CFTOKEN=c0bf8aab36fff7ed-B9077033-C021-ADC9-7744FA7E0206BC6](http://www.csce.gov/index.cfm?FuseAction=ContentRecords.ViewWitness&ContentRecord_id=1496&Content_Type=D&ContentRecordType=D&ParentType=H&CFID=3599416&CFTOKEN=c0bf8aab36fff7ed-B9077033-C021-ADC9-7744FA7E0206BC6)

## **The 'postcommunist mafia state' – definition and history**

In his introduction to the book, editor B. Magyar describes the regime as one taken over at all levels by a group adopting the ways of the mafia, hence the use of the term “Mafia State”. This group, designated throughout the book as “The family” or “mafia”, is constituted by relatives and close friends of the “Godfather”, Viktor Orbán. This group, sitting at the top of a hierarchical organization held together by shared material interests, utilizes all the means available to use the resources of the country for its own profit. The great advantage of this group over a classical mafia is that, being in a ruling position, it can define its own legal rules. For Magyar, the modifications introduced in the institutional system, in economic rules as well as the propaganda, are all aimed at maximizing the profit of this group. Thus, by analogy with the mafia, he speaks of this system in a pun as the “organized underworld”. This “mafia state” is postcommunist, in that it is closely linked to the transition of the country out of the Kádár era. The new regime, as analyzed by I. Szelényi in his study (“Capitalisms after communism”), has turned its back to the Central-European model of transition, and would now be evolving towards the post-soviet model, characteristic of Russia or Ukraine.

As summarized in the introductory chapter, Fidesz's history starts in 1988, when the party was founded by a small group of friends from a student residence. Initially a left-liberal party, it took a rightward turn in 1992, and won the elections of 1998. Following its defeat in the 2002 elections, Viktor Orbán engaged the party in a ferocious political fight against successive socialist governments. As analyzed by A. Ara-Kovács, this process was inspired by the 1990's tactics of Silvio Berlusconi: negating the legitimacy of the left, imposing themes in the political debate, organizing an informal network of supporters etc. As analyzed by Magyar, the errors of previous left-wing governments also greatly contributed to Fidesz's return to power in 2010. Among these, he mentions incoherent and chaotic economic reforms that contributed to inflation and unemployment, a high level of household debt, as well as the lack of social and employment policies. For a population which lived in relative economic security under the Kádár regime, the precariousness brought about by these reforms was especially stressful. These errors, as well as various corruption affairs, seriously shook public trust. Finally, the socialist governments' defence of a purely managerial and technocratic partisan identity was unable to successfully counter Fidesz's coherent and nationalistic rhetoric.

## **The Fidesz system**

The power of the Fidesz rests upon three pillars: institutions, ideology and economics. Magyar's introduction, as well as some of the subsequent chapters, analyze the “constitutional coup” of 2010 (Gy. Csepeli, p. 131). The two third parliamentary majority allowed the adoption of a new Constitution, as well as made possible a substantial modification of the legal system, with 700 new laws voted in the last three years. Key institutions, such as the Presidency, the Constitutional court, the General accounting office, the Media council and the Judicial council, that nominates judges and supervises procedures, are led and controlled by Fidesz members or sympathizers. The control of these institutions is secured for at least two parliamentary terms, as the mandates of the newly nominated presidents are due to last for nine years. This is likely to seriously limit the margins of maneuver of any left-dominated government, should such a government emerge from future elections. The autonomy of local authorities has also been considerably restricted, and a great number of functionaries, judges, experts, journalists have been replaced by new ones. The executive also controls newly founded corporations that are now compulsory for various categories of civil servants.

Alongside the key institutions, it is thus the state apparatus as a whole which Fidesz controls. Finally, acquisition of voting rights have been facilitated for members of Hungarian minorities in the neighbouring countries, and the electoral system has been changed. Given the dispersion of the current opposition, these latter reforms secure a close-to-certain victory of Fidesz in the upcoming elections.

As shown by Z. Fleck (“The Law of the Mafia State”), disruption of the checks and balances has shifted political power towards the executive, currently in the party's hands. Thus, considering that the party is itself controlled by a small circle around Viktor Orbán, all important decisions in the country are taken by this group, often bypassing other legitimate institutions. The conception of law revealed by the legislative activity of the last three years, according to this author, is typical of that of authoritarian regimes. Indeed, law is considered not only as a tool for the transformation of society, it is also used by the governing elites as an instrument to manipulate markets and make economic actors dependent on the party's hierarchy. Laws, including the Constitution, are also modifiable at will, with legislative activity unlimited by legal or constitutional considerations.

The second pillar of the Fidesz system is ideological<sup>4</sup>. Appealing to a large proportion of the population, the Fidesz's ideology defines the nation as an ethnic, rather than a political, community. There would exist special traits, a specific “hungarian-ness” to be protected, even at the cost of a “national freedom fight” against the EU or the IMF. This conception also justifies the granting of citizenship to Hungarian minorities in neighbouring countries. Reviving pre-WWII traditions, it builds on the secular themes of a problematic national identity, described as a mix of feelings of superiority and of “small-country complex”, of frustration over the loss of large portions of pre-1920 territory. Constant reminders of the mythical unity of the nation also legitimize the regime under construction, giving a sense of inclusion for the majority of the population excluded from the distribution of wealth. This conception of the nation also serves to exclude those who do not fit the idealized portrait of the Magyar, the poor, the Roma, the Jews, the homosexuals, etc. Intolerance towards these minorities is *de facto* increasingly blatant in contemporary Hungary.

A second aspect of the current ideology is the role Fidesz defines for itself. The party describes itself as the sole legitimate representative of the nation. As explained by Viktor Orbán in his speech of October 23, 2013<sup>5</sup>, those who oppose the Fidesz also oppose the nation, and are therefore illegitimate. The left is defined as “foreign hearted”, having sold the country repeatedly throughout history – to the USSR before 1989, to multinational companies before 2010 – and would no doubt do the same in the future, were it back to power. With the political opponent becoming an enemy to eliminate, political confrontation morphs into a war and compromise becomes impossible to conceive.

The propagation of this ideology, as well as the associated classical conservative values that have also been reactivated, is made possible thanks to the Fidesz's domination of various channels of information. Public audiovisual media, a large part of the printed press, but also theaters and museums, have managers and staff appointed by the party. Most of the

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<sup>4</sup> It is analyzed by several of the authors, primarily by Gy. Csepeli (“The second-hand clothes of the mafia state”) and A. Bozóki (“Culture captured by symbolical politics”), but also in the chapters of B. Magyar, Zs. Pétervári (“The network of illimited power”) and B. Krémer (“How the mafia state considers and conducts its social policies”).

<sup>5</sup> [Excerpts of this speech have been posted on the official website of the Hungarian government.](#)

private media has also been taken over, often in obscure ways, by individuals close to Viktor Orbán. As a result, diversity of opinions hardly survives in the contemporary Hungarian media, 80% of the population having access only to these Fidesz-dominated channels (M. Vásárhelyi, p. 370).

The third pillar is economic. The book does not deal with the general economic views and approaches of the Fidesz, it rather concentrates on two specific aspects. First the techniques by which Viktor Orbán and his surrounding succeeded in seizing large portions of the country's economic resources. Second, the economic moves which serve the party's popularity and political agenda.

In 1992, as described by I. Csillag (“The mission is to get rich - changing the elites on a family basis”), the founders of Fidesz used the money of the party to found, under their own names, a number of companies. These companies took advantage of the governmental position acquired by their owners in 1998, and were then sold in often shady circumstances or disappeared through more or less orchestrated bankruptcies. Techniques got more diverse in the following years, as described in the chapters of É. Várhegyi (“The banks of the mafia state”) and A. Becker (“Orbán Inc.”). One of the simpler ones consists in granting public tenders to companies close to the Fidesz. For instance Közgép, a giant conglomerate controlled by a high-school friend of Viktor Orbán, L. Simicska, obtained one billion euros worth of government contracts between 2010 and 2012 (p. 242). Another technique is to nationalize companies and then resell them to friends, or to set up new rules leading to the bankruptcy of a targeted company, and its unavoidable sale. This latter technique has been used for example in the case of the advertising agency ESMA, or the water management by Suez in Pécs. Similar techniques were also used in the media industry. As described by J. Vásárhelyi (“The Media Octopus - Money Laundering and Brain-washing”), big national companies or government administration pushed into bankruptcy both economic competitors, such as the Neo FM radio station, and political competitors, Klubrádió radio station, by ceasing to buy advertisement time on these media channels.

These techniques can also be used to reward Fidesz supporters. A recent example, detailed by I. Major (“Lowering service prices and sectorial taxes in network-based service branches”), is the revocation of the concessions for tobaccoists and their redistribution in 2013. Indeed, most of the new owners had either some sort of official function within Fidesz, or were close to the party. Another example, reported by P. Juhász, is the recent awarding of state-owned land leases: most of those who obtained the contracts were not farmers, but party dignitaries.

Other economic measures have a more political role, as analysed by A.K. Sós (“The ransom of sectorial taxes: obtaining revenues, populism and the expulsion of ‘foreigners’”) and I. Major. One example is the creation of taxes aimed specifically at the service sectors, such as banks, energy providers, and telephone companies. The utility of these taxes is threefold. The first is their use for communication purposes, as they are presented as governmental weapons against the foreign multinationals dominating these sectors. A second aspect of these taxes is that they represent a sizeable income for the state. For example, the sole tax on the banking sector represents 1,5% of the GNP; in France the same tax represents 0,04% of the GNP (source: Eurostat, 2012 statistics, p. 216). Finally, on the long run, these taxes may also serve to push these subsidiaries out of the country, and for their business to be taken over by Hungarian companies. As mentioned by É. Várhegyi (p. 250), some foreign banks (Erste, Intesa Sao Paolo) might already be considering leaving the country.

## **Fragility of democratic transitions.**

What is depicted in the book is a country under the influence of a small group which uses the resources of the country for its own profit, with the help of the institutional and legal tools granted by its electoral victory. This hypothesis should be examined and confirmed by more detailed studies documenting the alleged takeover of the various economic sectors by Fidesz members and supporters. Given the lack of transparency, the intermingling of economic interests, and the opacity of the legal constructions put in place since 2010, this would necessarily be a complicated task. What is clear from these essays, is that Viktor Orbán and those close to him – his family, friends, close oligarchs – have taken advantage of their position to obtain material wealth; that in some sectors, as in the media, there is an oligopoly that diverts resources towards this circle; that the institutions and laws have been modified so as to make this system possible; and that there is a system of material reward for those supporting the system. These concrete facts suffice to give a dark and worrisome picture of the recent evolution of Hungary.

The use of the term “mafia” by the authors may however be challenged. In most cases, its use is vague and the analogy too easy, inducing negative associations with a moralizing undertone. Arguably, what is described in the book is closer to an oligarchic system, as defined classically in the political sciences, and this term would certainly be more useful to describe what is currently being put in place in Hungary.

An additional question concerns the specificity of the Fidesz system. As mentioned by Magyar or Sós, many of its characteristics – corruption, a patronage system, populism, a shady relationship to the past, even some economic measures – are shared by the previous socialist governments. As suggested by some of the authors (Magyar, Csillag, Várhegyi), the activity of Viktor Orbán's circle could be read as an attempt to redistribute the wealth monopolized by those who were close to previous governments. The specificity of this system, and what makes it qualitatively different from the previous systems, would then be found in its total character. Indeed, more so than previous parties in power, Fidesz has systematically used the legislative, legal and economic resources at its disposal to ensure the success and durability of this takeover. Also specific is the way in which the party utilizes symbolic resources, the nationalist feeling still well present in Hungary, as well as the conservative and anti-democratic elements of Hungarian history. This ideological corpus, that the previous governments lacked, has obviously a strong appeal among a population that has lost many of its reference points in the last two decades.

The book has also a more general bearing, beyond the Hungarian case. The evolution depicted here is proof, if any were needed, that the democratic system can be put in jeopardy even in a European Union member state, and that anti-system parties can gain control over the state even through fair elections. To this extent, the Hungarian case illustrates well Fareed Zakaria's thesis concerning the rise of illiberal democracies<sup>6</sup>; moreover, it could easily become a textbook case for this kind of process. The further study of recent events in Hungary could help improve our understanding of the factors favoring the emergence of such systems, and its support by the population. This evolution should also act as a reminder that other countries in the area may follow a similar path. As noted by Szelényi (p. 99), many post-

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<sup>6</sup> Fareed Zakaria, "The Rise of Illiberal Democracy" *Foreign Affairs*, vol 76, 1997, p. 22-43.

communist countries share a number of characteristics with Hungary, such as Slovakia, that has recently taken Hungary as a model for several economic measures, the neighbouring Romania, with Victor Ponta, the Czech Republic of Milos Zeman, or Poland, where the PiS is awaiting its return to power.

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