

## **Hungary: Protests, Reforms and Uneasy Choices. From a Forerunner to a “State of Great Risks”**

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*Events of September 2006 and mass protests that followed afterwards, often accompanied by mob violence, shook the otherwise peaceful Central European country and its capital. Outraged by a leaked statement made by the Prime Minister Ferenc Gyurcsány, that the government lied about economic conditions in the country, disillusioned crowds took to the streets of Budapest. The protests soon began in other towns of the country and even in neighboring Romania and Serbia, where a large Hungarian minority resides. This article attempts to look at the puzzle of why Hungary, which used to be a forerunner among ex-Communist states in the beginning of the 1990s, currently faces serious political, economic and social problems, making Hungary one of the most problematic Central European states that joined the EU in 2004.*

### **Introduction**

Mass protests, which shook Hungary in September 2006, when angry crowds took to the streets of Budapest and other Hungarian cities, as well as cities in neighbouring states, have sometimes been compared to October 1956 events in Hungary, since “that kind of extra-Parliamentary activism has not been witnessed before” (Szekely, 2008). Disillusioned crowds demanded the resignation of the Prime Minister, which led the media to compare the events to the “coloured revolutions” in the former Soviet Union republics of Ukraine, Georgia and Kyrgyzstan. The “red paprika revolution”, though, never took place in Hungary: Prime Minister Gyurcsány and his party, *Magyar Szocialista Párt* (thereafter MSZP), remained in power, despite significant losses at the municipal elections of October 2006.<sup>2</sup>

Béla Greskovits examines the question of the radical ascendance (manifested in popular dissatisfaction with democracy, lack of trust in its institutions, reduced voter turnout, radicalization of centrist parties and the rise of illiberal extremist forces) in the Central and Eastern European context. Greskovits identifies two sets of explanations for this phenomenon: one focuses on external factors, particularly the weakening of the EU’s stabilizing influence after accession, and one which stresses the importance of domestic issues, namely, the negative effect of neo-liberal economic forces. Greskovits suggests looking at both external and internal factors in examining instability in CEE states (for example, EU pressures for economic convergence and domestic radicalization of the population). Although Greskovits examines CEE states in general and does not focus on Hungary as such, the

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<sup>2</sup> See National Elections Office website: [www.valasztas.hu](http://www.valasztas.hu).

suggestion to look at both internal and external triggers seems important in the analysis of the Hungarian crisis (Greskovits, 2008: 40-1).

One of the reasons frequently given as an explanation for the protests in Hungary is the socio-economic reforms, which have become increasingly unpopular with the population. The inability of the authorities to overcome the serious crisis the country was facing is also listed among the reasons. Hungary plans to join the Euro-zone but Hungary's budget deficit and huge external debt do not make this feasible in the near future. The government has not had much option but to start unpopular reforms in order to reduce the budget deficit.<sup>3</sup>

Deep divisions within Hungarian society and divisions within the elite have also exacerbated the situation. Hungary, which used to be a top EU applicant among the CEE states, currently lags behind most of the new EU members. The country faces a serious political crisis, with the accompanying divisions within the elite, and the society as a whole. Numerous economic, social, structural and demographic problems complicate the situation further.

I argue that the current situation should be viewed within the broader context of Hungary's accession to EU, or, "Hungary's road to Europe" (Szekely, 2008). Using the four-part analytical framework applied to the study of domestic impacts in the accession countries, put forward by Geoffrey Pridham (2001: 49-74), I show that the impact of the EU impact on Hungary has been significant, but at the same time relations were not balanced, and the dominant role of the EU has precluded any significant debate over accession benefits and disadvantages within the country. The 2006 protests, which were a part of the general political and socio-economic crisis, should be viewed in the light of broader Hungary-EU relations and the EU enlargement as such. The recent situation, in which the EU had to "push the button" by demanding an urgent solution to the budget deficit problem was in turn spurred by insufficient understanding on the part of Hungarian elites and society concerning the consequences and concrete advantages of EU membership. There was not enough adequate information on possible socio-economic consequences of the EU membership, in particular on the inevitability of reforms which would enable the country to join the Euro-zone. Added to this is the general apathy of the Hungarian society in political matters, exacerbated by the lack of credible arguments by the opposition and the failure on the part of the opposition to reach a consensus on the question of Hungary's accession to the EU. All these factors contributed to the low referendum turnout in April 2003 on the question of EU accession and only delayed discontent of the population with the reforms and government policies in general.<sup>4</sup>

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<sup>3</sup> Hungarian Prime Minister Ferenc Gyurcsány in an interview to the French *Le Monde* remarked that since the year 2006 the government took a radical turn with the purpose to reduce the budget deficit from 10% to 3,2% in the year 2008. "Il est indispensable de réduire le déficit et de lancer les réformes, d'autant plus que la crise conforte la nécessité d'entrer dans la zone euro." ("It is necessary to reduce the deficit and launch the reforms, also given that the crisis makes the necessity to enter the Euro zone firm.") He also noted several mistakes committed by the government in the course of eight years, such as the failure to encourage citizens to save money rather than spend it and excessive expenditure which increased the budget deficit. He also noted the insufficient reforms ("which the opposition was always good at killing") (Le Monde, 2008).

<sup>4</sup> Less than half of the Hungarian electorate participated in the April 2003 referendum on EU accession. See National Elections Office website: [www.valasztas.hu](http://www.valasztas.hu). This figure is lower than in other Western and Central and Eastern European states' referendums on EU accession ever held, except the referendum in Norway, when [www.in-spire.org](http://www.in-spire.org)

The factor of EU dominance in the questions of accession, lack of attention to social issues, tough requirements for EU applicant states (the so-called *Copenhagen criteria*, adopted in 1993), seem also relevant in the analysis of the main question: Why is Hungary, which used to be a leader among EU applicant states in the 1990s, currently “struggling with political legitimacy problems, with the lack of minimum national consensus, with great economic, social, structural and demographic problems” (Institute of European Politics, 2008: 196)? This makes the country (after four years of EU membership!) a country of “high risks” (an expression used by a commissioner, quoted in Institute of European Politics, 2008).

### **Europeanization and EU Impact on Domestic Politics**

One of the common approaches to European integration has been *Europeanization* (see for example Cowles, Caporaso and Risse, 2001). There is no generally accepted definition of Europeanization. A whole range of issues is understood as Europeanization, such as establishment and management of institutions at the European level, division of competences at different levels, spreading of the European model of governance outside Europe, etc (Olsen, 2002: 921-52). Researchers also examine the impact of Europeanization processes on domestic politics of states (Cowles, Caporaso and Risse, 2001), on the application of EU laws within certain states (for instance, laws related to the protection of minority rights) (Ram, 2003: 28-56). Much has been written on the question of EU Eastern enlargement, on EU relations with CEE states (see for instance Sedelmeier and Wallace, 2000: 427-60). Geoffrey Pridham in his 2001 article “EU Accession and Domestic Politics: Policy Consensus and Interactive Dynamic in Central and Eastern Europe,” looks at the process of EU enlargement and its domestic impacts. He notes that compared to previous cases of EU enlargement, there is a broader consensus regarding membership in the CEE (Pridham, 2001: 49-74). Pridham poses the question of how strong that consensus is and how far it is capable of withstanding pressures that accompany the accession process. Assessment of Pridham’s analysis of the consensus is beyond the scope of this article, but it is important to look at the four groups of factors he identifies in order to examine the domestic impact of accession in the post-2004 period. Pridham identifies the following sets of factors:

a) historical, motivational and cultural factors. Pridham suggests,

The historical imperative behind the basic policy redirection from east to west has been present from the start and it still generates grand political rhetoric, sometimes being linked to the geo-strategic and security concerns as well as the need to reinforce democratization” (Pridham, 2001: 58).

He notes certain differences in this regard, such as the decline of Russia’s influence in the Baltic states, Slovenia’s distancing itself from Yugoslavia and anti-German sentiments in the Czech Republic

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in 1972 Norwegians voted “no” to accession. For more, see Fowler (2004: 624-51).

(Pridham, 2001: 58). However, despite anti-EU rhetoric voiced by some extremist parties, an overall consensus can be observed among political circles in the CEE states.

b) governance (both policy-oriented and institutional). These factors relate to the adoption of *acquis* (both at the legislative and the executive levels) and establishment of necessary institutions and procedures to manage relations with the EU. In certain areas, according to Pridham, concerns might arise in relation to environment (which is cost-intensive), agriculture (an important issue for Poland), migration and land purchase (a sensitive issue for the Czech Republic), and minority rights (Slovakia).

c) the political arena. Criticism is likely to arise at this level, and it is important to investigate how the media handles the issue and what position political parties take. Pridham notes,

While areas of governance in accession countries are very largely engaged in demands from Brussels, the wider political arena is not so subject to this basic constraint, so that criticisms and dissent are more likely to surface at this level as well as in the socio-economic arena (Pridham, 2001: 63).

Since the public is not usually as well informed about European affairs as they are about domestic affairs, policy-makers tend to have a disproportionate influence over public opinion on European affairs. However, in the case of the CEE, despite criticism by some parties of the EU (usually, the opposition parties), one cannot talk of serious opposition to EU membership. Pridham notes that membership in NATO not EU membership became a divisive issue in the CEE context. At this level the media becomes especially important.

d) the socio-economic arena. Similar to the political arena, the socio-economic arena is likely to create divisions among the EU and the applicant states. In some countries (like Estonia where farmers expressed doubts whether EU hygiene and veterinary regulations could be implemented) concerns were voiced about the ability of the economic sectors to adapt to the *acquis*, which, however, did not greatly influence much the overall picture of EU membership support.

Pridham's levels of analysis seem relevant in the consideration of Hungary's EU accession, since it is exactly at the third and fourth level that complications due to the implementation of the *acquis* contributed to the worsening of the socio-economic situation and to political imbalances when radical parties with anti-EU rhetoric started to gain more popularity. This in turn led to the polarization of the Hungarian society. Pridham warned about "a potential for the gap to widen between elites and mass opinion, all the more as the accession process is one-sidedly driven from Brussels." The dominant role of the EU in the enlargement matters contributed to the widening of this gap.

### **Hungary and the EU: "Back to Europe!"**

In the beginning of the 1990s, the CEE countries were in a state of euphoria, with widespread "back to Europe" slogans, popular among both more successful ("Visegrad Four"- Poland, Hungary,

Slovakia and the Czech Republic) and less successful (Romania and Bulgaria) applicants. According to *Eurobarometer*, in 1990, 83% of Hungarians supported the idea of EU membership, and only 4% were against (Ágh, 1999: 847). This optimism was supported by the conviction that EU membership will enable Hungary to conduct independent foreign policy, will help to catch up with the developed Western European states economically and will become a guarantor of democracy and protect against sliding back into an authoritarian/totalitarian past. In the CEE states

the hope has been that the EU will provide extra protection against authoritarian or totalitarian temptations, that it will help fight corruption, and that it will improve the quality of public administration and the system of justice- put simply, that accession to the Union will help improve and consolidate democracy, the protection of human rights, and the rule of law (Sadurski, 2004: 371-401).

Attila Ágh remarks that after the collapse of the socialist regime, a legitimacy vacuum emerged: "Since then, references to Europeanization or Westernization have been the most important legitimization sources for Hungarian governments" (Ágh, 1999: 841).

Hungary was one of the first CEE states to establish contacts with the EU. Already in 1988 Hungary-EU relations were formalized and in 1989 Hungary became a recipient of aid within the framework of PHARE.<sup>5</sup> In December 1991 the so-called *Europe Agreement* was signed between Hungary and the EU. In the beginning of the 1990s, Hungary actively participated in other international organizations as well, such as OSCE, and in 1999 it joined NATO.<sup>6</sup> By 1996 the foreign direct investment in Hungary constituted more than ECU 10 billion.<sup>7</sup> Therefore, Hungary became one of the most advanced EU applicants from the CEE region (see data in Sedelmeier and Wallace, 2000: 451).

At approximately the same time Hungary started to reform its sphere of governance. In 1997 *Agenda 2000* proclaimed that,

Hungary presents the characteristics of a democracy with stable institutions which guarantee the rule of law, human rights and respect for, and the protection of, minorities" (Agenda 2000, 1997, see also Agenda Hungary, 1997).

In the 1990s a range of governmental institutions was established to manage Hungary's relations with the EU. In the beginning of the 1990s, Hungary-EU relations were run under the auspices of the European Affairs Office within the Ministry of Industry and Trade and the EU Department of the Foreign Ministry. In February 1996 the European Integration Agreement Cabinet (the Integration Cabinet) was created, chaired by the Prime Minister. The ministers of foreign affairs, the interior,

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<sup>5</sup> PHARE is a programme of Community aid to the countries of Central and Eastern Europe, the main financial instrument of the pre-accession strategy. Initially PHARE was aimed at countries of CEE, but later it was extended to the applicant countries of the western Balkans. For more, see <http://europa.eu/scadplus/leg/en/lvb/e50004.htm>

<sup>6</sup> For a more detailed account of Hungary-EU relations, see Williams (2001: 29).

<sup>7</sup> Per capita investment in Hungary was the largest of all the candidates. In 1997 it was US\$2,184 (For comparison: Slovenia US\$1,200, Estonia US\$866, Czech Republic US\$730, Poland US\$655). See Ágh, 'Europeanization of Policy-Making in East Central Europe: the Hungarian Approach to EU Accession', p. 842.

justice, the economy and finance became part of the Cabinet. A Strategic Task Force on Integration was created as a consultative organ, meant to assist the Integration Cabinet (as part of the Prime Minister's Office). In addition, European Integration Departments were set up in all ministries.<sup>8</sup>

Thus, the first and the second levels identified by Pridham (not related to the adoption of the *acquis per se*) do not show any significant signs for concern. Disillusion with Brussels was expressed rather because of the lack of concrete dates of accession. Inevitability of accession was an accepted fact, and only the question of "when" caused irritation in Hungary:

So far, a clear time horizon for accession has been lacking, and too long a pre-accession process could provoke Euro-scepticism in the Hungarian population. It is also clear that the EU member states are divided on the subject of new members, although concerning Hungary's preparedness there has always been a quasi-consensus (Ágh, 1999: 852).

Economic growth in the country, political support for Hungary's membership expressed by EU member states (in particular, by Austria) contributed to the widespread optimistic sentiments among the population regarding the issue of accession.<sup>9</sup> The expectation on the part of the politicians and the public was that EU membership would give Hungary access to EU subsidies and direct funding, as well as contribute to economic stability and attract greater foreign investment.

The situation looks less optimistic, however, when one looks at the concrete steps Hungary had to make in order to adopt the *acquis*. If in other applicant states a number of accession-related concerns were voiced,<sup>10</sup> in Hungary a broad political consensus became an impediment to a meaningful debate on the benefits and costs of accession

### **Political parties, the media and European integration**

According to Brigid Fowler, there was "a relative lack of elite contestation surrounding accession and the EU before autumn 2002" (Fowler, 2004: 633), which can be explained by low involvement on the part of the Hungarian Parliament into the integration processes. According to Ágh, in Hungary there were no close contacts between pressure groups, the national parliaments and the European Parliament, a relationship which is more typical in Western European states. Ágh believes that this can be explained by the fact that "euro-affairs have not yet become important enough for many members of parliament (MPs) to deal with them intensively and to develop an expertise in this field." Parliamentarians were more concerned with problems of democratic transition and economic crisis management (Ágh, 1999: 844). Margit B. Williams offers another explanation of the low involvement of

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<sup>8</sup>For more, see Fink-Hafner (2007: 805-828).

<sup>9</sup>"By 1997, sustainable economic growth began with 4.4 per cent growth, and at the same pace of growth (5.1 per cent) continued in 1998. Economic growth produced, after some years of decline, an improving standard of living." (Ágh, 1999 :847).

<sup>10</sup> Pridham, for instance, brings an example of the Czech President Klaus who criticized the European monetary union and the EU approach to social policy. "Elite consensus is itself somewhat inhibiting to wider debate. This has been particularly true in cases like Hungary, unlike in some other countries where criticism of the EU has stimulated responses." Pridham (2001: 63).

Parliament in the integration issues: "Many of the newly elected members of the National Assembly<sup>11</sup> were convinced that a strong, stable democracy required consensus. The perceived need for a consensus stemmed from a misunderstanding about how democracies in the advanced industrialized countries work." She also remarked that policy-makers shared a conviction that a consensus would improve Hungary's image abroad and would speed up Hungary's attempt to join Europe (Williams, 2001: 30).

Dates of accession, rather than concrete benefits and costs that go with accession, were much more frequently discussed by the policy-makers. After the fall of the socialist regime, foreign policy issues and the issues of EU accession have never been raised during election campaigns. There was a widespread belief that "accession was in Hungary's best interests" and that "there is no alternative" (Williams, 2001: 30).

The media similarly failed to pay significant attention to potential post-accession problems. Media analysis in Hungary revealed that only 5 % of articles in 2000 were related to the European integration (Fowler, 2004: 635, based on Tóth and Török, 2002: 167-88). Fowler argued that,

left- and right-wing politicians attacked each other either for being too compliant vis-à-vis the EU, or, more prominently, for allegedly jeopardising Hungary's prospects of getting in as soon as possible, the sense that Hungary was still campaigning for its accession also affected elites' handling of public opinion. Foreign policy-makers frowned on the raising of potential accession-related problems, because they believed that the existence of high public support aided the membership effort (Fowler, 2004: 635).

Williams claims that during the negotiations of the *Europe Agreement* in the Hungarian delegation there were few people who really understood the substance of the agreement (apart from some officials from the Ministry of International Economic Relations). The negotiations were conducted behind closed doors, and "neither the experts, nor the media, nor anyone knew anything about them." (István Mustó, an MP, quoted in Williams, 2001: 31). Williams also notes such factors that can account for the low involvement of the Parliament in the European integration processes as Hungary's communist past, lack of experience in the field of foreign policy, and lack of familiarity with the technical aspects of accession, as well as lack of financial resources, expertise and time of the National Assembly and its committees. European integration was not regarded as anything problematic and in need for discussion, thus, negotiations on the terms of accession were either seriously delayed or were very general (Williams, 2001: 31).

In 1992 the National Assembly founded a Committee on European Community Affairs (in 1994 it was reformed and renamed the Committee on European Integration Affairs- EIUB in Hungarian), the main purpose of which was monitoring of adaptation of Hungarian law to the law of the EU (which the *Europe Agreement* required). The Committee was also charged with examining financial aspects of integration and with raising public awareness of European affairs. However, compared to the

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<sup>11</sup> Hungary has a one-chamber Parliament, National Assembly, comprised of 386 members.

executive bodies and ministries, the Committee did not have enough power, which led one of its members to call it a “virtual structure” (an expression used by János Hajdu, quoted in Williams, 2001: 32).

Both left- and right- wing Hungarian parties favored the idea of Hungary’s accession to the EU, often motivating their conviction by the necessity to “return to Europe.” The Hungarian mainstream right FIDESZ (Hungarian Civic Union, Magyar Polgári Szövetség) and its leader, Prime-minister Victor Orbán (1998-2002), regarded the question of EU accession as a way to return to Hungary’s historical and cultural (including Christian) roots. Only in 2002, as the parliamentary elections were approaching, did Orbán raise certain problems, in particular, the problem of keeping small businesses after accession. Socialists, the main rivals of FIDESZ in the parliamentary elections of 2002, labeled Orbán a Euro-sceptic and insisted that EU membership would allow Hungary to modernize its economy and would lead to the dissemination of liberal ideas and values (Fowler, 2004: 636-7).

A much more radical stance on the matter was adopted by the extreme-right *Hungarian Party of Justice and Life* (Magyar Igazság és Élet Pártja-MIÉP). The leader of MIÉP, István Csurka, claimed in September 1999 that,

the vast majority of the Hungarian people do not know anything about this whole thing [European integration]. They hear and read about it; it is always crammed down their throat, but they know nothing of its substance (Quoted in Williams, 2001: 32).

MIÉP, which did not receive any seats in Parliament in 2002 (joined by another party, Movement for a Better Hungary- Jobbik Magyarország, in 2005), was the only party that opposed Hungary’s accession to the EU. MIÉP did not question the necessity of “returning to Europe”, rather, it opposed the timing and the way the accession was going. The party criticized the EU for its harsh requirements to applicant states (often making use of economic arguments). Demonstrations were also organized, but they were not very popular (mainly due to the infamous radical rhetoric often employed by this party, which lacked a broad appeal in the Hungarian society). As Bozóki and Simon note,

while they [I.Csurka and J.Torgyán, leader of FKgP, the Smallholders Party] could give a brilliant diagnosis of the social and political ills, they remained marginal, because they either provided an unattractive alternative (Csurka) or none at all (Torgyán). (Bozóki and Simon, 2006, 171).

In 2002 MSZP led by Ferenc Gyurcsány narrowly won over FIDESZ. MSZP was in favor of EU accession. It believed that EU membership will facilitate modernization and democratization of Hungary. In general, by the time of 2003 referendum on EU accession, there was a general lack of information on good and bad consequences of post-accession among the Hungarian electorate. There was a lack of (or marginalization) of opposing viewpoints, as well as few meaningful open debates of

potential difficulties associated with EU accession. As a result, only 45.62% of Hungarians participated in the April 2003 referendum (though the “yes” vote was high: 83.76%).<sup>12</sup>

Fowler believes that one of the reasons for low referendum turnout was a lack of elite contestation of EU membership and absence of a credible ‘no’ campaign. EUKK (EU Communications Public Foundation, a government-funded body, which was composed of a government-named board) was mandated to organize pro-accession campaigns. However, the pro-EU campaign run by EUKK seemed problematic even for those who were actually in favor of accession. The campaign did not only present only one opinion, it was also simplistic. Questions like ‘Will I be able to open a cake-shop in Vienna?’ ‘Are the girls cute in the EU?’ and ‘Can we still eat poppy-seed pudding?’ and affirmative answers, though capable of grasping the attention of the public, failed to adequately represent the complexity of the problem (Fowler, 2004: 645).

Therefore, given the lack of credible ‘no’ campaigns and failure of the opposition to come to a common position and appeal to broader public,<sup>13</sup> it is not surprising that the citizens had a difficulty forming a clear position on what the EU membership might entail. According to a poll conducted by Szonda Ipsos, out of 175 respondents who did not come to vote in the 2003 referendum, 57% claimed that the result was inevitable, 34% said they were confused by mixed messages from the politicians (Fowler, 2004: 647).<sup>14</sup>

### **Socio-economic Reforms**

The socio-economic level, identified by Pridham, generated a number of complicated issues in the Hungarian context. Socio-economic problems, combined with the determination to join the euro-zone led to rising discontent within the society and triggered mass protests.

Gyurcsány’s government faced a complicated task: on the one hand it had to keep its promises to the electorate (in particular, maintaining the welfare system and increasing salaries for government employees), and on the other hand it had to satisfy Brussels (to address the sensitive issue of budget deficit and external debt). The second task was addressed by introducing budgetary cuts in the budget sphere, such as closing down of schools and hospitals, introducing fees for medical consultations, decreasing the number of state employees. Stringent and one-way requirements from Brussels in fact left the government no choice but to implement such unpopular measures.<sup>15</sup> Hungary, which managed to avoid a financial collapse in the 1990s by selling its big industries and the energy sector,

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<sup>12</sup> For more information, see [www.valasztas.hu](http://www.valasztas.hu)

<sup>13</sup> Victor Orbán and FIDESZ by that time were in opposition. Orbán, however, did not oppose EU membership (he did not make appeals to vote ‘yes’ either), which led the extreme right, which supported FIDESZ in 2002, to break away from FIDESZ.

<sup>14</sup> The problem of low voter turnout can be considered, of course, in the light of general unwillingness of Hungarians to participate in politics and their skeptical attitude to the state of democracy in the country. Bozóki and Simon, for instance, list the results of CEORG poll conducted in 1999, where only 53.9% of the respondents replied that it was worth to change the social-political system in the country (the lowest figure among two other countries under analysis: Poland and Czech Republic where the figures were 64% and 75% respectively). They also discuss the problem of low political participation of citizens and lack of trust in democratic institutions in Hungary, exacerbated by the lack of efficient institutions to manage social dialogue and interest reconciliation (Bozóki and Simon, 2006: 45- 187).

failed to receive extensive subsidies from the EU to solve its economic and financial problems (Szekely, 2008).<sup>16</sup> Greskovits remarks that problems of adjusting economy to qualify for the Euro zone are not characteristic of CEE states only. Western European countries had significant problems when trying to join the EMU. However, in Western Europe there were,

special institutions to distribute adjustment costs- namely, established neocorporatist practices and routines, as well as new arrangements involving broad encompassing social pacts between employers, trade unions and governments striking deals across policy areas from wages to social and employment policies (Greskovits, 2008: 42),

while the situation in the CEE states was different (with an exception of Slovenia).

It does not seem surprising that in a situation of rising inflation and unemployment and general poor economic performance (given that socio-economic issues have always been very sensitive for Hungarians), the statement by the Prime Minister that the government lied about the state of economy triggered mass protests and demands for resignation. The protests were willingly joined not only by drunken football fans as some media sources claimed, but also by MIÉP supporters and other disappointed individuals.

### **The Events of September 2006**

On 17 September 2006 the media got hold of a recording made at a closed MSZP meeting, held in May 2006, where the Prime Minister Ferenc Gyurcsány in harsh (and at times vulgar) expressions commented on the state of Hungarian economy,

Evidently, we lied throughout the last year-and-a-half, two years...You cannot quote any significant government measure we can be proud of, other than at the end we managed to bring the government back from the brink. Nothing" (BBC News, 2006).

His speech became breaking news in the country, and immediately Gyurcsány's photo, crossed by HAZUDOTT (he lied), appeared in the media. By the evening of 17 September a 2,000 crown gathered in front of the Hungarian Parliament in Budapest, and on September 18 already 10,000 protestors came near the Parliament building demanding Gyurcsány's resignation. During the night of September 18, the crowd moved near the building of Hungarian television and started storming the building in order to air their demands. The protestors also vandalized a monument to the Soviet soldiers who died during WWII in battles with the Nazis in Hungary. When protestors managed to get inside the building of the television company, they destroyed the hall and the canteen and damaged

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<sup>15</sup> Some researchers also mention that the EU downplayed the importance of social issues in the process of accession. See, for instance, Ferge and Juhász (2004: 233-251).

<sup>16</sup> Árpád Szekely, Hungarian Ambassador to the Russian Federation noted: "Thus, we found ourselves in a situation when we had to pay our contributions to the EU budget around 250 mln euro, and received subsidies from the EU for the same sum of money. So our gain was zero. Moreover, in this situation we actually lost, since the EU money is supposed to go not to the state budget but to concrete projects. In other words, there is an increase in budget deficit." (Szekely, 2008)

TV equipment. At 2.30am, police managed to drive protestors out of the building. As a result of the clashes, 150 people were injured, including 105 policemen (International Herald Tribune, 2006).

Demonstrations were also held in other Hungarian cities (in such cities as Miskolc, Eger and Szeged) and in some Romanian and Serbian cities where a large Hungarian minority resides. Gyurcsány, however, refused to resign, despite the fact that protests went on for several months.<sup>17</sup>

In March 2008, Hungarian President László Sólyom called for a binding referendum on the following questions: abolition of the doctor's consultation fee, the daily subsistence fee in hospitals and the mandatory student's financial contribution. Around 50% of the electorate participated in the referendum, the outcome was the 'yes' vote (to abolish all the three measures: 82% voted for the abolition of the hospital fee, and 84% voted for the abolition of the student's contribution and the doctor's consultation fee (Institute of European Politics, 2008). After the referendum the Parliament will have to modify the laws and the government will have to make necessary budget revisions.

There was also a suggestion by private individuals on the question of withdrawal of part-privatization of the social security system and discussions whether it was worth investing large sums of money in the construction of a new metro line in Budapest (Institute of European Politics, 2008).

Thus, it is too early to claim that the political and economic crisis in Hungary is over. Due to its high budget spending and account deficits, Hungary has been hardest hit by the global financial crisis among all CEE member states that joined the EU in 2004. To avoid complete economic breakdown the government had to apply for aid from the International Monetary Fund (IMF) and from the EU (HVG, 2008). The IMF rescue deal of \$25.1 billion was agreed upon. European Central Bank offered \$6.53 billion with significant conditions,

The agreement will force Hungary to make painful budget cuts that could worsen the already grim economic outlook of an impending recession [...]. As part of the deal with the IMF, Hungary agreed to lower its 2009 spending through cutting once taboo welfare benefits and will reduce the deficit to 2.6 percent of GDP from an earlier plan for 2.9 percent (HVG, 2008a, see also Le Monde, 2008).

According to Hungary's Financial Minister János Veres, "the budgetary amendment currently discussed in parliament aims for a 2.6 deficiency target, which can be achieved by a strict Ft600 billion expenditure cut" (Budapest Sun, 2008). Unavoidable cuts in social security payments, reductions in wages, cutting of bonuses paid to government employees and to pensioners (such as the 13-month wage), mounting job losses (estimated to grow up to 40,000 according to BBC News (2008)<sup>18</sup>) will follow, and the crisis is likely to deepen (Bloom, 2008).<sup>19</sup> The crisis is likely to lead to further splits within the elites, and to impoverishment of the fragile middle class. In those circumstances, extreme

<sup>17</sup> It seems inappropriate to compare events in Hungary to the so-called "colored revolutions" in the ex-Soviet states. Even though it is possible to identify Hungarian protestors as a group with certain views (MIÉP supporters, other opposition groups), they did not have revolutionary objectives. See, for instance, Lengyel (2007).

<sup>18</sup> Estimates by Hungary's Labor Minister, quoted in BBC News (2008).

<sup>19</sup> As Jonty Bloom remarks, "economic reforms will also mean painful restructuring and possibly higher taxes, and falling demand from abroad means that local factories in Hungary have already shut down for lack of orders." Bloom (2008).

forces are likely to manipulate the situation. As János Pelle remarks, “what we are experiencing now cannot be compared to the Great Depression or the Krach. While the extreme nationalists are marginalized, the deteriorating economic situation is creating a situation where people may become more receptive to the desire to seek out a scapegoat” (Pelle, 2008). It has to be borne in mind that due to specific historical past, strengthening of the extreme right will lead to even deeper divisions of the Hungarian society. As Greskovits claims, “the combined evidence from the CEE region shows that large groups of citizens have chosen to refrain from participation in newly established democratic institutions, and that the remaining active electorate has become radicalized. This should give pause to anyone inclined to paint an overly optimistic picture of the future that lies before the democracies of Central and Eastern Europe” (Greskovits, 2008: 46).

## **Conclusion**

As noted above, Pridham warned about possible widening of the gap between elites and public opinion in the case of EU dominance in the accession process. The accession process per se is largely an elite-driven process, a “top-bottom” one, where elites play an instrumental role. Often when resorting to unpopular reforms elites tend to refer to EU requirements (especially, when it is convenient for them). This is equally true for Western European countries, but as Pridham (2001: 70) suggests, “new democracies in post-Communist countries are more vulnerable to growing mistrust towards political elites on the part of national publics and perhaps also special interests.” Instrumental use of the EU requirements as a justification for reforms threatens to increase this mistrust and in turn lead to mass protests and a major political crisis. Growing popularity of the right-wing (especially extreme right-wing) parties with their nationalistic slogans (which contravene the very idea of European integration), threatens not only to de-stabilize such a vulnerable and complex region as Central and Eastern Europe, but also strikes at the very core of the integration process of new members in the European Union. In these circumstances, one would hardly be able to claim that, the EU increasingly becomes a community of values, not merely a community of interests, and the values that these days predominate within the Union resemble closely the values of civic liberal-democrats in the post-Communist area of Europe (Sadurski, 2004: 340).

“Democratic deficit” is a frequently invoked term in relation to distancing of EU institutions from the citizens. This problem becomes especially relevant in the light of 2004 and 2007 enlargements. Dominant role of the EU in the issues of accession, stringent criteria for membership applied to all new candidates without exception, the lack of adequate information on the consequences of accession lead to the growth of nationalistic sentiments among the public, to the rising of radical political groups. The EU must take Hungary’s experience into account when considering further enlargement (especially to the Balkan states), as well as strengthen the social dimension of accession.

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