
Abstract:

This paper is a case study of the effects of financialisation in Hungarian politics. Financialisation both as a global regime of capital accumulation and also in transforming people’s everyday lives influenced Hungarian politics deeply over the last fifty years and our understanding of the present hegemony of Viktor Orbán’s Fidesz party should be anchored in this political economic history. Already before the transition in 1989, market-oriented reforms were introduced and Hungary was integrated into global financial markets primarily through the foreign credit borrowing of the state, which made it particularly dependent on foreign investors as the state-socialist industries collapsed post-89. From the late-1990s subsequent governments allowed the proliferation of credit-fuelled consumption within the framework of a ‘privatised Keynesian’ regime, which majorly contributed to the severity of the 2008 crisis in Hungary. Right wing parties built up strong anti-austerity campaigns culminating in the 2010 elections when the legitimacy of the left-liberal parties collapsed. Instead of resorting to often rehearsed arguments about Hungary’s ‘democratic backsliding’ this paper suggests that the current hegemony of Fidesz is to a great extent the result of unfulfilled promises about economic welfare after transitioning to liberal market capitalism. And that politically, the Orbán regime’s financial nationalist agenda resonates with voters based on concrete past struggles which many associate with liberalised financial markets (banks and foreign currency credit) and international institutions like the EU or the IMF. It is a weakness of both the domestic left-liberal opposition and some recent scholarship on Orbán as an illiberal leader to fail to acknowledge this aspect of his regime’s popularity.

Keywords: financial nationalism, Hungary, financialisation, post-socialist transition, Central Europe, privatised Keynesianism
I. Introduction

This paper shows through a detailed case study of Hungary, an OECD and EU member country in East-Central Europe, that financialisation influenced the politics of the country deeply over the past 50 years. Specifically as Mark Blyth (2013, 15) argued there has been a resurgence of political agents representing ‘God and gold’ type financial nationalism. The hegemonic position of the right-wing Fidesz party in the last decade has been established by the joint political mobilisation of the electorate and domestic elites (Scheiring 2019) held together by ‘Orbánomics’ following the 2008 crisis (Johnson & Barnes 2014). Meaning, that Fidesz appealed to the electorate by presenting a national sovereignty-based welfarist alternative to the grave austerity measures delivered by the socialist-liberal coalition governments and their willingness to open up the economy to international financial institutions (notably the IMF and EU policies) from the 1970s, through the 1990s up until the crisis management of 2008-2009. And significant parts of the Hungarian economic elite also turned towards the Right in part out of frustration, that the left-liberal governments did not help domestic economic agents in competing with international investors and companies.

These concrete political-economic factors should be at the forefront in an analysis seeking to understand the ‘illiberal’ politics which the Orbán regime has come to embody. Explanations which primarily or exclusively focus on Orbán as a corrupt leader of a crony capitalist ‘mafia state’ (Magyar 2016), or as a right-wing populist conjuring hatred towards minority groups, cannot adequately explain the regime’s popularity without implicitly suggesting that Fidesz-supporters are in a certain state of ‘false consciousness’ (i.e. voting against their interests), or they fail to give a continuous framework which can stretch from the first landslide victory of Fidesz in 2010 (before the institutionalised propaganda outlets were in the hands of the party) to the subsequent election campaigns (2014, 2018) which clearly operated with reactionary tropes of anti-migrant, anti-LGBT or anti-feminist narratives, widely associated with what is commonly called right-wing populism today.

In this paper, the analysis of this right-wing turn of Hungarian politics in the last decade will be embedded in a historical narrative about the structural shift in the global economy towards financial markets since the 1970s (due to the relative decline of profitability in the productive sectors). By the 1980s international financial institutions (IFIs) and banks were under pressure to gain access to new markets and profit sources, and Hungary joined the IMF in the 1980s exactly at this time, beginning its transition towards a liberal market economy by the end of
the decade. In Central and Eastern Europe (CEE) IFIs, especially Western European banks, found new ways to receive short-term profits and their ‘impatient finance’ practices became a driving force in the restructuring of post-socialist economies (Gabor 2012, 244).

An analysis of the domestic political scene will complicate this structural explanation. Crucially, depicting (1) the policy preferences and political practices of the neoliberal ‘reform economists’ who were trained in their profession under state socialism but rose to prominence in the second half of the 90s and (2) the attempts of post-transition governments to give the impression that Hungary is ‘catching up with the West’ in living standards, will show that financialisation — especially the privatisation of the housing market and the spread of foreign currency loans — was a political strategy of subsequent governments and it has fundamentally reshaped the everyday lives of Hungarian citizens.

Therefore, it will be argued that the structural openness of the Hungarian economy, which was often praised by domestic and international economists in the 1990s, in the long run overly exposed the country. The structurally embedded interests of international economic actors coupled with the policy choices of multiple governments in the 1990s and 2000s contributed greatly to the political circumstances which enabled Orbán’s so-called ‘electoral revolution’ in 2010. The narrative about Hungary ‘catching up with the West’ has been deeply compromised by the unfulfilled promises of the transition, by the grave austerity measures post-transition and later the severity of the 2008 crisis. The crisis managing socialist-liberal ‘government of experts’ accepted the tight economic conditions of IFIs once again and received praise from the West (Orszag 2009). In turn, this provided fertile ground for Fidesz and Viktor Orbán to present an alternative that was based on promises of growth, social security, and an end to austerity by rejecting the influence that banks, the IMF and the EU had in Hungarian political-economic matters (Johnson & Barnes 2014, 544). This alternative is financial nationalism, which deserves attention both as a powerful political narrative and as — at least in the short run — successful economic and popular political policy agenda.

a. What is particular about Hungary in East-Central Europe?

Among advanced economies, the countries which transitioned and became ‘market democracies’ in the early 90s are an interesting case to study the political effects of
financialisation as these countries were incorporated fully into the global economy right at the height of the late 20th-century wave of financialisation (Arrighi 1994). In the central and eastern European region, Hungary stands out from the late 60s onward: it was considered to be the ‘happiest barrack’ among state-socialist countries and was the first to introduce market-oriented reforms in 1968. During the transition period, many Western commentators praised the quick privatisations in the 1990s and the openness of the Hungarian financial sector to Western investment (Andor 2009; Johnson & Barnes 2014; Fabry 2019) along with the country’s political reforms. However, a number of crises and dependence on IFIs lie behind the supposed success: Hungary had to quickly join the IMF in 1982 ‘to help restore western bankers' confidence’ (Morgan 1982) and became the first among the four Visegrád countries (Czech Republic, Hungary, Poland and Slovakia) to reach out to the fund in 2008, particularly, the support Hungary had to ask for, at the time, was unprecedented for an OECD country (Tooze 2018, 230).

b. Financialisation of the economy and the everyday

There are two main areas of financialisation that we need to analyse to understand the success of Fidesz’s financial nationalism in Hungary. Firstly, we need to consider financialisation as an accumulation regime emerging to answer the crisis of post-war Keynesianism (Lapsavitas 2013; van der Zwan 2014) led by institutions like the IMF and the World Bank, but also in the case of CEE, the EU. These institutions opened new opportunities for investors from developed countries which began to shift their economic focus away from production. Financialisation then is an accumulation regime allowing profit making to continue alongside a tendency of deindustrialisation in core countries, and it is also in the late twentieth century, a geographical extension of previously existing practices by large banks and investors to new areas of the globe, towards the economic peripheries.

These aforementioned IFIs expected Hungary also to rapidly implement Western economic norms as part of a ‘shock therapy’ which led to an unfair race between international and domestic capital for resources that used to be publicly owned and were now on the market to be privatised (Fabry 2019). Moreover, Hungary (together with the other transitioning post-socialist economies) offered new opportunities for investors, especially European banks seeking to maintain their global political-economic status, and accordingly, foreign capital
flooded the financial system of Hungary—foreign banks owned 82% of bank assets by 2005 (Bohle 2014).

Secondly, embedded in this broad accumulation regime and structural economic shift towards finance, the ‘financialisation of the everyday’ (van der Zwan 2014, 111-114) became another core feature of the politics of finance in Hungary. Private credit and mortgage schemes were used by subsequent governments to allow the consumption of goods that were perhaps unavailable under state-socialism (from Western products to better cars and homeownership) and thereby provide a sense of enrichment for the population during periods of stagnation or retrenchment. Later, the 2008 foreign currency (forex) mortgage crisis became the primary source of distrust towards financial institutions and people’s disillusionment and vulnerability during the crisis was galvanised for political goals by the right and far-right successfully (Gyöngyösi & Verner 2018).

A widely discussed third major aspect of financialisation is the rise of shareholder capitalism (van der Zwan 2014), but this phenomenon had little effect on the domestic politics of Hungary. Shareholder interest was clearly relevant in making foreign investment impatient during the privatisations of the 1990s and although mainstream liberal political thought would have suggested doing so, political democratisation in Hungary was not coupled with the construction of domestic shareholder capitalism as such. Instead, the main beneficiaries of privatisation were foreign investors and the late Kadar regime’s technocrats (becoming oligarchs of post-socialism), while ordinary citizens could gain ownership in companies only through a limited voucher-based system.

International actors, structural market pressures and the financialisation of private households exerted a significantly greater influence on Hungarian politics than shareholders which is why I will focus on these aspects of financialisation in the following.

II. 1968-1995: Marketisation, transition and austerity

This section will provide an exposition of pre-89 trends towards financialised welfare politics of the Hungarian People’s Republic and how high levels of government debt contributed to the economic transition of the country back into a global liberal market framework. And finally,
the great trauma of subsequent austerity measures and shrinking state involvement in the economy will be discussed as a misguided effort by domestic agents to meet the expectations of ‘good governance’ according to the then hegemonic Western, neoliberal standards.

a. 1968-1989: Pretransition steps towards liberal capitalism

By the 1970s the Hungarian economy was struggling to maintain the growth catalysed by the resetting of the country towards an industrial, modernised trajectory. The country’s major reserve resource, cheap labour had been utilised as much as possible, with full employment being both an ideological and economic necessity, and there were not many natural resources left to exploit. However, following the repressive Stalinist regime against which the population famously rebelled in 1956, János Kádár was only able to govern by promising peace and prosperity. The Kádár era delivered better living conditions for the population and more tolerant policies towards dissenting intellectuals. Indeed, in 1968, reform economists influenced by pro-market economic theory were able to push through the ‘New Economic Mechanism’ (NEM) promoting gradual marketisation. The NEM reforms resulted in significant GDP growth in the early years and were praised by Western observers, but the orthodox faction of the Communist Party halted the programme. Still, many of the policymaking reform economists remained influential through the newly established Financial Research Institute (FRI) which became a hub for pro-market, pro-West economists (Gagyi 2015; Fabry 2019).

After the backtracking of the NEM reforms, the Kádár regime had to look for new, foreign sources to finance the relative prosperity and welfare of ‘goulash communism’. There were two main cycles of borrowing between 1973 and 1989 with Hungary experiencing a major liquidity crisis and joining the IMF for a standby loan in 1982. While dominant narratives blame excess consumption and ‘artificially high living standards’ (Szabó 2016, 8) for the high debt to GDP ratio, a recent study focused on the dynamics of the international financial sector revealed that a primary source of debt was the, arguably, flawed monetary decision of the National Bank to borrow in certain foreign currencies. Currency exchange losses added 10 billion dollars’ worth of extra debt (Szabó 2016, 6) to Hungary’s balance sheet which contributed greatly to Hungary’s overall indebtedness which rose by 18.6 billion dollars between 1973 and 1989. The overall debt to GDP ratio grew from 9.2% to 66.5% in less than
twenty years (Szabó 2016, 6-7) and as a result, Hungary entered the post-socialist condition with the highest per capita foreign debt in central and eastern Europe (Andor 2009, 287).

This debt was a major policy constraint for post-transition governments and provided a strong basis for framing post-transition economic issues though monetarist ideas (Gabor 2012, 232; Johnson & Barnes 2014) which focused less on maintaining the productive capacities of the economy and more so on lowering the state deficit and debt levels, through a monetary constraint on the state’s budget. This monetarist approach was promoted by the IMF at the time, but also supported by highly influential domestic agents. It was supported particularly by the reform economists of the previously presented FRI who established themselves as leading pro-democracy, pro-market economists and were able to network, have research trips organised by the IMF and the World Bank and began to publish samizdat works in order to help forge a consensus around strong pro-market proposals for the transition (Fabry 2019). In accordance with their vision, the integration of the Hungarian political economy into the global credit market was followed by the rapid establishment of liberal capitalist institutions after 1989. In the early years of the transition, Hungary was praised for its highly developed, Westernised markets (Andor 2009; Johnson & Barnes 2014). However, in the domestic political scene, disillusionment was brewing.

b. The 1990s: global finance and the politics of austerity

After the first democratically elected conservative government in 1990, it came as a surprise to many when the post-communist Socialist Party received 54,15% of the votes in 1994, an increase from 8,6% in 1990, and hence came to power. Many interpreted this as a protest vote rooted in the collapse of the socialist industries, the unemployment crisis and a general disappointment after the optimistic ethos of the early transition period. The Socialists decided to form a coalition government with the Liberals, which provided a two-thirds supermajority for them in the parliament, and in return, Liberals established influence over government policies and cabinet positions. For instance, against the Socialists’ candidate, they supported Lajos Bokros, a pro-privatisation, pro-market reform economist from the FRI, to become the finance minister (Fabry 2019). Together with other pro-market economists he then developed and, in 1995, began to execute the heaviest austerity package of post-socialist Hungary. This was in accordance with the expectations of IFIs and foreign investors looking for easy profits
through the ‘privatisation bonanza’ (Gowan 1999, 280) which was part of the Bokros package. Hungarian neoliberal economists followed IMF austerity policies—emphasising monetary constraints on government spending, large-scale privatisation and a general roll-back of state expenditure. However, this did not mirror the expectations of the majority of the electorate who had, a year earlier, voted for the Socialists to protest exactly this version of the transition, which was more in line with the interests of international finance than local business and citizens.

The 1995 austerity package coupled with the tight liquidity policy of the National Bank (led by György Surányi, another FRI economist and co-developer of the ‘95 austerity package) hit the Hungarian manufacturing sector especially hard. The productive sector was in great need of credit due to the increased production costs and the sudden proliferation of competition (Gabor 2012), but firms, small and large, were struggling to get the necessary funding. Neoliberal economists in Hungary and experts of IFIs saw valuable large public companies as ‘old mammoths’ that were inefficient in their use of state resources (Gabor 2012, 237; Fabry 2019) so increased state funding was unimaginable. Foreign-owned commercial banks did not trust these large firms either and small and medium-sized enterprises (SMEs) were hardly in a better position to get credit (Gabor 2012; Scheiring 2011).

It is understandable that policymakers wanted to lower the indebtedness of the country and sought to avoid any unnecessarily risky borrowing. However, adhering to the Washington consensus of market liberalisation, monetary stabilisation and privatisation (Gabor 2012, 235), the austerity measures of 1995 and the inflation-controlling, tight liquidity strategy of the National Bank actually caused deep issues for Hungary in the long run. According to Gabor (2012), the credit crunch and central bank policies contributed greatly to a US-style financialisation of CEE economies forcing non-financial firms to realign their practices with those of the financial sector, which preferred more profitable short term portfolios instead of the traditional long-term investment that the manufacturing sector would have needed. In this respect, CEE was quickly integrated into the Western capital accumulation regime through impatient finance and with only little domestic political contention.

By the late 1990s it was clear that contrary to countless promises of ‘catching up with the West’, the economic path taken by the neoliberal architects of the transition period did not result in western European levels of prosperity. Hungary’s GDP only caught up with the GDP of 1989 in 1999 and real wages were still 19% lower (Fabry 2019, 86). The influx of FDI and multinational corporations (MNCs) was based on the cheap, well-trained labour force and the
domestic policy framework sought to accommodate MNCs instead of supporting domestic SMEs. Previous trade relations were reoriented from the COMECON countries (comprised of the Soviet Union, the Eastern Bloc and other state-socialist countries) towards the West, many industries that had previously been successful collapsed after privatisation (for example, in Hungary, only one of twelve sugar factories survived), and the economy was restructured along the lines of other advanced economies, with the quick establishment and subsequently notable growth of service and financial sectors (Fabry 2019, 87).

Following the austerity measures of 1995, support for the Socialists plummeted and Fidesz, which had just rebranded itself from a party of young liberals to a conservative one, won the 1998 elections. In order to remedy the effects of the deteriorated industrial sector and low levels of GDP growth, the first Orbán government (1998-2002) began to subsidise Hungarian forint-based mortgages. This aimed to inject funding to the construction industry, help further expand private homeownership and the sense of security and prosperity that many associated with it.

III. The 2000s: Privatised Keynesianism based on forex credit

a. Homeownership as social status

The background to the housing and mortgage policies of subsequent governments in the 2000s is to be found in the popularity of the privatisation of previously state-constructed and owned homes after 1989. In the short term this was the most popular policy of the transition because renters were able to buy state or council-owned homes, on average, for the third of the estimated market value (Dániel 1996; KSH 1999, 46). Moreover, it seemed beneficial for the government and advising IFIs like the World Bank since councils and the state received direct cash funding from citizens and could save the rent-subsidies and maintenance costs associated with council flats (Dániel 1996). Between 1990-1994, 40% of publicly owned housing was privatised and homeownership became a central aspiration for Hungarians (Dániel 1996, 205). However, it soon became clear that many people were unable to finance the maintenance of old flats, while others wanted to move up on the ownership-ladder but could not due to the lack of mobility in the housing sector.
The Orbán government’s subsidised mortgages sought to answer these problems not through social welfare programmes but by including larger sections of the population in the financial system through private borrowing. A credit boom began in the early 2000s, continuing under the following left-liberal governments, up to the 2008 crash, with household borrowing growing by more than 20% annually from 2003 to 2008 (Bohle 2014).

b. Domestic credit boom embedded in the dynamics of international finance

By this time, Hungary was on the EU convergence track and was able to join in 2004. Much like market liberalisation after 1989, this was considered to be a necessary and desirable outcome by most agents across the political spectrum. Unfortunately, there were some caveats to the economic harmonisation process. According to the Maastricht treaty, the debt to GDP ratio could not exceed 60% and annual deficits had to be kept under 3%. The Hungarian forint had to become a fully convertible currency and Hungary was to lift all foreign currency trade and ownership regulation, which was carried out in 2001. These prescriptions contributed to the emergence of a particular financial regime in Hungary, which could be described as ‘privatised Keynesianism’ (Crouch 2009).

Dorothee Bohle (2010, 7-8) believes this seemed like a ‘win-win deal’ that ensured political stability by allowing governments to avoid serious austerity measures and simultaneously lowering debt to GDP while middle-income groups were able to compensate for their stagnating wages through mortgages and credit-fuelled consumption (Fabry 2019, 91-92). After the liberalisation of loans denominated in foreign currencies in 2001, the mortgage boom became a foreign currency (forex) credit boom. This was the product of government and National Bank policies, the international context of EU harmonisation (for example, the prospect of joining the Eurozone) and the overwhelming presence of foreign commercial banks in Hungary and their low-interest forex credit. Furthermore, there was an element of aspiration in the credit boom, with some describing their Swiss franc mortgages as ‘more elegant’ (Pellandini-Simányi, Hammer & Vargha 2015, 752) which is why Adam Tooze (2018, 124-25) says that these mortgages could also ‘signify’ ones ‘arrival in the West’ in a ‘personal way’. By 2008, 70% of all household borrowing was in forex loans, with 60% denominated in Swiss francs (Gyöngyösi & Verner 2018). Unfortunately, the credit boom resulted in a devastating crash when the global financial crisis hit Hungary in 2008.
Before 2008, monetary policy was set by multiple institutions. Financial regulation was not under the central bank but the Finance Ministry. Hence, even though the Hungarian National Bank signalled that forex based lending became a systemic risk for the economy in 2007, they had few ways to actually influence the behaviour of the financial sector, apart from ‘verbal intervention’ as the ex-vice-governor of the central bank put it (Király 2019). Thus, the National Bank’s interest rate hikes, traditionally important in slowing borrowing, did not result in the desired effect, instead made forex-based borrowing even more appealing.

c. The politics of privatised Keynesianism

Foreign currency borrowing first became a politicised issue in 2006, when the re-elected socialist PM, Ferenc Gyurcsány admitted in a leaked speech that they ‘lied morning, noon and night’ to the population when they promised no austerity in their election campaign. Soon, he admitted that the annual deficit would be 10% and announced a large scale austerity programme, which disregarded any potential electoral and social consequences, and ‘tied [the Socialist Party’s] fate increasingly to a narrow circle of domestic and transnational actors eager to continue harsh economic reforms’ (Bohle & Greskovits 2012, 241). Of course, Gyurcsány claimed that austerity this time ‘would not hurt’ which was to be achieved by expanding the privatised Keynesian paradigm.

We can characterise this strategy as Keynesian, as it is based on counter-cyclical borrowing, but only with the qualifier privatised, as instead of the government taking responsibility for the risk of national debt, risk is shifted to individuals through private credit (Crouch 2009; Fabry 2019, 91). Relaxed regulations on creditworthiness and the availability of cheap forex loans were supposed to act as counter-cyclical consumption fuels, which shows that the financialisation of the everyday (personal credit boom) was deeply connected to top-down austerity as an integral part of the Gyurcsány-led governments’ (2004-6 & 2006-8) political-economic policy. We first saw major right-wing mobilisation against Gyurcsány after the leaked speech in 2006 and this momentum was translated into far-right party building (resulting in Jobbik) and anti-austerity organising during the 2008 ‘social referendum’, where the anti-austerity campaign (primarily run by Fidesz) won by a landslide (Fabry 2019, 117) and soon after the liberal-left governing coalition broke down.
Later that year, the financial crisis hit Hungary particularly hard. According to the then vice-governor of the National Bank, they were expecting only the ‘edge of the tornado’ that was the financial crisis, because they hoped that foreign banks and investors would appreciate the stabilising austerity measures implemented since 2006 (Király 2019). This turned out not to be the case and the interplay of government instability and economic weaknesses like the country’s history of high debts and the lack of prudence in the banking sector made Hungary the victim of the global liquidity crisis right after Iceland’s economy collapsed (Andor 2009). There was also the risk of sovereign default in Hungary and due to the dominance of Swiss franc loans, the situation became critical. Around 1.2 million people had borrowed through foreign currency loans and because of the volatile exchange rates many ‘mortgage and car loan bills rose by 20% in just weeks’ (Tooze 2018, 229). When the final attempt of PM Gyurcsány to lobby for a common fund for EU states in CEE failed, he stepped down. A new technocratic government was formed without electoral confirmation or legitimacy led by the earlier finance minister, a businessman with international name recognition, Gordon Bajnai. Shortly after, he became the first PM in CEE to reach out to the IMF for a significant loan package.

The IMF was the last resort and together with the EU and the World Bank, they ended up offering an unprecedented twenty-five billion dollar loan package to Hungary, which was the equivalent of 20% of the pre-crisis GDP and was considered as ‘unusually generous’ by IFIs, however, from the Hungarian perspective it was considered ‘traumatic’ (Tooze 2018, 230). The condition for the loan package was to double austerity efforts to control national debt. This imposed pro-cyclical austerity did not significantly improve the economic situation in the short term (although the risk of sovereign default was averted), and just as in many other countries the austerity-driven crisis management strengthened the salience of right-wing economic nationalist parties (Blyth 2013). In Hungary specifically, the rise of the Right is tightly linked to the delegitimization of the left-liberal governments of the 2000s and the breakdown in citizens’ trust in a politics led by ‘experts’, an approach advocated by the crisis-managing Bajnai government.

Austerity measures, either supported or demanded by IFIs, repeatedly implemented by left-liberal governments and the severity of the forex credit crisis was fertile ground for the right. In 2009, 77% of Hungarians were ‘dissatisfied’ with their democratic institutions and 94% of
those surveyed thought the economy was ‘in bad shape’, with merely 20% regarding EU membership as ‘a good thing’ (Pew Research Center 2009, 3,67).

IV. After 2010, International crisis — national solution?

During the global financial crisis and in its aftermath the two main right-wing parties in Hungary (Fidesz and Jobbik) implemented anti-establishment, anti-financial sector political narratives, positioning themselves on the side of debtors vs creditors and voters clearly appreciated this (Gyöngyösi & Verner 2018) as the Right took a combined 70% of votes in the 2010 elections, with especially high support in poorer regions where debtors experienced higher levels of default and personal bankruptcy.

Johnson & Barnes (2014) proposed the notion of ‘financial nationalism’ to capture a specific version of economic nationalism that emerged in reaction to the 2008 crisis — Fidesz and ‘Orbánomics’ in Hungary is their case study. They argue that the openness of the Hungarian economy in trade and finance made the country exceptionally vulnerable and dependent on IFIs to manage the crisis. This indeed seems to be a crucial asset of right-wing narratives about self-rule, since Fidesz was able to present IFIs, the EU and their domestic supporters together as Schmittian ‘outsider’ enemies of the united, homogenous Hungarian nation (Johnson & Barnes 2014). However, this narrative was not new for Hungarian conservatives.

The influence that IFIs built in the country and left-liberal politicians' goal of maintaining a good reputation in the West became a strong talking point for conservatives from the 1990s onward. Several events form the basis of a persuasive anti-left, anti-Western political narrative that persists to this day. Firstly, the unfulfilled promises of the transition and the post-transition socialist-liberal coalition government’s decision to implement harsh austerity measures in 1995. Secondly, the relaxation of rules on foreign currency loans in 2001 related to conditions of EU accession, the following credit boom and the disaster it resulted in 2008. Thirdly, as a consequence of the financial crash, the IMF-dictated austerity measures implemented by the self-described technocratic left-liberal government in 2009.
Finally, these talking points and the party-building exercises came together in a successful campaign in 2010, when the overall share of Fidesz and Jobbik added up to 70%. Both parties promised to end austerity and restore growth, to support local businesses instead of MNCs, and they positioned themselves, in opposition to the IMF, EU & World Bank, on the side of ordinary citizens who were cheated by banks. The second Orbán government gained a supermajority in the parliament due to their successful financial sovereignty based electoral campaign and the complete delegitimisation of the Socialist Party. The election was clearly part of the aftermath of 2008 since in 2010, many debtors were still struggling with their loans, some were engaged in protests and lawsuits or fighting eviction. A detailed zip-code level analysis by Gyöngyösi and Verner (2018) revealed that ‘the prevalence of foreign currency borrowing of households’ and their ‘exposure ... significantly affected political preferences’ benefiting the far-right as ‘a 10 percent unanticipated rise in indebtedness increased the vote share of the far-right by 2.2 percentage point’. Even after the elections, Jobbik supported and organised debtor protests and collected thousands of signatures to pressure the already pro-debtor Fidesz government to take strong legal action in the name of national interest against foreign banks.

Viktor Orbán is today leading his third supermajority government. Financial nationalism influenced the policies of Fidesz throughout the 2010s. With the power of their first supermajority government, they nationalised all pension funds to pay-off remaining loans to the IMF. Similarly, they lowered the budget deficit enough (below the annual 3% mark) so that the EU ‘lifted the humiliating Excess Deficit Procedures’ (Tooze 2018). The National Bank lost its independence from the government but its powers were extended and under the new, ‘unorthodox’ central bank leadership of György Matolcsy the centrality of the forint has been re-established. The governor of the National Bank recently published an anti-euro article in the Financial Times which suggests there is little potential for Hungary’s entry to the Eurozone (Matolcsy 2019). The Hungarian forint is now the main currency of borrowing as banks were banned from issuing forex loans for some time and forced to exchange earlier loans to forint-based ones.

It is important to note that the discussion of the economic nationalism of Fidesz in this article is limited to financial matters as in the manufacturing industries and trade, Hungary is still an export-oriented, open economy that is deeply integrated into European supply chains through various MNCs. Hungary still receives support from the EU Cohesion Fund and Orbán often
stresses that he would not go against the interests of Germany and welcomes their investments to help with re-industrialisation (Toplišek 2019). This, therefore, reveals that ‘Orbánomics emphasized financial nationalist policies instead of achieving greater autonomy in trade and production’ (Johnson & Barnes 2014, 536). While challenging certain aspects of the global financial order, financial nationalism operates more as an identitarian framing of ‘outsiders’ (see: anti-IMF, anti-EU, anti-left politics) and ‘insiders’ in domestic politics (Johnson & Barnes 2014, 545) rather than as principled politics going against centre-periphery dependencies within the global and European economy in their totality (Toplišek 2019).

V. Conclusion

Beginning from the high levels of national debt, through Hungary’s rapid integration into global financial institutions and their expectations of monetary stability, to the severity of the 2008 foreign currency loan crisis, it is clear that financialisation has exerted great influence on the recent history of Hungary. In politics, financial and monetary issues were a constraint for subsequent governments that tried to navigate between international institutions, ‘investors’ confidence’ and the expectations of their own electorate. After the collapse of the state-socialist manufacturing industries, the remaining firms had to adjust to the rules of the global financial system to get funding, while a new service economy and financial sector quickly emerged.

In addition to the integration of the national economy into the global financial accumulation regime via IFIs and FDI, the politics of financialisation is also deeply bound to the politics of austerity. Private credit was promoted to ease the pain of de-industrialisation, stagnating wages and slow economic growth. Credit helped citizens to homeownership or to buy previously unavailable consumer goods. After policy harmonisation with the EU, higher-risk, foreign currency loans became popular as Hungarian forint-based loans’ interest rates were high, and several governments allowed banks to operate under low regulations when it came to creditworthiness assessments. The low-growth economic environment and the electoral politics of aiming for better living conditions drove the development of the privatised Keynesian financial regime in Hungary, which in its collapse in 2008 transformed Hungarian politics profoundly.
The foreign currency credit crisis dominated after 2008. Following the neoliberal transition of 1989, the socialist-liberal austerity programmes in 1995 and 2006, the 2008 crisis became the third pillar of the anti-global finance narrative of the Hungarian right. Financial nationalism gained traction with many social groups, from sections of the Hungarian oligarchy (unable to successfully compete with MNCs), middle-class conservatives (fed up with the two-term rule of the Socialists) and lower class ‘rust-belt’ voters in deindustrialised regions (Scheiring 2019). The latter group understandably developed anti-financial sector sentiments due to the loss of manufacturing jobs and the foreign currency credit crisis, and anti-IMF & EU views due to the austerity imposed on the country. The Hungarian Right built up an anti-austerity, anti-IMF campaign that culminated in the 2010 elections when both the political and economic legitimacy of the left-liberal parties collapsed.

To this day, financial nationalism frames the credibility of Fidesz’s opposition to global finance & the EU. And in the meantime, Orbánomics delivered clear results, like lowering the deficit and the national debt, and GDP growth in the last few years, which is appreciated by orthodox economists as well (Johnson & Barnes, 2014, 551; Tooze, 2018, 492). Financial nationalism became a culturally loaded narrative to delegitimise the left-liberal opposition parties that align themselves closely with institutions like the EU, this way financialisation, austerity and the backlash after 2008 appear to have strengthened a political dichotomy present in Hungary since the late 1980s. Since then, the influence of IFIs and their pro-finance policy framework has been under contestation by conservatives, more so than those on the Left. Now it seems that the Right is united in its resistance to global finance (at least rhetorically), and the left-liberal alliance operates in direct ideological opposition to financial nationalism. They still remain largely uncritical of the domestic neoliberal architects of austerity (Bokros, Gyurcsány, Bajnai) and the institutions (IMF, EU, World Bank) which advised Hungary to privatise its assets, to join global markets quickly and to reorient its economy away from the productive sectors.

The ability of Orbán to capitalise on austerity politics by challenging the governing left-liberal parties in the 2008 ‘social referendum’ and by firmly appearing to stand with debtors post-2008 is foundational to his continued popularity in comparison to opposition parties. Some leading figures of the Hungarian ‘third-way’ social democrats, like Ferenc Gyurcsány are still prominent in politics and public life, and although two liberal parties of the opposition made significant gains in the 2019 EU elections due to a clear anti-Orbán & pro-EU campaign, it
remains to be seen how the opposition alliance could convince enough Fidesz supporters or non-voters to win a majority in a general election.

To be able to speak to voters who continue to enthusiastically support Orbán seems to require a break with the binary politics of simply opposing Orbán’s ‘illiberal’ political discourse and financial nationalism. The acknowledgement of the struggles which many associate with liberalised financial markets, banks and forex credit or the EU and the IMF itself could be a step in this direction. However, this shift in the political framing of economic matters is clearly not in the interest of Fidesz, having established the party’s hegemonic position via the political project of financial nationalism embedded in the binary cultural narrative of ‘us and them’. Nor in the interest of politicians and commentators from the opposition who look for the support of Western ‘anti-populist’ political initiatives and media outlets. However, to understand the structural (and at the same time, often deeply personal) reasons behind Orbán’s continued popularity, scholars should look beyond the moralised language of liberalism vs illiberalism, West vs East and so on. Beyond analysing Orbán’s politics with reference to abstract standards about the rule of law, the separation of powers or the protection of human rights, reflecting on the failures of those who designed policies and made political decisions which contributed to the significant right-wing shift of the 2010s in Hungary is essential. An analysis of the continued stability of the Orbán regime should consider both domestic and international factors which contribute to the hegemony of Fidesz, especially as Hungary, for many years was hailed as the ‘poster boy’ of post-socialist transition (Fabry 2019) for its strong liberal political institutions and supposedly successful economic transition. This paper sought to provide a detailed case study of the persistent relevance of financialisation in Hungarian politics, both of how the structural factors of deindustrialisation and foreign currency borrowing and the domestic policy framework of allowing cheap credit-fuelled consumption provided a plausible basis for Viktor Orbán’s Fidesz to present itself as being on the side of ordinary citizens against state austerity and international finance and on the side of local enterprises against MNCs. This political-economic history remains central for many domestic supporters of the Orbán regime, even if actual government practice is hardly consistent in challenging the economic inequalities and dependencies it often claims to.
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