

Seminar on Democratic Transition and Consolidation
2001 - 2002

The transition in Hungary

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Contents

The Round Table	5
Transition and consolidation of democracy in Hungary, Ludolfo Paramio	7
The transition in Hungary, Gyula Horn	15
The party system in Hungary, Carmen González-Enríquez	21
Causes of the Hungarian success, Wolfgang Merkel	29

Seminar on Democratic Transition and Consolidation 2001 - 2002

Round Table

The transition in Hungary

May 23rd, 2002

MAIN SPEAKER:

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Prime Minister of Hungary (1994-1998).

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Transition and consolidation of democracy in Hungary

Ludolfo Paramio

In April 2002 the fourth democratic elections after the Communist period were held in Hungary, with the return of the Hungarian Socialist Party (MSzP) to government. This Social-Democrat party had already ruled during the period 1994-98, and was the heir to the old Communist Party (Workers' Socialist Party of Hungary, MSzMP) after the 1989 Congress, where not only the change of name was approved, but also the end of the one-party rule and the reestablishment of political pluralism. Just one year before that, in May 1988, János Kádár has stepped down from power, the strong man of Hungarian communism for over thirty years, since the Soviet intervention that put an end to the October 1956 revolution and Imre Magy's Nationalist government.

The return to power of the Communist Party comes as no surprise in view of the events in other Eastern European countries. On the other hand, it cannot be seriously argued that the adoption of democratic and liberal ideas by the MSzP is an honest and deep-reaching process. But that is not all: this process dates back to Kádár's times, as exemplified by the new Socialist Prime Minister Péter Medgyessy, former Finance Minister in the last Communist government, an office he had also held in the previous Socialist government, and who also worked as a banker (initially, after the 1990 elections, as a CEO of the Hungarian subsidiary of the French banking group Paribas).

In June 2002, two months after the elections, Medgyessy was accused by the right-wing newspaper Magyar Nemzet of having worked for the security services of the Communist regime. To this, the Prime Minister replied in Parliament that he had just been engaged in counter-intelligence work as a civil servant of the Ministry, in order to prevent the spies from

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a foreign power from obtaining information that would preclude Hungary from joining the International Monetary Fund. The foreign power in question was the Soviet Union, which back in 1961 had already frustrated a previous attempt from the Hungarian government to join the IMF, and the plot was discovered by the Soviet intelligence services. The least that can be said about this anecdote is that it reveals somewhat peculiar relations between Kádár's government and the Soviet regime.

The 1956 revolution was the outcome of the struggle between two factions of the Communists, Nationalists and pro-Moscow, and Kádár ranked among the former – he had been incarcerated in 1951-53 by the Stalinist regime of Mátyás Rákosi – before he became the crucial man for Soviet intervention. His political project was based on complete loyalty to Moscow in foreign policy to obtain in return some degree of autonomy for the Hungarian government. Despite the very real limitations he found in this respect, Kadarism represented a much more tolerable political climate for ideas than in other Warsaw Pact countries; it also brought a sustained effort for the economic liberalization and the development of closer economic links with Western countries, especially Austria and the Federal Republic of Germany.

Thus, in 1968, when Hungarian troops were involved in the Warsaw Pact intervention that quashed the Spring of Prague, the New Economic Mechanism was launched in Hungary, an economic liberalization program put forward by Rezso Nyers, that introduced incentives for profitability and granted some decision-making autonomy to industrialists and farmers. In the seventies, the energy crisis brought this experiment to a halt – Nyers was dismissed in 1974 – but the country had already experienced a strong boom in consumption and agricultural production, and that would mark a major difference with the social climate in the neighbor countries. Social unrest during the crisis – including the high inflation – worked in favor of the group of reformers who replaced Kádár in government in 1988.

Gyula Horn says, and he's probably right, that the main guidelines for democratic change and a free market were adopted between 1988 and 1990, since Károly Grósz replaced Kádár as Secretary General to the time when the single-party rule is abandoned and the first democratic elections were called. However, it is not surprising in view of what happened, that the Party that had supported the transition to democracy from the top reaped such a meager harvest: the MSzP obtained just 10% of the votes in 1990. The reasons for these appalling results are the severe economic crisis that the reformist government had to face since Grósz became Prime Minister in mid-1987, and especially the logical rejection of the people to the heirs to the Communist regime.

There is some agreement that the transition in Hungary can be considered a success all-round, despite the obvious difficulties of the government to satisfy social demands and at the same time to control deficit, to meet the conditions for the admission of Hungary to the European Union in 2004. As Professor Carmen González Enríquez points out in her

intervention, one of the reasons to consider transition in Hungary a success is the Hungarian's party system greater stability compared to neighbor countries, such as Poland. Even though the automatic punishment vote to parties in government has worked also in Hungary, just like in the rest of the Eastern and Central European countries –, and despite the outcome of such mechanism throughout the four elections held during twelve years has been a growing trend toward a two-party system, it is also true that the main three parties in 2002 already existed and competed back in the 1990 elections.

The hypothesis of Professor González Enríquez is that electoral cleavages were already defined back in the eighties, thanks to the climate of political and economic openness characteristic of the last years of Kadarism. There is an intriguing question, though: the relative stability in the numbers of MSzP voters after the second elections, once the inevitable punishment vote of 1990 had been overcome. Indeed, the Socialist Party obtained 33% of votes in 1994 – which allowed them to rule in a coalition with the liberals of SzDSz, Alliance of Free Democrats – 32% in 1998, and 42% in 2002, which brought them back to power once again in alliance with the liberals. What's striking is the stability in the Socialists' results, even at the 1998 elections, when they were defeated.

One possible explanation for such stability can be found in the current Socialist Party's record as a heir of the reformers of the old Communist Party. In the struggle between the Nationalists and the non-Nationalists, the reformers enjoyed credit as Nationalists against the pressures from the Soviets – as revealed by Medgyessy's singular experience as an intelligence agent. In the discussion between the conservatives and the modernizers, they held a long record as defenders of openness and modernization of the economy. To this we must also add the reputation of Socialists as defenders of the workers and farmers, which put them in a better position than the right-wing when it came to face the uglier side of economic reforms.

In other words, even if the cleavages were already consolidated in the late eighties, the greater electoral stability of MSzP since 1994 could well be the result of its unique position with respect to them. The party was identified with Nationalism, economic modernization and workers' protection, and was in the best possible conditions to compete with the right-wing; it hardly mattered if the latter was opposed to the integration with the European Union for Nationalistic reasons or was in favor of joining, for it lacked a reputation as a defender of the interests of the weakest economic sectors.

This is but one possible interpretation of the results of the 2002 elections, and it could be proven wrong by later events, especially if Medgyessy is unable to satisfy the social demands for re-distribution and improvement of pensions, education and health. However, it sits well with the fact that the Socialists did not suffer a major setback at the elections, despite losing the next elections, after an early stint at a democratic government, between 1994 and 1998, during which they strongly promoted the liberalization of the Hungarian economy. It also agrees with their having won the last elections, even though the economy grew at an annual rate of 4%

during the government of Prime Minister Viktor Orbán.

It is also a fact that the political victory of MSzP cannot be explained only by its political identity, but also by Orbán's errors. He had founded Fidesz (Federation of Young Democrats) in 1988, organization which was renamed in 1995 Hungarian Civic Party, under the acronym Fidesz-MPP. Despite the praiseworthy attempt of the Soros Foundation to expose him to British Liberalism in Oxford, there is very little of the liberal in Orbán's positions, closer to a nationalistic and conservative populism. He has never hidden his hostility toward the MSzP for its communist past, and has never forgiven the Free Democrats for thinking otherwise and reaching an agreement with the Socialists to form a government in 1994. Furthermore, during his own government, he has remained openly hostile to the mayor of Budapest, a liberal; this confrontation might well explain the poor electoral results of the Civic Party in the capital.

Orbán became internationally known for his speech over the grave of Imre Nagy in June 1989, when the patriotic Communist leader's remains were retrieved from the common grave where they had been buried after his execution in 1958. Such a combination of Nationalism and anti-Communism was easily understandable back then, but did not make for a political identity that could survive the first democratic elections. Fidesz obtained only 9% of the votes in June 1989, as that was the start for him of the long crossing of the desert – including giving up Orbán's unconventional demeanor and the change in the party's name - which culminated in his 1998 victory.

However, that victory was most of all the result of the automatic mechanism of punishing the party in government – in this case, the MSzP – together with the collapse of the Democratic Forum (MDF), which, after their stint in government during 1990-94 and the death of their leader József Antall in 1993, gradually lost relevance. Nonetheless, despite his defeat in the 2002 elections, Orbán achieved remarkable results: he received 41% of the vote, and this speaks of a clear stability or consolidation of the results of the Civic Party, as was the case with the MSzP. But in this case the circumstances are unique and the strategy adopted by Orbán – especially at the second round – presents a problem: his confrontation with the Socialists.

The specific circumstances of the last elections are the consequence of the emergence of one of the partners of the ruling Civic Party, the Smallholder's Party (FKgP) of József Torgyán, torn by a series of scandals that affected Torgyán's own son. But the Smallholder's Party was a conflictive partner by his own right: the rise of the Civic Party between 1998 and 2002 – from 28 to 41% - is equivalent to the 13 points dropped by the FKgP during the same period, from 14 to 1%. And we must not forget that turnout at the last elections has reached an all-time record; – 71% in the first round and 73.5% in the second – it seems obvious that the only possibility for Orbán and Fidesz to improve their results was to compete directly with the Socialists for voters in the center of the political spectrum.

But the problem is that Orbán's campaign during the second round has taken a very different course and has adopted more demagogic, nationalistic and anti-western tones, more

fitting for the Party of Truth and Life (MIEP) of István Csurka, who could have been Orbán's ally to form government had he surpassed the 5% vote threshold and obtained therefore representation in Parliament. Obviously, Orbán's approach has been to pool together all the Conservative votes around the Civic Party; however, his record shows that Orbán does not feel too uncomfortable in this drift toward a populist nationalism, and it could well turn out to be something more than a mere electoral opportunistic stand.

Indeed, Csurka's anti-Semitic rhetoric is a blunt ethnic translation of the anti-Liberalism and anti-Communism in Orbán's positions, since the Jewish minority was over-represented in the direction of the old Communist Party, just like it is now within the political elite of the Free Democrats. Anti-Semitism results thus in a particularly perverse variation of the nationalists' reaffirmation against the social fears caused by the entry into the European Union or the mere opening up of markets to investment and international trade. From that perspective, Orbán's Civic Party – which has kept on the track toward EU integration opened by Horn during the previous Socialist government – would present itself as a defender of small owners and a guarantor of national interests through his anti-Liberal and anti-Communist discourse.

Thanks to this position, Orbán can in turn compete with the Socialists for the vote of those who feel to be the losers in economic modernization. Only the liberals place their whole trust in the increasing commercial nature of social relations, whereas the Socialists consider that guaranteeing public goods and services is necessary to make equal opportunities possible and compensate the losers in the change of the rules of the game inherent to modernization. However, Orbán's populist proposal – received with disbelief by the conservative Western media – involves a re-launching of the State, both economically and symbolically: the creation of the Hungarian Development Bank or the investments planned by the so-called Szechenyi Plan for the reaffirmation of national identity. Not exactly what was expected from a leader who had the support of Stoiber, Berlusconi or Aznar.

Orbán's nationalism aims at reassuring those who fear a massive purchase of real estate by foreign investors, but it also points at older wounds. The history of the Hungarian minorities in Slovakia and Rumania, as a consequence of the rearrangement of national borders after the end of the First World War is undoubtedly a very emotional issue for Hungarian society. During the former Socialist government, Horn had signed bilateral agreements with both countries to regulate relations and any potential conflict in this respect, but Orbán went much farther than that when he granted special rights to these minorities, and this led to a confrontation with the Rumanian government. Even though the European Commission could not find any major objections to the proposed legislation, it nonetheless emphasized that it should be developed in agreement with the neighbor countries.

The most difficult question to answer is the possible development of the current system, a two-party system dominated by the Socialist Party and the Civic Party, with a minor party – the Free Democrats – acting as a pivot. The logic in Orbán's discourse may lead him to snatch

the elections from MIEP or, on the contrary, to reinforce him and give him greater credibility. To a certain extent, the factor that will dictate the political evolution of Hungary is the political and economic success of its integration in the EU, which is going to take place in the midst of an economic crisis and complicated institutional changes in preparation to enlargement and to ensure future governance of the Union.

After the Copenhagen Summit (December 2002) decided to give the green light to the enlargement of the EU to 25 members in May 2004, a second stage of adaptation is opened in Hungary. But this is mainly a new period of uncertainty about the Union itself; there is a discussion on the project for the future of the institutions prepared on the one hand by the Commission and its President Romano Prodi and by the Convention presided by former French President Giscard d'Estaing on the other. The mere existence of two parallel proposals suggests there is some disorientation, and this clearly paves the way for more than one potential conflict. On top of that, there is no general agreement among the three main countries in the EU on the institutional model or the economic and social structures of a Europe enlarged, and inevitably that both member states and new member countries may come across some bumps.

The question is knowing whether the climate of uncertainty in the Union, combined with its economic difficulties derived from the German crisis, will effectively make up for the social expectations in the candidate countries that will become members in 2004. In view of the difficulties to respond to social demands and at the same to control and reduce an already high deficit (around 5%), Hungary cannot rely too much on privatizations, a process now practically concluded since Horn's cabinet. And not only the citizens are likely to feel tempted to blame integration if social expectations are frustrated.

It seems reasonable to assume that a social climate of disappointment in the next months would be specially harmful to the Socialist government, but it can be argued whether it could also make it increasingly harder for Orbán and Fidesz to control politically and electorally those to their right. However, it seems unquestionable that a successful integration would be favorable for the stability of the current party system and would prevent the rise of the far-right extremists, as has been the case in other European countries. Just like integration in the Community was crucial for the consolidation of new democracies in Southern Europe in the eighties, their successful integration in the EU could well provide a decisive boost to the new democracies of Central Europe.

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The transition in Hungary

Gyula Horn

Ladies and gentleman, unfortunately I cannot speak Spanish, even though that is far from being my only defect. Nonetheless, it is always a pleasure to engage in conversation with Spanish people, especially because the experience of the Spanish transition was studied in great detail throughout the whole process of democratization in Hungary. My colleagues and I went as far as preparing some sort of Pactos de la Moncloa Hungarian-style, which unfortunately did not turn out as we would have wished. Even today I feel saddened by this failure.

A survey was made in Hungary in 2000, asking citizens whether their standard of living was better or worse than under János Kádár's regime. 82% of respondents said that they lived better under the old regime, compared to the current one. However, the survey did not include the question whether they wished to return to the former political system; I am sure that an overwhelming majority would have answered no. The reason I am bringing up this example is the following: when the first democratic elections were held in 1990, 95% of the population voted for democracy, for change. At the time, a lot of people thought that this change was going to bring about an automatic improvement of their welfare. But we soon realized that that is not the way things work, and this proved to be a relevant finding for the evolution of Hungarian politics.

In my opinion, the greatest achievement of Europe in the XX Century has been the indisputable triumph of democracy. There is a prevalence of market economies and democracy, at different levels and degrees, in the forty one European nations, including the twenty one countries of Central and Eastern Europe. And this reality has a great influence for the development not only of Europe, but of the whole world.

Hungary finds itself at a very special point in time in its transition process. As far back

Gyula Horn was Prime Minister of Hungary (1994-1998).

as 1968, the first economic reforms were made, but their actual implementation was slowed down by the immobility imposed by political leaders. Back then, the countries of the region had to face two major challenges: on one hand, an antidemocratic political system and, on the other, an economic system opposed to the logic of economic performance. The changes proposed by Hungarian reformers were geared toward the establishment of democracy and the creation of a system where economic performance was prevailing. It was all too clear for us that without a performing economy there would be no prosperity at all.

Over this period, Hungary started some reforms that were not visible in other countries of the region. For example, an agricultural system was created with truly democratic performance and operation and in 1981, my country joined the International Monetary Fund (IMF) and the World Bank, which earned us harsh criticism from our neighbors and allies. I must also admit that when I was Minister of Foreign Affairs and Prime Minister later on, we were reprimanded by the IMF itself, and we all know the Fund is not exactly a charity organization. Back then, the IMF played a starring role in all my nightmares.

The appointment of Mikhail Gorbachov as Secretary General of the Communist Party of the Soviet Union in 1985 produced a major change for Central and East European countries. The hands-off principle applied by Gorbachov on our internal affairs was crucial for choosing our own political system. And that was precisely the best the Soviet leader could do for us. Hungary did not hesitate on seizing this historic opportunity. Proof of that is that as early as 1988, when other countries in the region had not even started to discuss the issue, we had approved legislative measures on freedom of enterprise. The period of true transformations was from 1988 to 1990, when the basic legislation to change the political system was adopted. This legislation was adopted by the first Socialist government headed by Miklós Németh.

Another distinct feature of transition in Hungary was that political change was not the result of popular pressures or street demonstrations, but a very unique process, led from the top. This can be explained by our geopolitical situation. The fact that we are a country of transit in the region facilitated very open relations with our neighbors.

János Kádár tends to be criticized nowadays. However, I am convinced that he was closer to Social-Democrat ideas than to the orthodox ideas of the Soviet Union. It has to be remembered that Kádár's decisions were always threatened by a possible retaliation from the USSR or the Warsaw Pact. And this, in my opinion, is something that must not be neglected.

In the analysis of transition in Hungary and the rest of the Central and East European countries, another aspect requiring consideration is the fact that, contrary to Western Europe, the construction of a market economy was a top-down process. A process that involved the destruction of the old system to be replaced by a totally new one, in a very short period of time. Let me mention some of the consequences of economic reforms. During the first year of transformations, 1.5 million Hungarians lost their jobs; we did not reach the production figures of 1989 until the year 2000; we had to wait until 2002 to regain the standard of living

we had in 1989, even though it was not especially high.

Nowadays, privatization is the key factor in the evolution of Central and East Europe. Let me add, however, that only in Hungary has the process of privatization become a reality. Currently, there are no sectors or areas where a deeper privatization is possible. It is worth noting that we did not have any model or recipe on how to perform such an extensive privatization, that had achieved a transfer of 84% of state property to the private sector in 1998.

This process of privatization generated 5 billion dollars in revenues for the State, and without this money the modernization of the Hungarian economy would not have been possible. On the contrary, the right-wing government facilitated the lay-off of workers in companies which acquired state property, with the result of privatizing not the economy but the market.

It must be noted, without bragging about it, that the Hungarian privatization process is currently studied at several foreign universities, maybe because we decided not to seek the help of foreign advisors. At that time, we were visited by many Western experts who did not have a clue about how to carry out a privatization process in a country like Hungary, or any other Central and East European country for that matter. The result in many countries of the region is that the transformation of their economies has been burdened by an inadequate and insufficient privatization.

Parallel to economic transformations, we had to carry out reforms in areas such as education, health, public administration, etc in Hungary, despite those who advised a delay in the reforms in wait of a better opportunity. My own experience tells me that no reform is ever popular, that reforms are always seen as causes of restrictions and disadvantages. Thus, when a government in Hungary mentions reforms, the response of the public opinion is to oppose it. I have always maintained, to this day, that the good times for reforms never arrive eventually. And if we wish to meet the challenges of world economy, and more specifically, if we want to meet the requirements of the European Union, reforms cannot wait.

It is necessary for common priorities to prevail, such as competence, the ability to adapt, integration or the structure of international relations. In my opinion, the enlargement of the European Union is an irreversible process whose requirements are not contrary to Hungarian interests. It is important to emphasize this, because there is considerable discussion in Central and East Europe on this. For some, the European Union is dictating conditions for access to the candidate countries. On the contrary; I must say that we have never accepted before and will not accept now, that any interest from the European Union runs contrary to the interests of our country.

It is important to take into consideration the extensive benefits of enlargement for the European Union. It represents not only the establishment of a market with five hundred million consumers, but also a considerable increase in investments. The benefits of enlargement are already visible in areas like product quality control or environmental protection.

We want to be members of the European Union not only for the benefits of an improved

social welfare. It is often said that Hungary and the rest of the countries of the region represent a social risk for Europe. There might be some truth in that statement, but it does neglect the fact that the sacrifices of enlargement were already assumed by the Hungarian people, and not by Western Europe. I must underline this fact, because some think that some of the current members of the European Union are not willing to make any sacrifices. In this respect, it is worth noting that many Western companies have established a presence and doing some of their best business in Hungary. And this has nothing to do with charity or any form of donation. On the contrary, investments in Central and East Europe are of great importance to the economies of European Union member countries. I want to emphasize this, because there is indeed a social risk. Last year, 73% of the Central and East European countries lived under the threshold of poverty of the European Union. If production level in Europe is 100, it is just 33 in Hungary. As to standard of living, the differences between Western and Central and East European countries are even greater. With respect to the difference in income in Central and East Europe, the income level is one fifth to one sixth of that in the European Union.

The Socialist Party of Hungary won the last elections in April 2002, and the reason was that we declared we had had enough of the old way of doing politics, and we proposed a shift in society. Currently, the good performance of the Hungarian economy is making this shift possible, despite the existing problems. It is unacceptable that 44% of the population lives under the poverty threshold. We think it is essential for individual income to rise, and not only among the well off sectors. Another objective we have set is the improvement of the standard of living, which could increase 5% in our opinion. The third issue is the concept of sustainable economic development as a guarantee of financial balance and social improvements aimed at eliminating, or at least reducing, social risks. I also believe that it is very important to have a European social model that guarantees, for example, equal opportunities in education or health care. For this purpose, we created a pension system in Hungary that puts an end to equalitarianism; the current retirement system is based on contributions.

I would like to underline another point, relevant to this paper. Nowadays there are no alliances in the world seeking to impose the interests of the great powers, like the Warsaw Pact used to do. The new international situation has permitted, for instance, the active involvement of Central and East European countries in the resolution of the Balkans conflict. I also believe that Russia's shift towards Europe is very relevant, not only because of the fight against international terrorism, but for the strategic co-operation it is creating between Russia and Western Europe. Furthermore, for the first time there is only one organization able to prevent or reject situations of crisis: NATO. I am convinced that just as the European Union is moving toward federalism, NATO is working to attract all European countries to become members of the Atlantic Alliance. The day is not far, in my opinion, when Russia will become an associate member of the European Union.

The times when Europe was dominated by conflict are over. It is necessary now to conciliate

East and Central European countries, to heal the wounds inherited from the two world wars. We must be aware of the need for coexistence and co-operation.

At this point, I would like to remind you that in 1997, a referendum was held in Hungary on accession to NATO. From all the countries in the region, only Hungary held that referendum, despite the attempts to convince me otherwise from the Prime Minister of the Czech Republic at the time, Vaclav Klaus. My answer was clear: a matter of such relevance demanded to hear the opinion of the people. The outcome of the referendum is well known: 87% of Hungarians who voted that day did so in favor of our joining NATO.

Finally, I would like to refer to two questions. The first is related to the use made of the past in Central and East Europe, which is under heated discussion even today. The experience of the last twelve years should have been enough for everyone to have adopted a clear position. Spain has considerable experience in the assessment of the times of Franco and the role that everyone played back then. It should not come as a surprise that in Hungary and other countries in the region, there are personalities from the left-wing of the political spectrum who have joined the ranks of right-wing parties. This is a reality that is part of human nature, that happens everywhere and is the reflection of each individual's personal freedom.

Communism was an experience we suffered in our own flesh and should not be repeated. To those who accuse us of post-Communists today, let me reply that we are post-Communists indeed, just like we could accuse many North Americans of being former slave-mongers. The key issue here is that the new democracies of Central and East Europe, who are strongly interdependent, need the help of Western Europe. If we fail in completing the journey we have embarked upon, the whole continent could be destabilized.

The party system in Hungary

Carmen González-Enríquez

Like other countries in the area, Hungary has felt the effects of a systematic punishment vote cast by voters against the governing party and a high abstention rate in its elections but it still has the most consolidated party system in the whole of the former communist bloc. The parties who won parliamentary seats in the recent election held in April this year, 2002, already formed part of the first democratic parliament elected in 1990. In this respect, Hungary is an exception to the rule because it is the only country in that area of Europe where political parties can claim to have maintained a continuous parliamentary presence.

In my opinion, the reason why Hungary is the exception in this case can be traced back to another exceptional situation, prior to the great crisis of 1989: the fact that the opposition to the communist regime in Hungary back in the late 1980s was already divided into two camps, the liberals on one side and Christian-nationalists on the other side. Once again, Hungary was unique in that respect because in all the other countries around it, if the communist government faced any opposition at all, that opposition was always a broad umbrella grouping of all the factions combating it, like Solidarity in Poland, the Civil Forum in Czechoslovakia or the New Forum in the GDR.

What that meant was that Hungary was a long way ahead of its neighbors in terms of political modernization. The Kadarist society in Hungary was the most liberal society in Eastern Europe. It had taken its pre-1989 liberalizing political reform measures further than any other society; it was the most consistent in its endeavours to gain legitimacy by bringing a standard of welfare to the country and the only one that actually implemented its plan to turn the economy into a market economy in the 1980s. In addition, it was a secular society where religious feelings – in the minority in the 1980s – have never been a source of identification

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against political power. That last point is the major difference between Hungary and Poland, two countries that are otherwise very similar.

The way voting has evolved since 1990 has led to a simplification of the party system and that change has been at the expense of the small Christian and conservative group parties above all. Hungarian politics today consist of two major sides: the socialists and the Christian-nationalists, plus a small group, –the liberal SzDSz (Alliance of Free Democrats)– which seems destined to remain a minority party (it won 8% of the votes in the 1998 election and 6% in the 2002 election) although it actually claims to be an ally of the Socialist Party.

What are the elements differentiating those two sides? For a number of years leading up until the mid-90s at least, the parties employed references to the past as the key ploy to try and build up radically different images. In that context, anticommunism became one of the main identifying traits and a key measurement of scale to work out positions held in politics.

Today, the past no longer works as a point of reference. As economic reform measures have been consolidated, a new, more complex society has been created. It is a society very much rooted in the present. Anticommunism no longer plays a leading role in elections because it refers to a reality that has ceased to exist.

However, despite its electoral decline, anticommunism still has an impact on the rhetoric of parties making up the conservative, Christian and nationalist bloc, i.e. the Hungarian Democratic Forum (MDF), the Hungarian Civic Party (Fidesz) or the extreme right-wing Hungarian Truth and Life Party (MIEP). For instance, in the election campaign this year, those parties accused the socialists and liberals of being “liberal Bolsheviks”. How can you be liberal and Bolshevik at one and the same time? To understand it, even though it seems like a contradiction in terms when viewed from our side of Europe, you have to get into the mind of a nation for whom both liberalism and communism were seen in the past as imports from the West or the East and as ideologies far removed from the needs of the local society. The only way to fully understand it, however, is to fit the ethnic, national element into the puzzle: the pre-eminence of the Jews when setting up the Hungarian Communist Party in 1918, their role in the Republic of the Councils in 1919 and their domination of that party in the Stalinist period between 1947 and 1956. The consequence of that Jewish component in politics was that for years communism was identified with Judaism in Hungary.

Since 1989, the liberal SzDSz party has been identified as a Jewish group because some of its leaders are Jewish. In fact, even in the first election campaign back in 1990, the SzDSz was accused of “liberal Bolshevism”, meaning that they were allegedly attempting to impose the free market on Hungarian society and remove social protection with complete disregard for the will of the people.

So what are the elements differentiating the two major blocs in Hungarian politics? Perhaps it is easier to answer by listing the ways in which they are not different. Firstly, there is no difference between them as regards the stance they take on the major issues such as economic reform or the incorporation of European legislation for EU accession. In fact, if there are any differences they tend to work in the opposite sense than might be expected. For instance, the Socialist Party is more resolutely pro-market in its approach than the right-wing groups: the major step forward in reforms to liberalize the economy and rationalize public spending was the so-called “Lajos Bokros” package of measures (named after the Minister of Economy) and that step was taken under the socialist government. That same year, 1995, was the year when poverty reached its highest level in Hungary, partly as a consequence of public spending cuts. Since then, the economy has been growing on a continuous basis and poverty has been falling.

Contrary to what might be expected, the nationalists and Christians have accused the socialists in this most recent election campaign (2002) of planning to sell off the country to foreigners and to reduce social benefits. The fact that the person heading the socialist list of candidates, Peter Medgyessy, has been chairman of an international bank helps to put together an image of the socialists in Hungary that puts them on an equal footing with the starkest version of capitalism.

The differences between them are only subtle but they are still important. Although none of the parties that have obtained parliamentary representation this time around are anti-European, the MIEP, the radical party led by István Csurka, is. The MIEP promotes the conspiracy view of national and international politics by claiming that this last election won by the Socialist Party, in alliance with the liberals, was actually won by the Jews. It is an openly anti-Semitic party and the fact that Fidesz-Forum, which contested the election as a coalition, had every intention of counting on its support to form the new parliamentary majority indicates how close they are. In fact, Csurka’s party puts into words for all to hear the things that many Forum activists think but do not say aloud.

The clues to differentiating between the parties in the Hungarian party system, therefore, make no mention of specific policies or theoretical ideas but rather of people who are defined in ethnic and geographical terms. There are only 60,000 Jews left in Hungary and it is unlikely that any of them are politically active in or vote for the Forum or Fidesz. Geography, on the other hand, is linked to the traditional split in the anticommunist opposition between the urban and the popular voters, or to put it another way, between the liberals concentrated in Budapest and the conservatives, Christians and nationalists in the provinces. This split actually reproduces another, much older one that dates back to the years between the wars when voters fell into two camps: rural populists and urban liberals.

But the ethnic or national question is also important from another standpoint, namely, the stance taken by the Hungarian State with regard to the defense of Hungarians living in neighboring countries.

Those minorities are formed by around three million people who came under the sovereignty of other States when the Austro-Hungarian Empire was broken up on the decision of the winning side after World War I. During the period between the wars, Hungary's refusal to accept the new borders gained the support of Nazi Germany which returned Transylvania (now a Rumanian region and headquarters of the Hungarian minority) to it during World War II, together with the southern strip of Slovakia. When the Germans were eventually defeated, those territories were given back to Rumania and Slovakia respectively and Slovakia took advantage of the expulsion of Germans from Sudetenland in Czechoslovakia to expel around 40,000 Hungarians from its own land. The memory of those events still poisons the relationship Hungary has with both countries. There are currently around 1,800,000 Hungarians living in Rumania, most of them in Transylvania. Another 600,000 live in the southern part of Slovakia, on a strip of land running parallel to the Danube which acts as a border with Hungary. The remaining Hungarian minorities are shared out between Vojvodina province in Serbia (300,000) and the sub-Carpathian region of the Ukraine (200,000) and there are other smaller groups of Hungarians living in Croatia, Slovenia and Austria.

Rumania and Slovakia basically distrust their Hungarian minorities because they see them as possible vehicles of influence that could be wielded by the old dominant power, Hungary. That is why they have tended to deny the Hungarians the right to maintain their cultural independence, so as to encourage their assimilation in the hope that they will disappear as a minority. The dispute specifically revolves around the cultural rights of these minorities (education in their own language, the use of their own place names, the use of Hungarian as a language when dealing with the Administration, etc.) but at the end of the day what makes the problem difficult to solve is that Rumania and Slovakia do not trust the intentions of the neighboring Hungarian State.

During the Kadarist (1956-1988) period, the Socialist Party kept silent on the issue because it felt that any intervention on its part in support of those minorities would be interpreted as a provocation and would be counterproductive. Unlike its counterparts in other countries in Eastern Europe, the Socialist Party did not seek social legitimacy through nationalism as an option. Indeed, the first gesture of support for the Hungarian minority in Rumania did not come until 1988, during the last months of the regime when the Party was starting to break up internally, when Prime Minister Károly Grósz visited Bucharest.

After 40 years of neglect by the socialists, nationalism was taken up by the non-liberal opposition as their identifying cause. They chose to focus on the defense of the Hungarian minorities in neighbouring countries as their own particular brand of nationalism.

When Jozsef Antall of the Hungarian Democratic Forum was invested as prime minister

after winning the first democratic election in 1990, he stated his desire to be the prime minister of 15 million Hungarians in a reference to the 5 million Hungarians scattered around the countries on Hungary's border and in other parts of the world, especially USA, in addition to the 10 million inhabitants in Hungary. That statement triggered protests from Hungary's neighbors who saw it as a deliberate attempt to interfere in their internal affairs and relations between Hungary and the other countries in the region were soured as a result.

Since 1990, other statements in the same vein have been made on a number of occasions by Hungarian leaders of right-wing parties. Those declarations have heightened the feeling of distrust towards Hungary felt by the countries on its borders even though the moderate sectors on the right and in the Socialist Party together with the liberal Alliance endeavour to make the Hungarian State respect those current borders. One of the most serious recent cases coincided with the commemoration of the 80th anniversary of the Treaty of Trianon, when the slicing up of the former Hungary was signed. During one of the commemorative events, in June 2002, a member of the government, the leader of a party that no longer holds any parliamentary seats, Jozsef Torgyan (of the Smallholders' Party), reproached Slovakia and Rumania for not granting administrative autonomy to the areas inhabited by Magyars and reminded them that NATO (which Hungary forms part of) had bombed Serbia for similar reasons in the case of Kosovo. At the same time, he encouraged the members of these minorities to keep hoping for changes to be made to those borders in the future. Quite plainly, statements of that ilk seriously undermine all the efforts to create trust made by Hungary since democracy was established in 1989.

Since 1988, the Socialist Party has also joined in the policies devised to defend Hungarian minorities in neighboring countries although in many cases the real target of those policies are the Hungarian voters themselves who apparently regard those minorities as their fellow countrymen and women and want the Hungarian State to take care of them somehow. However, the Socialist Party has been much more moderate in the line it has taken than the right-wing conservative parties and, above all, more careful in what it has said and done to avoid any deterioration of the country's relations with its neighbours.

In any event, the democratic transition in Hungary, as in almost all the post-communist countries, has elevated nationalism to a higher dimension in political life. All the parties have jumped on the nationalist bandwagon in the language they use and the things they do, except for the SzDSz liberal group. That may be why it is doomed to be a minority party. However, nationalism is the main differentiating element today in the party system because there is a sliding scale of expression to rate degrees of nationalism from the Socialist Party at the most pro-Western end right across the spectrum to István Csurka's anti-Semitic party, the MIEP, at the other end, with Fidesz and the Forum somewhere in the middle.

All in all, Hungarian democracy has managed to stabilize a party system even though there is a big difference between the two sides in the contest. On the socialist side, there is just one

party which has continued in politics without any splits, holding a stable course since 1989. On the Christian-conservative side of political life, there are several groups whose relative electoral support has undergone major changes since 1990 and some of them have been left out of parliament as a result. So the stable thing about these parties is the electoral support for the whole group but not for any one of them in particular.

In addition, it could also be said about the party system that the identifying traits of social democracy are fairly solid even though there is talk about social democracy being in crisis in Europe right now, whereas the features distinguishing the parties on the right are not so clearly defined. That is probably the case in any European country given that socialist parties everywhere have ideological foundations underpinning them that the right lacks. But that difference is much more acute in a country that has just emerged from an experience as a society where income distribution was decided by the State which pampered skilled workers and excluded intellectuals or technical experts, and whose transition to a market economy has shaped a new society where the rich do not identify with the political right. This is so largely because many of those most benefiting from the economic transition already held high-level positions during the socialist phase and thus feel close to the Socialist Party. But it is also so largely because the policies developed by the right parties do not favour the interests of those groups any more than the Socialist Party's policies do. Therefore, a link between high and middle classes and right-wing parties or, in general, between voting and income level cannot be established.

In this respect, it might be thought that the Hungarian party system still needs to adapt to the diversity of interests of the new society that has emerged in recent years but predictions on what might happen in this field are impossible to make, especially right now when the traditional European model of splitting votes and policies down a dividing line between left and right is so unclear.

Appendix

VOTING IN PARLIAMENTARY ELECTIONS IN HUNGARY *

	March 1990	<u>May</u> <u>1994</u>	<u>May</u> 1998	April 2002
MDF Hungarian Democratic Forum	25%	12%	3%	**
SzDSz Alliance of Free Democrats	21%	20%	8%	6%
MSzP Hungarian Socialist Party	11%	33%	32%	42%
FKGP Independent Smallholders' Party	12%	9%	14%	***
KDNP Christian Democratic Party	7%	7%	2%	-
MIEP. Hungarian Truth and Life Party	-	2%	5%	4% (no seats)
FIDESZ Young Democrats	9%	7%	28%	41% **

* Voting for party lists that won parliamentary seats at some time.

** The Hungarian Democratic Forum and FIDESZ contested the 2002 election together.

*** The Independent Smallholders' Party broke up into three groups before the election. None of the three achieved 1% of the votes.

Causes of the Hungarian success

Wolfgang Merkel

Statement:

Apart from Spain, Greece, and Portugal it is Hungary which was one of the most successful transition to and consolidation of democracy out of more than 80 transitions which took place during the course of the third wave of democratisations since 1974. This is proven by many indicators we use to evaluate the democratic performance of a transition country. It applies to the economy, to society, and to the political system as well.

Why was Hungary so successful? I would like to emphasize four reasons for it:

- Hungary started out with better economic and political conditions at the beginning of the transition in the late 1980s than most of the other post-communist transition countries.
- The Hungarian society is socially rather homogenous and has a considerably lower potential for violent conflicts than most of the other transition countries in Eastern Europe, especially those who have multi-ethnic and multi-religious societies or deeply rooted organized crime.
- Hungary could rely on a more solid stock of social capital and had deeper roots of civil society than most of the ex-communist countries of Central and Eastern Europe: One can call this the Habsburg factor plus the fact, that the communist regime was, among all communist autocracies, the least repressive one, esp. since the late 1960s when it moderately liberalized segments of its economy and society.
- The mode of transition and particularly the constitutional design of the political system proved to be most successful in promoting the fast consolidation of the Hungarian democracy.

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In my short remarks I will focus on the last argument of the very favourable constitutional and institutional frame, which embedded the process of democratic consolidation so successfully during the 1990s.

I will emphasize the following (6) points:

- The fundamental choice for a parliamentary system favoured the democratic consolidation: parliamentary systems are more conducive to democratic consolidation than semi-presidential systems like the one in Poland until 1996, or presidential systems such as in Latin America, Central and East Asia, or the highly problematic super-presidentialism which was established in Russia in 1993,
- the clear separation of the moderate jurisdictions of the president from those more extended powers of the parliament and government,
- the strong prime ministerial government („chancellor principle“),
- the strong constitutional court as an effective check in the systems of checks and balances,
- and even the complex electoral system, which enhances governmental stability and regular turnovers simultaneously.

Let me briefly outline these few points:

1. I explicitly state that for most of the young democracies of the third wave parliamentary systems turned out to be superior to presidential or semi-presidential systems. The reasons are among others:
 - Parliamentary systems normally have clear parliamentary majorities which they need in order to pursue the task of the enormous reform demand each young democracy is confronted with.
 - Presidents in presidential systems often lack these parliamentary majorities. They cannot introduce the necessary political and economic reforms and therefore they begin to govern by ‘decretos’, as the examples from Peru, Argentina, South Korea, Taiwan or Russia show. These bypassing of the parliament often leads to delegative or defective democracies.
 - The dependency of governments on the parliaments allow to solve constitutionally governmental crises by votes of confidence, before they become regime crises.
2. In Hungary a clearly defined distribution of powers between the head of state, the head of government and the parliament exists. The Hungarian president cannot effectively intervene in day to day politics as for example Lech Walesa did in the semi-presidential system of Poland between 1991-1995 causing severe conflicts within the executive and between parliament and the president as well.

3. Hungary has a strong, but effectively checked government. Since there is a tremendous reform burden in young democracies, strong governments capable of effective decision making are advantageous for democratic consolidation. The prime minister holds a strong position within government, comparably strong to the chancellor in the FR of Germany. But his power is checked by three institutions: the constructive vote of no confidence in the parliament, the parliament itself, and the constitutional court.
4. Hungary has one of the most powerful Constitutional Courts in the democratic world. It holds even more extended jurisdictions than the Supreme Court in the US and the Constitutional Court in Germany. Particularly during the first legislature 1990-1994 the CC was very active under its then president Laszlo Solyom. It clarified authoritatively constitutional disputes and so contributed to the stabilization of constitutional norms, made the public institutions more responsive to the constitutional norms, and promoted, what one could call, 'constitutional patriotism'. However this does not mean there were no conflicts: The Horn government for example was confronted with the ruling of the CC when it enacted the so called Bocros economic reforms. But the CC helped to settle this and other disputes rather effectively.
5. Hungary has a complex electoral system, a mix of plurality system and proportional representation. The plurality element of the system produced disproportional effects in the voter – seat relation. But it does it far less than the 'first past the post' electoral system in the UK. In addition, the disproportional effect is partially offset by the fact that it leads to a rather stable and not fragmented party system and has always produced clear parliamentary majorities in the four democratic elections since 1990. Moreover, it helped to bring about a turnover in government at each election (It already passed three times Huntington's turnover test). The Hungarian party system shows strengths and weaknesses. Its strengths are: stability, only moderate ideological polarization, moderate fragmentation, and a relatively low electoral volatility. Its weaknesses are: it is not deeply rooted in society; so the Hungarian political scientist Attila Agh aptly called these parties 'cartel parties' which preclude themselves from society and could therefore lead to a Hungarian version of 'partidocracia'.
6. Civil Society makes democracies work. Democracy should be embedded in a strong civil society in order to make democratic institutions not only at the elections truly responsive to the citizens. Civil society is the "school of democracy" as Tocqueville once put it. However, civil society is still a weak spot of the Hungarian democracy. Hungary had good starting positions for a strong civil society (Habsburg Factor, some tradition of rule of law, strong cultural associations in the past), but the positive

prospects have not been fulfilled yet. The Hungarian civil society is more developed than in Eastern Europe, but still considerably less than in Western Europe.

Conclusion

Democracy in Hungary is consolidated. The institutions of liberal democracy and the rule of law are firmly established. The membership of the EU is in sight. The economy is developing fast. Therefore, the “democratisation of democracy” should now be on the political agenda, otherwise Hungary would remain on the stage of a Schumpeterian “elitist democracy” with strong cartel parties but a weak non-active civil society, with a prospering economy but decaying social security. The new government has all the chances to avoid this.