# Hungary

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Capital: Budapest Population: 9.9 million GNI/capita, PPP: US\$22,660

Source: The data above are drawn from the World Bank's World Development Indicators 2015.

# Nations in Transit Ratings and Averaged Scores

|                                     | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Electoral Process                   | 1.25 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 2.25 | 2.25 | 2.25 | 2.75 |
| Civil Society                       | 1.25 | 1.50 | 1.50 | 1.75 | 1.75 | 2.00 | 2.00 | 2.25 | 2.25 | 2.50 |
| Independent Media                   | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 3.25 | 3.50 | 3.50 | 3.50 | 3.75 |
| National Democratic<br>Governance   | 2.00 | 2.25 | 2.25 | 2.50 | 2.50 | 3.00 | 3.50 | 3.50 | 3.75 | 3.75 |
| Local Democratic<br>Governance      | 2.25 | 2.25 | 2.25 | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 2.75 | 3.00 |
| Judicial Framework and Independence | 1.75 | 1.75 | 1.75 | 1.75 | 2.00 | 2.25 | 2.75 | 2.50 | 2.50 | 2.75 |
| Corruption                          | 3.00 | 3.00 | 3.00 | 3.25 | 3.50 | 3.50 | 3.50 | 3.50 | 3.75 | 3.75 |
| Democracy Score                     | 2.00 | 2.14 | 2.14 | 2.29 | 2.39 | 2.61 | 2.86 | 2.89 | 2.96 | 3.18 |

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

# Executive Summary

he government of Prime Minister Viktor Orbán, consisting of his right-wing Young Democrats' Alliance—Hungarian Civic Union (Fidesz) party and its subordinate partner, the Christian Democratic People's Party (KDNP), won a second four-year term in the April 2014 parliamentary elections, retaining its two-thirds supermajority in the legislature. Observers noted media bias and recent legal changes that gave an advantage to the incumbents. The less equitable electoral environment reflected broader setbacks to democratic institutions since Fidesz took power in 2010. Critics of the government argued that Orbán's guiding philosophy was revealed in a July 2014 speech, in which he said he was constructing an "illiberal state."

Fidesz easily won the two other sets of elections held during 2014, for the European Parliament and municipal offices. The traditional left-liberal parties remained weak and unable to capture the attention of voters. However, protests toward the end of the year highlighted growing frustration with the existing political elites, corruption, and the government's authoritarian tendencies. Demonstrators were able to secure some concessions from the government, such as the withdrawal of a planned internet usage tax. Several more protests were organized in December and planned for early 2015. Moreover, opinion polls showed that despite its election victories, Fidesz was suffering a major loss of confidence. The polling firm Medián found that its popularity plunged from 38 percent to 26 percent between October and November.<sup>2</sup> It remained to be seen whether these trends would lead to the emergence of stronger opposition parties or a lasting shift in government policies.

As in previous years, Fidesz used its supermajority to enact laws quickly, routinely introducing them through individual members to circumvent procedural rules that would otherwise require greater consultation. The government's legislative dominance is also bolstered by the constitution, which was drafted under Fidesz's leadership, took effect in 2012, and was then amended several times. The increased range of laws that require a supermajority to pass in this new constitutional framework will likely damage the effectiveness of future governments that do not hold supermajorities. Should an opposition party come to power in the future, it will also be constrained by Fidesz's appointments of officials to nominally independent institutions, in many cases for nine-year terms. This is most worrisome in the judiciary, and particularly on the Constitutional Court. The court had served as a check on the government, but by 2013 its jurisdiction had been reduced and its composition altered through appointments by the Fidesz supermajority.

In this context, commentators from across the political spectrum continued to debate the merits of the systemic changes of 1989–90, with some defending the transition to liberal democracy and free-market capitalism, and others arguing

that the resulting system had been a failure.<sup>3</sup> Much of the criticism appeared to stem from the creation of economic inequality and the persistence of widespread poverty, which was not caused by liberal democracy, but which has led a significant segment of society to believe that their formal political rights mean little in practice.<sup>4</sup> Over the 25 years since the transition, consecutive governments failed to properly address issues such as the role of the secret services under communism, the privatization of state assets, and the need for an overhaul of public services like health and education. The Fidesz government identified many of the areas that required reform, but its initiatives to date have largely proven inadequate and had the effect of undermining democratic checks and balances. Meanwhile, antiliberal, nationalistic, and religiously divisive rhetoric has raised tensions in an already polarized political environment.

The government's foreign policy choices during 2014 were cited by critics as further evidence of its antidemocratic tendencies. Its "opening to the East," a bid to forge closer economic and diplomatic ties with the authoritarian countries of Eurasia and beyond, raised concerns in Europe and North America while failing to yield the expected trade and other boons.

National Democratic Governance. The governing Fidesz–KDNP coalition won a new four-year term in the April 2014 national elections, but its two-thirds parliamentary supermajority rested on a single seat. Because the constitutional system Fidesz had constructed during its first term required two-thirds votes on many issues, any loss of the supermajority could compel the government to seek support from opposition parties—most likely the ultranationalist Movement for a Better Hungary (Jobbik). In July, the prime minister gave a widely publicized speech in which he articulated the goal of making Hungary an "illiberal state," adding to concerns about his commitment to democratic standards. Critics saw more evidence of antidemocratic tendencies in the government's push to improve relations and build trade ties with authoritarian states like Russia. *Hungary's national democratic governance rating remains unchanged at 3.75*.

**Electoral Process.** In addition to the parliamentary elections, Fidesz–KDNP won European Parliament and local elections during the year. Recent changes to the electoral law disproportionately favored the dominant party and resulted in six additional seats for Fidesz–KDNP in the National Assembly; the coalition also secured 95 percent of the out-of-country vote in the parliamentary elections. Critics described the elections as free but unfair, and election monitors from the Organization for Security and Cooperation in Europe (OSCE) highlighted the lack of balanced media coverage. As a result of these factors, *Hungary's electoral process rating declines from 2.25 to 2.75*.

**Civil Society.** Civil society in Hungary still largely depends on government funds, which are often handed out in a partisan manner. During 2014, government rhetoric became more hostile toward nongovernmental organizations (NGOs), and

the prime minister and government officials accused civil society figures of being "paid political activists." In June and September, the Government Control Office (KEHI) searched the offices of NGOs that help disburse funds from EEA-Norway Grants, an international donor, and accused them of mismanagement, illegal financial activity, and political bias in their selection procedures. Public opposition to certain government policies and frustration with problems like corruption led to substantial street protests late in the year, but police generally managed them in a professional manner. Due to the deteriorating environment for NGOs, *Hungary's civil society rating declines from 2.25 to 2.50*.

Independent Media. Political and economic pressures have significantly damaged press freedom in the past few years. Following a string of investigative articles by the online news outlet Origo.hu about lavish travel expenses claimed by Orbán's chief of cabinet, the outlet's owner, telecommunications firm Magyar Telekom, unexpectedly dismissed its editor in chief in June. Also that month, the government proposed and swiftly adopted an advertising tax aimed at one of the two biggest commercial television stations. A proposed internet tax—the first of its kind in the world—was shelved in October, after large protests mobilized previously apolitical segments of society. Due to the shrinking space for independent reporting, *Hungary's rating for independent media declines from 3.50 to 3.75*.

Local Democratic Governance. Local administrations have enjoyed a high level of political independence in Hungary since 1989. However, a trend of centralization began in 2010, including the reallocation of responsibilities, the nationalization of local assets, and the centralization of public education. The rules for local elections were changed in June 2014, just four months before the October voting, and in ways that were thought to weaken representation for opposition groups. After the elections, Fidesz retained control in the overwhelming majority of local governments, while Jobbik was able to secure more municipalities. Due to the nature and timing of the changes to the local election system, *Hungary's local democratic governance rating declines from 2.75 to 3.00.* 

Judicial Framework and Independence. The problematic judicial framework created in recent years remains in place. In April 2014, the European Court of Justice ruled that the abrupt termination of the data protection commissioner's term in 2011 infringed on the authority's independence, and in May, the European Court of Human Rights (ECHR) declared that the early removal of the former Supreme Court president in 2012 violated his rights. The Constitutional Court upheld a number of controversial laws during 2014, including the new rules for national and municipal elections. By the end of the year, 11 of the court's 15 justices had been appointed by the Fidesz–KDNP coalition, and the court's decisions showed a clear break with its previous practices. *Hungary's judicial framework and independence rating declines from 2.50 to 2.75*.

Corruption. The close ties between political and economic elites remain a major source of corruption. The government and the legislature in 2014 continued to use their power to serve the business interests of friends and clients and to manipulate public procurement. The year featured a number of corruption scandals linked to individual politicians. Allegations of corruption by whistleblowers as well as the U.S. State Department have gone uninvestigated by the government. *Hungary's corruption rating remains unchanged at 3.75*.

Outlook for 2015. The government will remain securely entrenched in power. Any parliamentary by-elections during the year could threaten its two-thirds supermajority, which relies on a single seat. However, even if its majority were reduced slightly, Fidesz would have little difficulty securing the necessary votes from a handful of opposition members.

If any unpopular measures are planned for the current four-year term, they are likely to be enacted during 2015. Dwindling state capacity may prevent successful implementation. While the protests that characterized the end of 2014 are likely to continue into 2015, they will slowly dissipate unless new galvanizing issues emerge. Still, the ruling party's sinking popularity at the end of 2014, the continuing public discourse on corruption, and any further protests will put more pressure on the government than it has typically faced since 2010. This may corrode Fidesz's efficiency as a political machine.

Ever conscious of opinion polls, Prime Minister Orbán will likely continue with his aggressive and divisive populist rhetoric, but the government will not engage in major spending initiatives until the next elections are nearer. As Fidesz slides further to the political right, the distance between its hard-liners and centrists may grow. Should the prime minister's position weaken and a viable opposition eventually emerge, this may lead to a party schism. Nevertheless, it is unlikely that such a strong opposition will develop during 2015.

# Main Report

#### National Democratic Governance

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 2.00 | 2.25 | 2.25 | 2.50 | 2.50 | 3.00 | 3.50 | 3.50 | 3.75 | 3.75 |

Hungary is a parliamentary republic in which the prime minister, elected by a majority of the unicameral National Assembly (Országgyűlés), holds executive power. The prime minister is responsible to the parliament and can be removed, along with the cabinet, only through a "constructive no-confidence" process, which requires a new prime minister to be endorsed in the same vote. As a consequence, the executive branch outweighs the legislature under normal circumstances.

The unicameral parliament is the main legislative organ and has the exclusive power to pass laws. However, lesser forms of legislation may be promulgated by the government and ministers, so long as they conform to the laws and the constitution. The parliament elects the president of the republic for up to two five-year terms. In the first round of the election, a supermajority is required; if it cannot be reached, the next round is decided by a simple majority. The president of the republic plays a mostly symbolic role but has some control over the nomination and appointment of public officials and may refer legislation back to the parliament or to the Constitutional Court before signing it into law.

President János Áder is a longtime member of the Young Democrats' Alliance–Hungarian Civic Union (Fidesz), the senior partner in the ruling coalition. Áder has not provided an effective check on the parliament or the cabinet since his election in May 2012.<sup>6</sup>

Since the 2010 elections, the conservative coalition of Fidesz and its subordinate partner, the Christian Democratic People's Party (KDNP), has held more than two-thirds of the seats in the parliament. Following the April 2014 parliamentary elections, Fidesz-KDNP held 133 of 199 seats, though the two parties technically formed separate parliamentary groups of 117 and 16 members, respectively, which increases their representation on committees. The second-biggest faction is the opposition Hungarian Socialist Party (MSZP), with 29 seats, followed by the far-right Jobbik with 23. The leftist-green party Politics Can Be Different (LMP) has the smallest recognized faction with 5 seats. There were 9 independents at the end of the year, including members of former prime minister Ferenc Gyurcsány's Democratic Coalition (DK) party, former prime minister Gordon Bajnai's Together (Együtt) group, Dialogue for Hungary (PM), and the recently formed Hungarian Liberal Party (MLP). These small parties could not establish formal parliamentary groups because they lacked the minimum of five members, or three if elected on their own list rather than in an electoral bloc; all 9 had run as part of a bloc led by the MSZP.

While the scope of Fidesz's victories at the polls in 2014 may be a result of self-serving electoral legislation, there is no denying the continued popularity of the party and the prime minister, and the public's rejection of the opposition. Even after its historic loss of popularity at the end of 2014, Fidesz remained the country's leading party in opinion surveys, followed by Jobbik.<sup>7</sup>

The current constitution entered into force on 1 January 2012. It was widely criticized domestically and internationally, partly because it was drafted in a noninclusive process that reflected the values and interests of the ruling coalition, and partly because it was seen as a step backward on issues such as marriage equality, freedom of religion, and reproductive rights.<sup>8</sup> Since 2010, the government has used its supermajority to amend the constitution—both old and new—to serve its short-term political and legislative needs. To date there have been five amendments to the 2012 constitution. Such frequent changes to the fundamental law, along with lower-level legislation that directly serves the interests of the governing parties' clients, create an atmosphere of legal uncertainty and damage the rule of law.<sup>9</sup> This atmosphere is also reflected in the government's use of discretionary, nontransparent "strategic agreements" with selected multinational corporations, in which the companies are granted a modicum of political security in exchange for their loyalty, cooperation, or acquiescence.<sup>10</sup>

The government's reliance on its parliamentary supermajority, rather than enhancing stability as is sometimes claimed, is a source of instability. The combination of Fidesz's habitually unilateral decision-making, apparently inadequate planning, and constitutional provisions that require two-thirds votes on a broad range of issues could either paralyze the government should it lose its supermajority, or force it to make compromises with Jobbik. At the end of 2014, the ruling coalition faced the prospect of slipping below the two-thirds threshold as early as February 2015, when a by-election was set to be held for a constituency in the town of Veszprém. However, only a larger loss of seats would be likely to threaten the coalition's capacity to govern.

The current government has systematically undermined the system of checks and balances not only through legislation, the adoption of a new constitution, and frequent constitutional amendments, but also by filling key positions in independent state institutions with partisan or personal loyalists. By 2014, all major independent institutions were headed by such appointees, including the 15-member Constitutional Court, where judges nominated by Fidesz formed the majority.

Public apathy toward politics has been a long-term trend in the country, although participation on election day tends to be relatively high. It is more problematic that political participation outside the electoral cycle is generally low, as shown by low levels of civil society involvement and trade union membership.<sup>13</sup> In a positive sign for this situation, major street protests broke out in late 2014, triggered by plans for an internet tax but quickly encompassing a gamut of issues.

Fidesz–KDNP politicians have dismissed warnings that the weakening of checks and balances is undermining Hungarian democracy. However, various statements

and actions by coalition leaders have added to concerns about the country's place in the democratic world. In a July 2014 speech in Băile Tuşnad, Romania, Prime Minister Viktor Orbán argued in favor of creating an "illiberal state" in Hungary that "does not reject the fundamental principles of liberalism such as freedom," but also "does not make this ideology a central element of state organization." He cited Singapore, China, India, Russia, and Turkey as success stories of the present era that are "not Western, not liberal, not liberal democracies, and perhaps not even democracies." <sup>14</sup> In October, Fidesz founding member and speaker of parliament László Kövér suggested in a television interview that if leftists and bureaucrats in the European Union (EU) became too aggressive in imposing their human rights and regulatory standards, Hungary should consider "slowly, cautiously backing out" of the bloc. <sup>15</sup>

Such sentiments have also been on display in what the Orbán administration refers to as its "opening to the East"—a mixture of otherwise sound attempts to expand Hungary's trade with important foreign markets and dubious political gestures toward authoritarian regimes, including those of Russia, China, Kazakhstan, and Azerbaijan. In a similar vein, Hungary, like some other member states, has questioned EU sanctions policy toward Russia in connection with its meddling in Ukraine, and pressed ahead with Russia's South Stream gas pipeline project despite EU concerns about transparency and competition. While the government's positions may have some grounding in Hungary's own short-term economic interests, they suggest a lack of solidarity with fellow European democracies and a lack of concern about the threats posed by authoritarian Russia. Meanwhile, the expected benefits of the eastern outreach, whether political or economic, have failed to materialize. In fact, in December 2014, shortly after Hungary recommitted itself to participation in the South Stream pipeline, Russian president Vladimir Putin announced that the project was canceled, as construction had been blocked over the summer in Bulgaria due to EU regulatory pressure.<sup>16</sup>

#### **Electoral Process**

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 1.25 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 2.25 | 2.25 | 2.25 | 2.75 |

Between 1990 and 2010, members of parliament were elected for four-year terms in a two-round mixed electoral system. As part of the Fidesz government's legislative overhaul, the parliament adopted a new Law on the Election of the Members of Parliament at the end of 2011 and made significant changes to the electoral system in the 2013 Elections Procedures Law.<sup>17</sup> The laws retained the mixed proportional-majoritarian nature of the previous system, but reduced the parliament to 199 members from 386 and increased the share of single-member districts, leaving 106 individually elected members and 93 party-list seats. Parties must receive at least 5 percent of the national vote to win any of the latter.

The laws sparked strong resistance from the opposition for their apparent gerrymandering of the new constituencies, a shorter period for collecting the signatures required for candidacy, and changes in the allocation of excess and lost votes that favor the dominant party. Starting with the 2014 elections, lost votes from single-member districts are added to the party-list totals, including votes for the winner that were not needed to secure the election of those candidates. As a consequence of the changes, the new Hungarian system is less proportionate but simpler than the old one. The staffing of the National Electoral Commission with people loyal to the incumbent government has also been a problem for the past decade and remained a concern in 2014.

The laws granted the vote for the first time to ethnic Hungarians in neighboring countries who have accepted Hungary's offer of citizenship. After the adoption of the Elections Procedures Law, human rights groups voiced concerns that it discriminates against out-of-country voters with residence in Hungary. While newly registered citizens without residence were allowed to vote via mail, the few hundred thousand Hungarians working abroad had to vote in person at the country's consulates.<sup>20</sup>

Fidesz secured a major victory in the April parliamentary elections, gaining 44.5 percent of the vote together with KDNP and winning in all but 10 constituencies. The left-wing coalition Unity—composed of MSZP, Együtt, DK, PM, and MLP—received 26 percent, Jobbik gained 20.5 percent, and LMP, barely passing the party-list threshold, finished at 5.26 percent.<sup>21</sup> In the new electoral system, the governing parties' 44.5 percent earned them 133 deputies, allowing the coalition to hold on to its two-thirds majority by a one-seat margin. Ninety-five percent of the 128,387 votes cast by ethnic Hungarians in neighboring countries went to Fidesz–KDNP.<sup>22</sup>

In its final report, the observer mission of the Organization for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR) concluded that the elections were efficiently administered and offered voters a diverse choice. The main governing party, however, "enjoyed an undue advantage because of restrictive campaign regulations, biased media coverage and campaign activities that blurred the separation between political party and the State." The report argued that the use of government advertisements "almost identical" to those of Fidesz contributed to an uneven playing field, adding that changes to the legal framework in recent years had "negatively affected the electoral process, including the removal of important checks and balances." The OSCE/ODIHR also criticized the new provisions on winner compensation, emphasizing that they resulted in the allocation of six additional seats to Fidesz-KDNP.

Turnout was at 62 percent, and a record number of 18 parties registered national party lists.<sup>25</sup> Critics pointed out that due to changes in candidate registration and campaign finance rules, several new parties appeared on the political scene, many of them with no apparent intention to genuinely participate in the political process. According to the Hungarian branch of Transparency International (TI), these "sham parties" only participated in the elections "to gain access to the generous allowance provided by the state."<sup>26</sup> In one of the constituencies, the candidate of Fidesz—

KDNP won only with a small margin, and political analysts questioned whether the votes cast for the previously unknown Together 2014 (Együtt 2014)—which amounted to slightly more than the difference between Unity and Fidesz–KDNP—were intended for the Együtt that belonged to the Unity bloc.<sup>27</sup>

European Parliament (EP) elections were held in May and resulted in another victory for Fidesz–KDNP. The coalition received 51 percent of the votes and secured 12 of the 21 seats allocated to Hungary. Jobbik came second with 15 percent of the votes and 3 seats, while MSZP and DK each won 2 seats, and Együtt-PM and LMP each took 1 seat. At 29 percent, turnout was at its lowest since Hungary's accession to the EU in 2004.<sup>28</sup>

The political representation of women and minorities continues to be unsatisfactory. There are no legal requirements or policy initiatives that aim to enhance the participation of women in political life. At the end of 2014, the proportion of female deputies in the parliament stood at 10 percent—the lowest in the EU by far and 115th in the world.<sup>29</sup>

Ethnic minorities in Hungary may set up local and national self-government bodies. In October 2014, national minority elections were held for the 13 recognized minorities. The turnout was high, but changes to the rules on nomination led to the cancellation of elections in around 500 of the 2,715 wards.<sup>30</sup> In the case of the Roma—the most populous minority, with between 500,000 and 800,000 people—the dominant party in the minority council, Lungo Drom, won 75 percent of the votes.<sup>31</sup> The party is headed by Flórián Farkas, who is also a Fidesz member of parliament. According to the new electoral rules, which reshaped how minority representatives are elected to the national parliament, minority self-government bodies may run a separate list. This list is compiled by the party which has the most representatives in each minority council.<sup>32</sup> Romany civic organizations protested against the changes, pointing out that if minority voters choose to register for the minority list, they cannot vote for national party lists.<sup>33</sup>

Political parties are active in the country, especially the newer factions, which seem to be more responsive to grassroots concerns. Beyond periodic protests, demonstrations, and voting every four years, however, there is little citizen participation in political and public life. Trust in institutions and political parties remains low, raising concerns about the legitimacy of the political system.

#### Civil Society

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 1.25 | 1.50 | 1.50 | 1.75 | 1.75 | 2.00 | 2.00 | 2.25 | 2.25 | 2.50 |

The legal framework is generally hospitable to civil society, accommodating various forms of nongovernmental organizations (NGOs). However, due to lack of funding as well as recent legal changes and governmental actions, Hungarian civil society is less able to act as a check on political power. A comprehensive new law regulating

the right of association and the functioning of NGOs entered into force in 2012.<sup>34</sup> According to the law, NGOs should specify their purpose in their statute, have a listed membership, and be registered by a court. The legislation also requires NGOs to submit annual reports to a court, with failure to do so potentially resulting in deregistration. Previously, thousands of organizations had remained in the system with no recorded activities. The legality of NGO activities is overseen by the Office of the Prosecution.

Aside from a handful of high-profile watchdog organizations, most NGOs operate on a very small scale with miniscule budgets. The engagement of private philanthropy in funding civil initiatives is very limited in Hungary, and the few private sources that do support such activities fail to set and publish clear and transparent guidelines for grant making. NGOs receive funding from some international donors, such as the EEA-Norway Grants and the Open Society Foundations, but for the most part civic groups are overly dependent on the government and the EU. Small individual donations play a minor role in NGO funding; another source of independent income for the sector is the so-called 1 percent tax scheme, under which taxpayers can assign 1 percent of their income tax to an NGO of their choice. In December 2013, the parliament adopted a new law that required NGOs benefitting from the 1 percent tax scheme to register, empowering the National Tax and Customs Administration to administer the process.<sup>35</sup>

Government funds are distributed through the National Cooperation Fund (NEA), the successor of the National Civil Fund (NCA), which had been criticized in previous years for its working methods and funding policies. The new entity was established by the Fidesz government in 2011 with a mission to support "civil organizations, national togetherness, and public good." Its budget and the number of organizations receiving funding shrank to about one-third of the figures under the NCA.<sup>36</sup>

The NEA's governing body is a nine-member council consisting of three people appointed by the minister in charge, three by the relevant parliamentary committee, and only three civil society delegates. The chair of the council is appointed by the minister in charge. Funds are primarily distributed by five thematic colleges, but the chair can override the colleges' decisions by withdrawing grants from winners and issuing grants to organizations that the colleges previously turned down. Moreover, 10 percent of the NEA budget is directly distributed by the minister in charge.

Since its establishment, both the NEA's funding decisions and its political connections have drawn criticism.<sup>37</sup> The NEA council's current chair is László Csizmadia, a vocal supporter of Orbán's government. He is the head of the Civil Unity Forum (CÖF), an association with a mission to "strengthen the coherence of the Hungarian nation." Csizmadia claims that CÖF is the "largest civil association of the Carpathian basin," with 400 member organizations.<sup>38</sup>

In 2014, the authorities verbally attacked Hungarian NGOs on numerous occasions, accusing them of political bias and misuse of funds. In his July speech in Băile Tușnad, Orbán stated that the government is "not dealing with civil society

members but paid political activists," who are "being paid by specific foreign interest groups." Earlier, in April, Assistant Undersecretary of State Nándor Csepreghy called the Hungarian partners of the Norwegian NGO Fund "party-dependent, cheating nobodies." 40

The verbal attacks culminated in official investigations into the funding decisions and finances of NGOs that help distribute Norway grants. On 2 June, the Government Control Office (KEHI) searched the offices of the Autonomia Foundation, the Foundation for the Development of Democratic Rights (DemNet), and the Ökotárs Foundation, leading partners of the Norwegian NGO Fund. Government representatives argued that the organizations favored NGOs with "leftist political ties" in distributing the grants and labeled the process "meddling" in Hungary's domestic affairs.<sup>41</sup> The foundations questioned the legal grounds for the audit, and the Council of Europe's commissioner for human rights expressed concern over the situation.<sup>42</sup>

During the summer, KEHI sent several requests to the Ökotárs Foundation, threatening to impose sanctions if it failed to cooperate. The matter negatively influenced diplomatic relations between Norway and Hungary, and the Norwegian authorities questioned KEHI's right to investigate grants that are not financed from the Hungarian budget. On 8 September, the police raided the offices of Ökotárs and DemNet, confiscating computers and documents, and accusing the organizations of mismanagement of funds and illegal financial activities. The confiscated materials included the files of 13 NGOs that the government had earlier labeled "left-leaning." The control office asked for the suspension of the organizations' tax numbers and submitted a criminal report in October.

A number of antigovernment protests took place in 2014, with the second half of the year featuring increased mobilization. In October and November, tens of thousands of people demonstrated against the planned introduction of the so-called internet usage tax, which was to take effect in 2015. The protests extended into December, with numerous smaller demonstrations taking place in Budapest and other cities and addressing broader issues like corruption.<sup>45</sup> Most of the demonstrations were peaceful, and the police handled them professionally. In one instance, hundreds of people gathered in front of Fidesz's headquarters and threw broken computer equipment at the building after the October internet tax protest. The police took six people into custody for trespassing.<sup>46</sup>

A 2013 constitutional amendment reinstated the main provisions of a 2011 law that had been struck down by the Constitutional Court, under which close to 90 percent of more than 300 legally operating religious groups lost their formal status as churches and the associated tax and budgetary benefits. While it remains relatively simple for religious organizations to register with the courts and to call themselves "churches," a two-thirds parliamentary majority must approve an organization's full recognition as an "incorporated church" if it is to receive related benefits. In April 2014, the European Court of Human Rights (ECHR) ruled that the changes violated freedoms of religion and association. The court condemned the politically tainted reregistration procedure and argued that the authorities—

in treating them differently from recognized churches with regard to benefits—infringed on the rights of the groups that lost their previous church status.<sup>48</sup> In response to the decision, the Ministry of Justice reportedly started work on a new church law at the end of the year.<sup>49</sup>

## Independent Media

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 3.25 | 3.50 | 3.50 | 3.50 | 3.75 |

The Hungarian media scene features a fairly wide range of print, broadcast, and internet outlets. Media ownership is relatively diverse, with a few multinational print houses and local private companies managing varying portfolios. However, the shrinking private advertising market has posed serious problems for smaller and independent media businesses. At the same time, the economic success of others is often secured through strong political support and targeted advertising spending by state institutions and state-owned companies.<sup>50</sup>

After two decades in which liberal and pro-Western voices predominated in the media, a dynamic conservative media sector has developed in recent years, largely based on the investments of affluent businesspeople who support Fidesz.<sup>51</sup> These outlets include newspapers, cable television channels, and news websites. The two terrestrial commercial television stations, locally owned TV2 and German-owned RTL Klub, remain the principal source of news for most Hungarians, along with a growing number of cable channels.<sup>52</sup> Yet, the amount of public affairs content on these channels has seriously diminished in recent years.<sup>53</sup> News blocs are not only short and offer mostly tabloid-style material, but they often simply enumerate different party positions, seldom providing deeper analysis or broader perspectives.

A proposed advertising tax—briefly floated in 2013—made a surprise comeback in June 2014, and the bill was adopted shortly after being presented in the parliament. The tax, as introduced, disproportionately affected RTL Klub, and critics alleged that it undermined press freedom by singling out one outlet and heavily interfering in the media market.<sup>54</sup> Even right-leaning outlets, such as the broadsheet daily *Magyar Nemzet*, were vocal in their criticism—though some observers speculated that this was the result of a falling out between the prime minister and his former dormitory roommate, leading business magnate Lajos Simicska,<sup>55</sup> who has significant stakes in the media and advertising market. Meanwhile, RTL Klub did not remain silent following the adoption of the tax, changing its formerly tabloid-heavy evening news program to become sharply critical toward the government. In October, the channel also submitted an official complaint to the European Commission. In November, the government raised the tax from 40 percent to 50 percent, and by year's end RTL Klub had contributed more than 90 percent of the revenue collected by the levy.<sup>56</sup>

Partisan interests, particularly incumbent governments, have had a strong influence over public-service broadcasting since 1990. However, under the current

administration, this progovernment bias has been replaced with a more overt transmission of government views.<sup>57</sup> The public television and radio stations and the state-owned news agency were merged in 2011 to improve efficiency, but the new umbrella institution, the Media Service Support and Asset Management Fund (MTVA), has failed to ensure transparency and features a proliferation of senior management positions and unclear areas of responsibility.<sup>58</sup> Content is regularly affected by censorship and factual distortions to suit the government's interests.<sup>59</sup> A November 2014 amendment to the media law would further centralize public media by merging the assets of the four separate public outlets; it would also establish two additional public channels and require cable providers to assign the first six spots to them.<sup>60</sup>

The country's broadsheet newspapers have long been characterized by open bias, with two major outlets on each side of the deep political divide. As a consequence, not only has their circulation been radically shrinking, but they are also losing significance in shaping the public debate. There are a few popular yet apolitical tabloids, and two major free newspapers enhance the preponderance of progovernment voices in the media. Both papers, *Metropol* and *Helyi Tėma*, are closely linked to Fidesz. Care

Online news portals and blogs have created a vibrant environment for political debate and analysis, and a number of blogs practice investigative journalism.<sup>63</sup> The online sphere is not free of partisan bias,<sup>64</sup> however, and the internet also provides room for extreme right-wing content that promotes nationalism, xenophobia, and anti-Semitism.<sup>65</sup>

In June 2014, Gergő Sáling, editor in chief of one of the country's major online newspapers, Origo.hu, was unexpectedly fired by the publisher. The outlet is owned by Magyar Telekom, a subsidiary of Deutsche Telekom. Since the dismissal happened after Origo.hu published a string of investigative articles about generous travel expenses claimed by János Lázár, the chief of cabinet, observers suggested that Sáling was fired as a result of political pressure on the owner, which has significant business ties with the Hungarian state. 66 Later in June, many journalists decided to quit the outlet, and Origo.hu operated with an almost completely different staff at year's end.

Self-censorship remains a problem in Hungarian media. According to a 2012 survey by Mérték, a media-analysis think tank, 80 percent of the public, 77 percent of journalists, and 96 percent of media owners and managers believe there are a number of taboo topics in the Hungarian public sphere. For Yet many of the respondents said the much-criticized 2010 Media Law had not greatly affected this situation. One, summarizing the views of others, explained that journalists exercising self-censorship "had always been confined to narrower limits than those assigned by laws and regulations." The study was repeated in 2013 and found that media managers' perceptions of press freedom had improved, while journalists felt that their situation had considerably worsened, with a significant increase in both political and economic pressures.

In December 2014, Máté Kocsis, a prominent Fidesz politician, spokesperson, and mayor of a Budapest district, proposed the introduction of compulsory annual

drug testing for those aged 12–18, elected officials, and journalists.<sup>70</sup> Orbán later argued in an interview that the proposal was a crucial part of the fight against drugs.

In October, the draft budget for the year 2015 included a new tax on internet usage. The tax would have made internet packages unaffordable to poor people and many living in the countryside. After the proposal sparked the biggest protests the country had seen in years, the government backed off—first putting a cap on the tax and later tabling it. A public consultation was expected to follow in 2015.<sup>71</sup> Under the 2010 Media Law, the National Media and Electronic Communications Authority (NMHH) oversees all media, public and private, including broadcast, print, and online outlets. It grants licenses and frequencies, monitors content, and investigates and adjudicates public complaints. Its main regulatory body is the Media Council, which consists of five people nominated by a two-thirds parliamentary majority for nine-year terms. The Media Council is headed by Monika Karas, a lawyer who formerly represented the right-leaning HirTV and *Magyar Nemzet*.

#### Local Democratic Governance

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 2.25 | 2.25 | 2.25 | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 2.75 | 3.00 |

Local self-governance has been a central element of Hungarian democracy since the fall of communism in 1989. The high level of decentralization is reflected in the large number of independent local councils in relation to the country's population. Almost half of the approximately 3,200 municipalities are small villages with fewer than 1,000 residents, and only around 300 of them have the status of a town. Each municipality votes for its own mayor and council. However, their political autonomy is limited in practice by heavy financial dependence on the central government, as lack of industry and consistently high rates of unemployment keep local tax revenues at a low level.

Fundamental reforms, based on the new constitution in effect since 2012, have been rearranging local governance. A key guarantee of the old charter was the declaration that the state would respect local councils' autonomy and property. However, under the new constitution, local governments are subordinate to the national government's policy, and all local assets are considered part of Hungary's national property, not owned but merely controlled by the municipalities to perform certain tasks allotted by the state. Responsibility for such tasks has been shifting radically over the past three years. Moreover, between 1990 and 2010, the national government supervised the operation of local governments in cooperation with the Ministry of Interior; under the new constitution, the metropolitan and county government offices have increased competences in supervising the activities of local governments.

Local elections are organized every five years. On 10 June 2014, the parliament approved amendments to the Act on the Election of Local Government Representatives and Mayors. In Budapest, voters previously elected the city mayor,

the mayors of the city's 23 districts, and a city council, with the council members chosen through party-list balloting. Under the new framework, the Budapest council is simply composed of the city mayor, the 23 district mayors, and 9 of the losing district mayoral candidates from compensation lists. In addition, a dual majority system was introduced, whereby successful votes would require both a majority of the 33 seats and enough of the district mayors' votes to represent a majority of the city's population.

The amendments were criticized on the grounds that they changed the voting rules just four months before the October municipal elections, with some arguing that they violated the principles of equal suffrage and direct voting. However, the Constitutional Court upheld the legislation in July, rejecting assertions that the election of one candidate for two positions—district mayor and council member—was unconstitutional. The constitutional of the constitutiona

Analysts predicted that the new legal framework would benefit Fidesz in the elections, and indeed the ruling party maintained its overwhelming ascendancy in local governments, which exceeds even its parliamentary supermajority. Amid low voter turnout of 44 percent, Fidesz won all but six districts of the capital, and its candidate for Budapest mayor, incumbent István Tarlós, was reelected. Fidesz candidates also won in all the counties and the vast majority of provincial towns and villages. Jobbik placed second in all but one of the 19 counties, ahead of the Socialists, and won control of 5 towns and 9 villages. <sup>74</sup>

The government has centralized public education, taking it over from local governments in the past three years. The previous system was often criticized for producing inconsistency, segregation, and dire inequalities between wealthier and less privileged regions of the country. The government claims that the recent reform effort will eliminate these long-standing imbalances and create a fairer and more predictable system, in which both children and teachers can enjoy greater security. As part of the reforms, all teachers and other educational employees were transferred to the payroll of a new centralized entity called the Klebelsberg Institution Maintenance Center (KLIK). The center itself has 2,300 employees who, through 198 school-district principals, are responsible for 3,000 schools, 1.2 million students, and 120,000 teachers. KLIK is also in charge of all teaching materials, supplies, and professional training coordination.

Elementary schools from grade one through eight receive school textbooks for free, and KLIK supervises their selection from the two textbooks available per subject and class. The elimination of teachers' choice and the nationalization of the market received harsh criticism from stakeholders, including book publishers, students, teachers, and unions. Moreover, centralization and mismanagement by KLIK led to a number of problems, including delays in delivery of basic school supplies, teachers' aids, and schoolbooks, as well as financial and administrative difficulties for schools operated by religious or other private foundations that offer alternative teaching methods. Even the state secretary responsible for overseeing the centralization process has since criticized the new system's operation.<sup>75</sup>

At least some of the opposition to these reforms stems from the concern

that they are part of a broader Fidesz effort to push the country's culture in a conservative nationalist direction. Such fears are fueled not just by centrally designed curriculums,<sup>76</sup> but also by the government's patronage of ideologically aligned artists and its sponsorship of historical research.<sup>77</sup>

# Judicial Framework and Independence

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 1.75 | 1.75 | 1.75 | 1.75 | 2.00 | 2.25 | 2.75 | 2.50 | 2.50 | 2.75 |

The judiciary is currently organized in a four-tier system of local courts, county courts, high appeals courts, and the Supreme Court (Kúria). Local and county courts have jurisdiction over their territorial districts, with county courts also serving as appellate courts for minor local cases. The high appeals courts have regional jurisdiction, with seats in Budapest and four other cities. The Supreme Court serves as the final appeals court and ensures the uniform application of laws, developing a limited form of case law.

The Constitutional Court has shaped the legal framework of Hungary since 1990. Its members are elected by the parliament from among the country's legal scholars, though critics have raised questions about the credentials and right-wing political ties of the judges appointed under the Fidesz government. In 2011, the parliamentary majority increased the court's membership from 11 to 15 justices, and by the end of 2014, a total of 11 justices had been appointed by the ruling coalition. According to the 2012 constitution, the chief justice is no longer elected by fellow justices but by the parliament. In December 2014, the parliament elected Barnabás Lenkovics as president of the court. He would formally replace Péter Paczolay on 25 February 2015. The opposition heavily criticized the unilateral nomination of the Christian-conservative chief justice and abstained from the vote.

Since 2010, the government has narrowed the scope of the Constitutional Court's jurisdiction. With extremely limited exceptions, the current rules exclude the possibility of a constitutional review regarding financial and tax measures. The new constitution abolished the right of citizens to initiate an abstract constitutional review, or *actio popularis*, but introduced a new competence by which the court can review the constitutionality of judicial decisions. The Constitutional Court has been relatively restrained in its use of this new power to protect individual rights.<sup>81</sup>

Although in 2012 and early 2013 the court struck down several controversial laws adopted by the government—including a law on the retirement of judges, legislation criminalizing homelessness, provisions narrowing the definition of a family, and voter registration—this trend changed when justices appointed by Fidesz–KDNP became a majority on the court in April 2013.<sup>82</sup> In May of that year, Orbán declared after a meeting with Chief Justice Paczolay that "the time of constitutional debate is over."

The court ruled a number of contentious laws constitutional in 2014. In May, the court found that the electoral provisions on winner compensation, which resulted in six additional seats for Fidesz–KDNP, did not violate the right to equality of voting power. He power laws struck down a complaint by 75 opposition deputies who challenged the new regulations on municipal elections in Budapest. Also that month, the justices decided that the government had not violated individual property rights with the reregulation of the tobacco market. In March and November, the court ruled on government steps taken to help citizens indebted in foreign currencies. It upheld government actions in both cases, despite complaints that the measures' retroactive effect violated the rule of law.

Since 2011, the governing body of the judiciary has been the National Judicial Office. While the previous arrangement was duly criticized for its lack of transparency and for placing too much power in the hands of the presidents of the county courts, the new system exposes the judiciary to government influence. The head of the office is elected by a supermajority in the parliament, and the first incumbent is Tünde Handó, the former president of the Labor Court and the wife of József Szájer, a longtime friend of the prime minister's and a Fidesz member of the European Parliament. Although a 2013 amendment annulled the power of the National Judicial Office president to reassign cases, Handó in March 2014 controversially assigned the judges of the Debrecen County Court to the Metropolitan Court to help with the caseload.<sup>88</sup>

Under the new constitution, a single Office of the Commissioner for Fundamental Rights was created to replace the previous ombudsmen's offices. The commissioner is elected by a supermajority in the parliament for a nine-year term and has two deputies, one for "future generations" and one for the rights of national and ethnic minorities.<sup>89</sup> At present, László Székely serves as the commissioner for fundamental rights. The portfolio of the former ombudsman for data protection and freedom of information was moved to the National Authority for Data Protection and Freedom of Information.<sup>90</sup> In April 2014, the European Court of Justice ruled that the abrupt termination of the Hungarian data protection commissioner's term in office in 2011 infringed on the authority's independence and breached EU law.<sup>91</sup> The government and the former commissioner reached a monetary settlement.

In May, the ECHR ruled in favor of the former president of the Supreme Court, declaring that the early termination of his mandate violated his right to free speech. <sup>92</sup> In the same month, the ECHR handed down a ruling on life imprisonment without the possibility of parole, deciding that the penalty amounts to inhuman and degrading treatment. <sup>93</sup> In September, the parliament passed a bill under which convicts who have served at least 40 years of their sentence may be pardoned by the president. <sup>94</sup>

Hungary's prison system is among the most crowded in Europe, and first-time asylum seekers often end up in asylum detention.<sup>95</sup>

## Corruption

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|
| 3.00 | 3.00 | 3.00 | 3.25 | 3.50 | 3.50 | 3.50 | 3.50 | 3.75 | 3.75 |

Corruption permeates both the political sphere and private transactions, and it is often accepted as a fact of life. <sup>96</sup> The country's anticorruption laws are constructed in a way that allows corruption to go on largely undisturbed, while maintaining the impression that officials are actively pursuing it. <sup>97</sup> For example, the widespread practice of bribing doctors in the public health system—usually called "gratuity"—created an awkward legal situation in 2013, when a new amendment to the penal code rendered it a crime, despite a provision in the 2012 labor code that permitted hospitals to pass bylaws allowing such payments. In late 2014, the Chief Prosecutor's Office finally initiated an amendment to the pertinent laws to remove the discrepancy. <sup>98</sup>

While petty corruption of the kind represented by "gratuity" payments is a long-standing problem of fairly consistent magnitude, grand corruption at the higher levels of government and business has taken on new dimensions in recent years, approaching the point of state capture. The impetus for this change did not come from the corporate sector, "oligarchs," or organized crime, as in some other countries, but from the political sphere. Accordingly, it is the ruling party, through the state, that makes and unmakes the dominant players in the Hungarian economy. 100

Studies published over several years have shown that businesses are exposed to corruption when dealing with other companies and in their interactions with the public sector. According to a 2013 Eurobarometer survey, 81 percent of business respondents believe that favoritism and corruption hamper business competition. Another survey released in 2011 showed that the majority of chief executives believe good personal connections play a significant role in public procurement procedures, and while 30 percent of the respondents said they would not necessarily refuse a corrupt deal, only a small fraction would be ready to report it to the police. 102

In 2014, the perception of corruption in the private sector worsened among Hungarian businesses as well as international companies operating in the country. <sup>103</sup> The German-Hungarian Chamber of Industry and Commerce published a report in October condemning corruption and the lack of transparency. <sup>104</sup> Also that month, the United States announced that it had imposed travel bans on six Hungarian officials suspected of corruption, touching off a major scandal in the country. Ildikó Vida, the head of the National Tax and Customs Administration (NAV), confirmed in November that she and several of her colleagues were on the list of banned officials. <sup>105</sup>

Press reports suggested that the travel bans may have stemmed from an alleged value-added tax (VAT) fraud involving cooking oil, which negatively affected U.S. businesses that were not part of the scheme. <sup>106</sup> In late 2013, whistle-blower and former NAV employee András Horváth had reported to the prosecutor's office that the agency was turning a blind eye to VAT fraud committed by some of Hungary's major corporations. Citing documents he claimed to have collected while working

at the NAV,<sup>107</sup> he estimated that the fraud cost the state about a trillion forints (\$4 billion) annually.<sup>108</sup> The case underscored the insufficient protection for anticorruption whistle-blowers in Hungary.<sup>109</sup> In late November 2014, the NAV released a report denying all charges,<sup>110</sup> and other Hungarian state institutions apparently took no meaningful steps to investigate the accusations against the tax agency. Vida remained in office as NAV president.

Political parties also pose a major corruption risk in Hungary. The poorly designed party and campaign financing regulations almost encourage parties to seek funds from opaque sources. While the promise to reform party financing has been an element in political campaigns for many years, no government has enacted significant changes. The parliament passed a new law on party financing in June 2013, but according to Transparency International and the think tank Political Capital, it actually raised the risk of corruption. Indeed, in the 2014 elections, parties collectively spent 3.5 billion forints (\$15 million) in excess of the legally allowed amount, and all parties that won seats in the parliament except LMP spent beyond the legal limit. In addition, some 3.6 billion of the 4 billion forints in state funding to minor parties could not be accounted for.

Public procurement in particular has been a problematic area for the entire democratic period, due in part to the legacy of the communist state's role as the predominant redistributor of resources. Almost 2.4 trillion forints (\$10.4 billion) was spent in 2013 through public procurement procedures, marking an 80 percent increase over the previous year, according to a 2014 report to the parliament.<sup>114</sup> General transparency has been affected by the freedom of information law adopted in 2013, which reduced the scope of access to information on government decisions,<sup>115</sup> and the lack of an appropriate database on procurement presents an obstacle to the transparency of public spending.<sup>116</sup> The funds have gone disproportionately to businessmen linked to the prime minister and Fidesz.

It is noteworthy that the biggest infrastructure investment of the coming decade, the construction of two new reactors at the Paks nuclear power plant, will not even be subject to the normal public procurement rules. The government announced in January 2014 that it had reached an agreement with Russia on the project, whose estimated budget of 3–4 trillion forints (\$13–17 billion) will be financed with Russian credit. Analysts warned that the agreement and the nature of the project entailed an enormous risk of corruption. 117

State institutions tasked with investigating malfeasance in public spending and procurement have effectively been compromised by political appointments. The Fidesz–KDNP coalition has named allies to lead such agencies for very long terms—typically nine years. For example, the current head of the State Audit Office, László Domokos, was a Fidesz lawmaker at the time of his 2010 appointment for a term of 12 years.

Although corruption was a systemic problem well before Fidesz–KDNP took power in 2010, the coalition has facilitated graft and patronage on a new scale, using its legislative power to interfere with even minor segments of the economy and benefit its private-sector clients. One of the most consequential instances

of this interference was the 2013 reregulation of the tobacco market, in which the government withdrew existing retail licenses and handed out a more limited number, mostly to cronies of prominent Fidesz members. <sup>118</sup> In December 2014, the government further restricted the market at the wholesale level, stipulating that the newly licensed retailers will only be permitted to purchase from state-owned wholesale corporations or those that the state contracted. <sup>119</sup>

Also in December, the parliament passed a series of laws that effectively targeted international retail chains operating supermarkets in Hungary, in accordance with the prime minister's stated goal of having Hungarians shop in Hungarian supermarkets. One measure required non-family-owned retailers of a certain size to remain closed on Sundays, and another would force stores to close if they reported losses for two consecutive years. The combination of these laws would put multinational corporations such as Tesco, Auchan, and Spar in a disadvantaged position, while benefiting Hungarian competitors, including major Fidesz benefactor László Baldauf and his CBA supermarket chain. 120

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Website of the Hungarian Government, Prime Minister, "Prime Minister Viktor Orbán's Speech at the 25th Bálványos Summer Free University and Student Camp," 30 July 2014, http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-25th-balvanyos-summer-free-university-and-student-camp.

<sup>2 &</sup>quot;Medián: 12 százalékpontot esett a Fidesz népszerűsége" [Medián: Fidesz's popularity fell 12 percentage points], Mandiner.hu, 10 December 2014, http://mandiner.hu/cikk/20141210\_median\_12\_szazalekot\_esett\_a\_fidesz\_nepszerusege.

Fidesz's advocacy of "illiberal democracy" is the most prominent and influential of these views, but the right-wing ideology of the ultranationalist Movement for a Better Hungary (Jobbik) has also found support among some voters. See also the radical nationalist conspiracy theorist László Bogár's opinions on the topic. Dávid Lakner, "Bogár László, a világ-SZDSZ és az elmúlt 150 év—Ilyen ország pedig nincs CCCLXXXII" [László Bogár, world-SZDSZ and the last 150 years—There's no such country as this CCCLXXXII], Mandier.hu, 13 September 2013, http://mandiner.blog.hu/2013/09/13/bogar\_laszlo\_a\_vilag-szdsz\_es\_az\_elmult\_150\_ev\_ilyen\_orszag\_pedig\_nincs\_ccclxxxii.

Intellectuals and politicians on the left have voiced similar assessments, though with very different interpretations and proposed responses. See for example the views of Marxist philosopher Gáspár Miklós Tamás or Politics Can Be Different (LMP) party co-president András Schiffer. "TGM: 25 év, takarodj!" [TGM: 25 years, away with you!], 26 November 2014,

Hvg.hu, http://hvg.hu/velemeny/20141126\_TGM\_25\_ev\_takarodj/#amg284; "Schiffer András: a liberális demokrácián valóban túl kell haladni" [András Schiffer: We must indeed move beyond liberal democracy], InfoRádió, 6 August 2014, http://inforadio.hu/hirek/belfold/hir-657272.

In contrast, liberal philosopher János Kis defends the concept and practice of liberal democracy, as does fellow liberal Bálint Magyar, while recognizing some of the mistakes committed during the 1990s and 2000s. János Kis, "Kis János: Illiberális demokrácia nem létezik" [János Kis: There is no such thing as illiberal democracy], Hvg.hu, 24 November 2014, http://hvg.hu/velemeny/20141124\_Kis\_Janos\_illiberalis\_demokracia\_nem/#amg284; Bálint Magyar, Júlia Vásárhelyi, eds., *Magyar polip: a posztkommunista maffiaállam* [Hungarian octopus: The postcommunist mafia state] (Budapest: Noran Libro, 2013).

- Viktor Ádám, "Drámai adatok Magyarországról—így terjed a szegénység" [Tragic data about Hungary: thus spreads poverty], Napi.hu, 18 August 2014, http://www.napi.hu/magyar\_gazdasag/dramai\_adatok\_magyarorszagrol\_igy\_terjed\_a\_szegenyseg.585336.html. See also data from the Hungarian Statistical Office (http://www.ksh.hu/stadat\_eves\_2\_2) or Eurostat's November 2014 report on poverty in Europe: Eurostat, "More Than 120 Million Persons at Risk of Poverty or Social Exclusion in 2013," news release, 4 November 2014, http://ec.europa.eu/eurostat/en/web/products-press-releases/-/3-04112014-BP.
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- Andrew Arato, Gábor Halmai, and János Kis, eds., Opinion on the Fundamental Law of Hungary (Princeton University, June 2011), http://lapa.princeton.edu/hosteddocs/amicusto-vc-english-final.pdf.
- "Lex barátok és ellenségek" [Lex friends and enemies], Ténytár, 25 January 2012, http://tenytar.hu/elemzes/lex\_baratok\_es\_ellensegek#.UMZtK4PAcuA; Transparency International, Corruption Risks in Hungary 2011: National Integrity Study (Berlin: Transparency International, 2012), http://www.transparency.hu/uploads/docs/Corruption\_Risks\_in\_Hungary\_NIS\_2011.pdf; a collection of articles on the controversial 2013 reregulation of the tobacco market at Hvg.hu, http://hvg.hu/cimke/trafikmutyi.
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- See for example Péter Nizák and Ferenc Péterfi, "A közösségi részvétel—társadalomi és hatalmi beágyazottság" [Community participation—Social and power embeddedness], in Ismerd, értsd, hogy cselekedhess: Nonprofit Szektor Analízis—Tanulmányok a részvételi demokrácia gyakorlatáról [Know, understand, act on that: Nonprofit sector analysis—Studies on the practice of participatory democracy], ed. Márkus Eszter (Budapest: EMLA, 2005), http://www.nosza.hu/nizak-peterfi.dbk.pdf. While the study was nine years old at the time of this report, its key findings remain relevant. See also "'Ha nem szűnik meg a szakszervezet, mindenkit kirúgunk" ['If the union doesn't stop, we fire everyone'], Sonline, 4 March 2014, http://www.sonline.hu/somogy/kozelet/ha-nem-szunik-meg-a-szakszervezet-mindenkit-kirugunk-541623.
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