

Thorns of a rose or rotten apples?

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Hungary: the cautionary tale of neoliberal EU-integration in the agrarian sector

Concerning the homogeneity of the bloc, the 2004 “mega enlargement” of the European Union is often cited as an effective “success story” in an economic sense. Questions concerning political integration however paint a more controversial picture. Concerns in Poland and Hungary about the long term “illiberalism” – that might even be stronger in the case of the latter – however painted a picture in which “liberal EU values” clash with domestic “ultra-nationalism, nativism” or even “backwardness”. Or in our days, even “pro-Russian” and “pro-Western” values.

But rather than a resurgent explanation using “the clash of civilizations”, European Union integration and the neoliberal ideology surrounding it were and remain to be a real source of most contention. Since Hungary’s long serving prime minister, Viktor Orbán entering the world stage with his pro-“illiberalism” speech in 2014, an increasing some analysts called the attention to the insufficiency of such an argument, and searching for more useful and more materialistic explanations. The ongoing debate is further complicated by recent, turbulent world events. Since the 2016 election of Trump, and especially since Russia’s dramatic, further invasion of Ukraine in 2022, the Hungarian leader, Orbán has almost become a symbol of world reactionary forces: Donald Trump and Elon Musk, the richest person of the world both often refer to Orbán as a successful example of right wing governance, while prime minister Orbán maintains a cordial relationship with both Russian president Vladimir Putin and Chinese leader Xi Jinping, as a head of a NATO- and EU member state.

Researchers Gábor Scheiring and Ivan Krastev convincingly argue that the success of “illiberal” and “EU-critical” leaders on the Eastern flank are heavily dependent on societies that have at some point felt to be wronged by economic policies of the EU-centre and pro-EU national governments too. Therefore the source of that resentment has to be found in the EU integration process itself, or at least its initial phase when discussing Hungary, too.

It is however not to be forgotten, that a country-specific case cannot be examined in complete isolation to the socio-economic environment surrounding it. In the case of Hungarian integration – once touted as the “model integration” in a problematic Eastern Europe and Baltics of the 1990’s, the agrarian sector was kind of a canary in the coalmine, showcasing how the neoliberal approach pushed millions of voters into opposition with further integration and cooperation with Brussels even despite the very significant amount of development funds made available to the country, and its political class for redistribution.

The context in the 1990’s

The first conflict in line when discussing EU-integration was for a long time also the most contentious one. Similar to many other countries within the 2004 intake of EU-membership (Poland, Czechia, Slovakia, Romania, Bulgaria, Latvia, Estonia, Lithuania), Hungary came out of the Soviet-lead Eastern Bloc as still having a half-industrialized rural and agrarian population. For them,

forced collectivization, and official hostility towards land ownership gradually gave way to some tolerance towards small-scale farming during the post-1956 Uprising period, also known as the more

liberal state socialism of First Secretary János Kádár. Even in the midst of this relative tolerance, the high hopes of landless farm labourers created by the 1945 land reform were completely crushed by Stalinism, and the repressive years of forced collectivization immediately following the crushing of the 1956 revolution.

The hope, that a Western European-style system of strong smallholder society could once again rise in Hungary was once again rebuked by elite politics following the fall of Socialism. While the same social class was hoping for more freedom after the collapse of the Eastern Bloc, economically failing agrarian co-operatives have never given way to a more just system. Instead, former Communist Party officials running co-operatives and state farms used their connections to acquire most of the former collective property and means of production. Most of the farmers and rural communities once again felt wronged by the same people and were consequently looking for “real justice” to be served by right-wing, anti-Communist forces. Most prominent among them was the “rabble rouser” of the early 1990’s, the resurgent and early populist Independent Smallholders’ Party – notorious for its oftentimes angry and violent marches of rural population on Budapest during the first Conservative, and second, Socialist government of post 1989-Hungary.

The bulwark against such early resentment was that after the first democratic election 1990, a high level of trust has been placed on the political elite: a perfect mash of former dissenters of the Communist era, and the bureaucrats and technocrats who were running the comparatively liberal one-party state in its last decade – most but not all of them were gathering around a reformed Socialist Party. On the surface, a bitter rivalry enraged amongst them, and intellectuals supporting the post-communist and anti-communist side. Yet, this rivalry was underlined by a consensus: the Western alliances: NATO, and the Common Market and Western liberal institutions: the World Bank and IMF (of which Hungary was already a member of by the early 1980’s) are the future. At the end of the day, most voters trusted this message and were only divided on who is best in delivering this integration, that became *raison d’état* for the whole of Hungary.

In a report about the first election in the country, British journalist Nick Dallman wrote for the Guardian that “Hungary is not short of political talent and expertise [...] what the operation lacks is a person with the charisma of Lech Walesa or President Havel.” It however added: “One man who assiduously cultivates a statesmanlike image is Jozsef Antall, leader of the Democratic Forum. This 58-year-old historian of medicine has been rushing around to be photographed with Mrs Thatcher, Presidents Mitterrand and Bush, and Common Market leaders.” At the time, the large right wing conservative bloc suppressed ever since 1947 and the expert Communist picking apart of the historic Smallholders Party, seemed to win back its erstwhile, 1945 dominating majority.

Yet it was exactly this right-wing conglomerate that started the method of wealth redistribution that proved to be fatal to this young republic. As Róbert Fridrich wrote in his topical study, the system of “compensation” for collectivized land was the notorious system of vouchers. The issue with these is apparent: vouchers were divided amongst former landowners in the proportion of historically claimed land after the respective legislation. It was however not enough land to build viable farms on in the circumstances of the 1990’s, vouchers were devalued and many former small landowners

were forced to sell all the vouchers to the “hoarders”, who, after getting a bulk, became very rich, very easily.

This injustice did not really affect rural population in a way that they lost their livelihood: in the 1970's and 1980's an increasing proportion of this society became industrial workers, but the developments of the 1990's closed the door on wide-spread, significant landownership.

The middle-sized landowners however felt wronged from the start and became a backbone of dissent against the conservative and the subsequent Socialist governments.

Their greatest hope however turned out to be EU integration.

After the untimely death of Antall in 1993, Conservative prime minister Péter Boross applied to the post-Maastricht treaty European Commission for candidature to join the nascent bloc in March 1994. The process took a good ten years, multiple subsequent governments, with a de-facto two-party system replacing multiparty competition by 2002.

Against the big socialist-liberal bloc, from 1996 conservatives have been headed up by a defector. Young Viktor Orbán started out as an anti-Communist on the liberal side of the aisle, helping his comrades fend off both post-Communists and conservatives. By the end of the 1990's however, he saw an opportunity in uniting the fragmented, and defeated right wing against the powerful Socialist prime minister, Gyula Horn, who used to be the reformist foreign minister of the last state Socialist government.

Horn's comfortable parliamentary majority between 1994 and 1998 also meant that his political camp was in charge of the reforms and measures the European Commission was asking from an applicant Hungary.

Trouble and the social basis of agrarian dissenters

According to an interim report of the European Commission produced in 1997, the criteria for becoming a member state at the time were as follows:

- “- the development of the market economy,
- the adjustment of their administrative structure,
- the creation of a stable economic and monetary environment”.

All of these were challenges until 1996, when the finance minister under Horn, Lajos Bokros started restructuring the economy and administration with a large-scale austerity and privatization scheme. While not reaching the “shock therapy” levels of Leszek Balcerowicz's reforms in Poland, Hungarians could feel a very significant slide in their quality of life in the following years, while low-quality but reliable social services and state healthcare has been cut back significantly. Annual salary raises were capped, while the national currency, the forint has been inflated. This was necessary to a large extent to conform to criteria by the Commission. As their 1997 evaluation remarked, they were satisfied by the results, seeing this as the successful “reverse” of

“... reforms were successfully relaunched in 1995, with dramatic impact. Set-backs in the privatisation of the banking sector were reversed, and large parts of the energy and utilities sector were sold to private investors. Private involvement in sectors such as electricity and gas supply now surpasses the levels in many EU member states.”

Notwithstanding the early start to market reforms in Hungary, state enterprise initially remained the dominant form of economic activity. In 1989, the private sector generated about 16% of GDP. Solid progress with privatisation, and strong growth in the number of new private firms resulted in a private sector share in GDP of 60-70% by the end of 1995.”

The economic measures created a large scale of resentment amongst the working population. While this was affecting the urban population too. The radicalizing right wing was the first to step in, with the Smallholders' Party organizing mass protests in front of the parliament as a reaction to austerity being introduced by Socialists on March 14 1996. The narrative of a “betrayed democratization” and the political image of a “shadowy Communist cabal” intentionally ruining livelihoods of regular Hungarians has been embedded. Its leader, lawyer József Torgyán made his infamous speech in front of parliament talking about a “liberal vermin eating away at the body of our dear homeland”. Such radical rhetoric at the time shocked the elite, yet it was a sign of a disaffected rural base connecting with emerging nationalist sentiment. According to sociologist Miklós Sebők, this base at the time felt that a grave injustice has been done to them by a post-Communist “deep state” continuing to be influential even after the fall of Communism. Yet they still hoped to remedy the situation by appealing to a “developed West” they yearned to join. Therefore, while suspicion of sinister powers – sometimes from abroad – have appeared, principal blame has been put on the domestically strong Socialist-liberal camp for all the problems.

By the beginning of the 2000's such tensions have partially been put to back burner by the arrival of Viktor Orbán's first term between 1998 and 2002. Orbán himself already knew, that it was austerity, and marketization – the dark side of the promise of European integration - that handed him the 1998 elections. Yet he also ran Fidesz, that inherited the moderate, middle-class side of the strong conservative camp. To govern with a clear majority, he needed to invite Torgyán and his plebeian rural voters into the coalition meaning that he was now dependent on the older and larger-than-life agrarian populist, Torgyán. This has already pushed his rhetoric sharply to the right during his reign.

By the time it came to the 2002 election, this resulted in an extreme polarization of political forces with no clear majority in sight. On the one hand, Orbán appealed to the traditional right: an emerging middle class, and a now increasingly post-agrarian rural proletariat at the same time, while urban lower class, and a liberal intelligentsia preferred the Socialist-liberal coalition. The ideology of both camps heavily incorporated the idea that their leaders are the most suitable to “lead the country back to Europe” – in effect with making the environment more amicable to the Commission criteria, without inflicting too much pain on the base.

It was effectively Orbán's early, burgeoning anti-intellectual and anti-liberal rhetoric that sealed the deal in favour of his opponents. After being narrowly defeated by Socialist party candidate and former party-state finance minister Péter Medgyessy, Orbán found himself at the centre of a cold civil war in society.

He did not have to rely on Torgyán anymore, but as he inherited his Smallholder party voters, he needed new structures to organize them in a conglomerate. Rather than continuing to rely on his traditional party, Fidesz, the former prime minister then came up with the idea of “civic circles”. Meanwhile his opponents, the Socialists have effectively won with the promise of establishing

Western style democracy, as well as market economy in Hungary and finish the job of integrating with the EU. They benefited from a sudden surge of far right in Western Europe with Jörg Haider and FPÖ becoming part of the ruling coalition in Austria and Jean-Marie Le Pen only narrowly losing the French presidential elections in 2000. This has made an opportunity of Socialists and liberals as painting Orbán as an obstacle in this integration process, endangering the future of the country. At the same time, Socialists were effective in putting a lid on any kind of more viable left party emerging and criticizing the increasingly controversial reforms.

All the while Orbán also sensed an opportunity. While his main allies in the German CDU, Austrian ÖVP and French Republicans were firmly on the centre-right at the time, he as a prime minister or opposition leader never really distanced himself from the far-right. He also increasingly started to paint his domestic opponents as agents of malevolent foreign forces, even declaring “the homeland cannot be in opposition.” These were, as philosopher G. M. Tamás had already realized at the time, already the first steps in the general direction of European post-Fascism.

He also was quick to realize how farmers’ grievances against the EU in Western Europe contributed to a right-wing shift. Protests against big agro firms becoming the primary beneficiaries of a Common Market and endangering subsidies of smaller farms created protests in France, Germany and Austria too. He therefore planned to do the same in his civic circles.

The opportunity was quick to present itself. In the summer of 2002, immediately after forming a coalition government with the liberals, the Socialist Party amended legislation around landowning farms in a way that was trying to make selling and buying agrarian land easier. According to strict, 1990’s era legislation buying a land was extremely difficult for non-Hungarians, and legal entities. Renting state- or private owned land however was much easier. When the Socialists changed it even further to accommodate the EU integration criteria of “free exchange of goods”, through land-renting, landowning farmers started to organize. Their central organization, the Nationwide Alliance of Farmers (Magosz) and its leader, István Jakab sprung into action, commandeering hundreds of tractors to close down significant roads. Magosz achieved to make an impression, and quickly found political support in the opposition Fidesz party.

This was both due to the fact that as a former Smallholders’ Party base, the revolting farmers were already supporters of the right wing bloc. And Viktor Orbán finally found a cause through which he can capitalize on discontent concerning the process of EU integration, making him a representative of grievances without questioning the necessity of integration itself.

Farmers protests in the following years started to grow, as the Socialists attempted to further reform rental legislation. Local farmers were afraid of the reforms completely disenfranchising them by the time of EU integration, and accused the government of looking after the interests of multinational food companies and large-scale landowners while abandoning them.

The fact that Magosz became a primary ally to Viktor Orbán’s Fidesz in the 2000s provided him the first opportunity to pivot to a kind of populism sceptical of capitalism, and neoliberal privatization reforms, and for the first time in Hungary’s post 1989 history, doubts about some elements of EU integration presented itself.

Breakthrough

This did not stop the vast majority of Hungarians however in 2003 to finally vote overwhelmingly for joining the EU in a referendum. Since both Orbán and the governing parties campaigned for a Yes, only political forces right of Orbán supported a small, and characteristically far-right No campaign.

The result of 83% percent for joining the bloc, and the official celebrations around becoming an EU-member in May 2004 however only offered a false sense of security, and objectives achieved. It was clear from the onset, that EU membership will only mean further “pro-market reforms” and after another narrow election victory in 2006, it was the nominally left-wing prime minister, Ferenc Gyurcsány and his surviving Socialist-liberal coalition who had to implement them.

The attempt ended in a disaster. In the summer of 2006, Gyurcsány held a “secret speech” at his party faction meeting admitting that they significantly “doctored” economic data between 2004 and 2006 in order to win the election, and the state needed both loans and austerity measures to be kept afloat. When this speech has been leaked to the press in autumn 2006, violent protests, headed by a now powerful far-right movement erupted in Budapest, even getting into the building of the state TV in a violent siege.

This was Orbán’s moment. According to extensive research by Péter József Bori and Noémi Gonda, these “tractor-protests”, both countrywide and in front of the parliament helped him in creating a reliable and mobilized vanguard of discontent in society. He used it to great effect, while being able to rely on a crowd that was distinguished from the violent far-right at more peaceful if angry mass protests. Despite of this, police brutality hell-bent on quelling the sudden political crisis, was affecting both groups almost equally, creating an image around Orbán that made him the protector of the innocent against violence.

The ensuing deep crisis of now EU-member state Hungary was unstoppable. Social resistance against a new batch of austerity was much stronger than anything emerging in the still hopeful 1990’s. And the 2008 global financial crisis has sealed the deal. It was that moment that strong scepticism about the value of EU integration, and outright Euro-scepticism started to emerge. Meanwhile the socialists and liberal vote completely collapsed by 2009-2010 as the urban lower classes followed Orbán’s rural base, or drifted even further: to the far-right political party.

The foundation of an organized far-right in Hungary’s Jobbik party, and Orbán’s overwhelming victory in 2010 is a more well-known story. But in the preceding 20 years, it was an oftentimes stringent, and non-compromising neoliberal reform-attitude that created a burgeoning dissent against itself in the country. While for a long time, both the right and the left played along, it was Orbán’s opposition of the 2000’s that first understood the political legitimacy of this dissent and potential through farmers’ grievances and their representation. As elsewhere, since traditional left-wing, centre left parties made it very difficult for the left to offer a more effective resistance to neoliberalization and the forces of capitalism, it was down to an increasingly nationalist, anti-globalization right wing to step in. Since then, this has resulted in Hungary compromising most of its democratic structures, that includes the rights of the very people it emerged by representing: smallholders, who eventually lost more land to large scale companies under Orbán than ever before.

It was not by coincidence that Viktor Orbán, now the bogeyman for the entirety of the EU supported, amplified and even visited protesting French and Belgian farmers at his latest visit in Brussels. He well remembers how effective first step this was in his march to power in Hungary.

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