

English version

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**Will Hungary fall into "Gazprom's Jolly Barracks"?**

**— Hungary Falling into the Trap of the "Treasurized Society"**

The ruling Fidesz party led by Prime Minister Orbán has been credited with a fourth consecutive term. Its disbursement politics and nationalism won the support of voters. Public broadcasting, which did not report any corruption of ruling party politicians and attacked the opposition day after day, was sufficient to brainwash the rural population. The public broadcaster has been appropriated by the ruling party and thus degenerated into the Fidesz channel. Fidesz's strategy (KESZMA) of funneling public money in the name of advertising to local media outlets worked

perfectly. The populist propaganda that "if the opposition is in power, there will be no more pension bonuses and no more utility rate reductions (rezsicsökkentés)" worked well with pensioners and rural residents who only watch public broadcasting. Since this is the case even in Hungary, it is not surprising that Putin has the support of 80% of the population in Russia.

However, the childish policy did not work in the large cities, including the capital, but for Fidesz, that was a calculated move. The intellectually sophisticated inhabitants of the large cities represent only a handful of the electorate. The majority of residents are not that smart, so it is not difficult to tame them with media control and populism. Once the pensioners and rural residents are under the control, the ruling party can maintain its power. This **obscurantist** policy has worked again this time. But where will such vile populism lead Hungarian society?

Moreover, Russia's invasion of Ukraine also worked in favor of the governing party. Initially, it was expected that Prime Minister Orbán would be harshly criticized for being an ally of Putin, but he immediately stated, "This is an invasion, and we support the territorial integrity of Ukraine. The Hungarian government's duty is to keep Hungary out of this war," and thus preventing criticism and upsetting Fidesz supporters by emphasizing that it was in Hungary's interest to stay out of the war.

On the other hand, the Hungarian government avoided naming the aggressor by thoroughly avoiding the proper names of Putin and Russia. This was also a basic strategy of Fidesz and a certain careful consideration for President Putin and Russia.

However, this stance drew criticism from Ukraine, where the Fidesz government not only closed its eyes to the rampant atrocities of Russian war crimes in Ukraine and avoided criticizing its ally Putin, but also rejected President Zelensky's requests. At a general election victory rally, Prime Minister Orbán quipped that he had to fight President Zelensky as well, but Fidesz's reluctance to criticize war crime will make postwar foreign relations difficult.

Is there any future for Orbán's government, which has turned a blind eye to the atrocious war crimes being committed in neighboring Ukraine, avoided criticizing its ally Putin, and "fought" not against Putin, but against President Zelensky? Later historians will record that in the Russian invasion of Ukraine, Putin's ally Orbán implicitly sided with Russia for the sake of Russian natural gas in exchange for the blood of Ukrainians. Fidesz's temporary victory will be remembered for centuries as a historical stain on the Hungarian nation. Whether we consider it a

disgrace or an excuse, Fidesz's victory will be the downfall of Hungary into the "jolly barrack of Gazprom" that young Orbán Viktor worried about. This is the paradox of history.

### **Disbursement Policy is a Contemporary Version of Enlightenment**

However, Hungary is not the only country striving for a disbursement policy. In contemporary politics, the disbursement of money has become an important means of maintaining political power. Especially in politically backward countries, the success rate of this policy is high. Japan is equally backward in this respect. Japan's public debt exceeds 250% of its GDP. In spite of the huge public debt, hyperinflation still has not been appeared. Some demagogues explain that government-issued bonds purchased by the central bank offsets debit-credit relations within the government sector, and therefore there is no need to be anxious about the accumulation of public debt. However, the accumulated debt will eventually have a major impact on the future Japanese economy. Short-term success does not mean long-term success. The truth will always penetrate. The massive accumulated debt cannot be "pretended" to have never existed.

The source of government money is tax revenues, and government debt is an advance on future tax revenues. These two truths are the socioeconomic laws that pervade reality, whether in developed or developing countries. Let us not forget that Hungary's VAT rate of 27% is the highest in the world. The same effect of the public utility reduction policy (rezsicsökkentés) can be achieved by reducing the world's highest VAT rate. However, a reduction of the VAT rate does not promote the reputation of the ruling party, therefore not appropriate for the ruling party.

In February of this year, András Tállai, Hungarian Undersecretary of the Ministry of Finance, on behalf of Minister of Finance Varga, responded to a "question on the VAT rate cut" by MP Szél Bernadett by stating that "even if the VAT rate is reduced, consumers will not feel it, and on the other hand the treasury will suffer a reduction in tax revenues," therefore "the VAT rate reduction is not appropriate."

A 1% cut in the VAT rate alone would provide household incomes with the same benefit as a one-year reduction in utility prices. However, this does not make consumers feel that the "government's benevolent policies help households." Herein lies the essence of populism. In order to win the support of the people, it must take on the appearance of "the government (king) giving to the people (subjects) through mercy." Only a few intellectuals criticize this as populism, and

most people accept it gratefully and are grateful for the mercy of the regime. This is why populist policies are effective. The urban intelligentsia is a small fraction of the electorate, and the majority of the people are uncritical and grateful for the benevolent policies of their superiors. Therefore, even if they lose in the cities, it does not hurt the party in power if they can win votes in the countryside.

The disbursement policy or "give but obey" policy has been the basis of the ruling party's policy since the days of the enlightened monarchs of the 19th century. This was also the basic policy carried through in socialist societies. However, the "give but obey" policy still prevails even in countries that have undergone a social transformation from socialist societies. This is because the development of a market economy based on "give and take" has been slow in these countries, and the development of mutual equality and equal relations among parties, which is the basic foundation of civil society, has not yet been raised to become a social norm.

Even in Hungary, which is supposed to have undergone a regime change, the same "give but obey" principle of the old regime still prevails. Before criticizing the opposition as "leftist," Fidesz should be aware that its populist policies rely on the principles of social behavior of the former socialist society.

### **The trap of the Treasurized Society**

I have named a national economy like Hungary's as the treasurized economy, in which the majority of national income is concentrated in the treasury and redistributed, despite the lack of a well-developed market economy. In a treasurized economy, the success or failure of a business does not depend on its success or failure in the market, but on public subsidies and personal connections. In this distorted economy, access to public funds, rather than competition in the market, determines the success or failure of a business. Therefore, businesses are diligent in making connections with politicians. This is a typical pattern of a backward economy. The structure of politicians themselves spending public funds even for the success of their sons' and daughters' businesses is also observed in the public courts, not only in Hungary and the Czech Republic but also in other former socialist countries.

Furthermore, in Hungary, where the power of the market economy is weak, private media are not nurtured. Without government advertising revenue, even its existence is in jeopardy.

Therefore, all media outlets try to obtain government advertising revenues and subsidies by flattering the political parties in power. Therefore, they naturally refrain from criticizing government policy, thus becoming a government propaganda media.

On the other hand, the party in power can strengthen its power base by prioritizing the distribution of public funds to its own supporters. The sharing of private jets and luxury yachts from successful businesses among politicians and businessmen is also common in the ex-socialist countries. Although the jets and yachts owned by Russian Oligarchs are not of the same rank as those used by Hungarian politicians, the sharing scheme is the same: a kickback of some real benefit in return for the provision of public funds. This type of reciprocal benefit sharing is classified as corruption in developed countries as bribery, but it is not recognized as corruption in former socialist countries because the concept or norm of bribery itself does not exist, even after regime change. This is why they can take a "so What" attitude, "What's wrong with watching a soccer game on a private jet" (Prime Minister Orbán's answer to the National Assembly). It would be a bit of a stretch to show him taking a train to Brussels with a knapsack on his back, but it would only make him look foolish. The concept of bribery is absent from the mind of MEP Tamás Deutsch, who flatteringly says, "There is no one more Puritan than Prime Minister Orbán.

This kind of treasurized economy does not develop the market economy, and thus the national economy. Therefore, the income level of the people will not increase. But that does not trouble those in power. As long as the high concentration of national income is maintained, the power base will be further strengthened. Once one enters the trap of a treasurized society it is difficult to break out of it.

When public broadcasting and much of the social media are in the hands of those in power, as in Russia and Hungary, reform of the power structure becomes almost impossible. This would lead to further degeneration of society from a mere treasurized economy to a more serious treasurized society where all the social activities are subordinated to the ruling power. Without money from the government (king), nothing can be done, and society will become more and more inclined toward tyranny. It is no coincidence that the Orbán government is moving closer to Russia and China. Despite differences in size, their socioeconomic structures are similar. Therefore, any Western intervention that could shake this tyrannical regime should be ruled out.

In this way, will Hungary once again become a "jolly barracks of Gazprom," tethered to the yoke of Russia?