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THE POLITICAL ECONOMY OF HUNGARIAN AUTHORITARIAN POPULISM

CAPITALISTS WITHOUT THE RIGHT KIND OF CAPITAL

Samuel Rogers

ROUTLEDGE

The Political Economy of Hungarian Authoritarian Populism

This book emphasises the importance of state-business relations and external capital for structuring and strengthening authoritarian populism in Hungary. It argues these capitalist relations are crucial for understanding the economic aspects of this ideology and investigates both 'internal' and 'external' legs of the Hungarian political economy. First, how a politically loyal national capital-owning class has subsumed domestic business. Second, the government's operationalisation of 'new' inward transnational capital inflows – especially from China and Russia – to finance large-scale infrastructure projects, which complement extant investment particularly from Germany. Together, these developments have strengthened the hegemonic nature of Hungarian Authoritarian Populism, helping the government to continued electoral success. This model of governance is attractive to similar ideological expressions in the region and beyond who look for an example to emulate.

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I dedicate this book to all souls from broken homes

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1. Rogers, Samuel (2020) Hungarian authoritarian populism: a neo-Gramscian perspective, East European Politics, 36:1, 107–123, DOI: 10.1080/21599165.2019.1687087

2. Rogers, Samuel (2020) Fidesz, the state-subsumption of domestic business and the emergence of prebendalism: capitalist development in an 'illiberal' setting, Post-Communist Economies, 32:5, 591–606, DOI: 10.1080/14631377.2019.1689001
3. Rogers, Samuel (2019) China, Hungary, and the Belgrade-Budapest Railway Upgrade: New Politically-Induced Dimensions of FDI and the Trajectory of Hungarian Economic Development, Journal of East-West Business, 25:1, 84–106, DOI: 10.1080/10669868.2018.1561589

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I first visited Hungary in April 2006, shortly before a national election that was to be the first time the incumbent had remained in government since the systemic changes in 1989/1990. It was also to this day, the last non-Fidesz victory. I went to the polling station with my host family; to my mind it was a calm and optimistic moment. Fidesz lost the election to the MSzP by 26 seats, or 1.18%, through a process based on a mixed-member electoral system conducted over two rounds.

Five months later, I witnessed rioting and wild street protests against the publication of a leaked, expletive-ridden recording of the then-Prime Minister who had admitted lying to be re-elected. The following month marked the fiftieth anniversary of the 1956 Hungarian (counter) Revolution. More demonstrations: police, protestors, blood, a tank. This was clearly a political place, an aspect of Hungarian society I had not anticipated, but to which I was strongly drawn. I lived in Miskolc and Debrecen, experiencing provincial Hungary before relocating to Budapest. In all these places I studied the Hungarian language formally or informally. At first, it was absolutely alien to me, but after logic emerged, it became part of me.

As time continued, I began to understand how important history and politics can be to Hungarians and how divisive history and politics can be for them, too. I have returned to the country for different periods of time almost every year since I first moved away in 2008 and there have been myriad changes. Those who only visit the tourist sites of central Budapest may see infrastructural improvements and shiny lights but that is mostly a mirage irreflective of development in the suburbs or provinces. The changes to the country have been crippling for the many. Thousands of educated people have left, poverty has rocketed, corruption proliferated, a narrow understanding of 'history' has become promoted and deepened, while beneficiaries have been few. It is a sad story that seems set to continue.

Regardless of what I think about it all, I am thankful to Hungary and the Hungarians for their enduring hospitality, kindness, inquisitiveness, and openness. They inspired me to write about their country and I hope to do so again.

SR

Berlin, November 2023

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Introduction

The political economy of Hungarian authoritarian populism: capitalists without the right kind of capital

What is populism?

Populism became *the* buzzword across much of the world in the 2010s. This form of socio-political relations accelerated in the second half of the decade with well-known expressions of the phenomenon: the 2016 election of Donald Trump to the White House, the 2018 election of Jair Bolsonaro in Brazil, the re-election of Narendra Modi in India, as well as the entry to office of populist leaders of varying tropes in Egypt, Indonesia, Israel, Italy, Mexico, the Philippines, Turkey, and Venezuela, amongst a list of many others. The phenomenon is truly global.

Populist political parties and national leaders have to varying degrees become rather concentrated in the region on which this book focuses: Central and Eastern Europe (CEE).[1] In the CEE context, populism has emerged across the region between the Adriatic, Baltic, and Black Seas, enjoying mixed success from fringe parties to government. Why is this? In the first instance, populism appears to have more electoral potential and staying power in political systems that contain weaker democratic institutions. However, there is much more to the story than that.

What is populism? Populism is not simply antiliberal or anti-democratic; it is anti-pluralist and exclusive; it is anti-elite. Put another way: it is against *what has come before* with the explicit message: *we have the solution*. Cas Mudde (2004, p. 543 italics in original) defined it as '*an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, "the pure people" versus "the corrupt elite"*'. By contrast, the late GM Tamás (2017) questioned the content of the supposed anti-elitism, considering it more anti-egalitarian. Elsewhere, Jan-Werner Müller (2016, p. 3) writes 'populists do not claim "We are the 99 percent". What they imply instead is "We are the 100 percent"'. Such varied accounts inadvertently run the risk of blurring the picture for observers, obfuscating some of the core dynamics of the political expression. Indeed, working definitions while plentiful, can often overlap, create misleading notions, and not fully capture the variants of the on-the-ground realities of populism within a given polity. Efforts to generate increased knowledge of the phenomenon are further strained when analyses centre on what we could label *varieties of populism*. In other words, there is no one-size-fits-all application. After all, how could this be the case? Regardless of ideology, political affiliation, government make-up, language, so-called

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'advanced' economic status, etc., each polity and the actors who are elected or selected – whether 'freely' or otherwise – to operate the mechanisms of the state for an (ostensibly) agreed period, consist of myriad differences, are stimulated by varying grievances, and aim to project and achieve some of their political aspirations during tenure.

The term 'populism' is in crisis. Its simplicity is simultaneously useful and obsolete, and this undermines its helpfulness as a categorisation of politics or political expression. The hitherto almost ubiquitous application of the term 'populism' as an effort to capture what some established institutions simply do not like is unhelpful and dangerous. It underplays the damage done by such political actors who are elected or selected to govern and subsequently enjoy the powers that incumbency brings to implement their policy choices, renege on extant frameworks to tackle climate catastrophe[2] (such as withdrawal from the Paris Climate Agreement), and often exacerbate inequalities. The term 'populism' without qualification is defunct. What it requires is a deeper analytical treatment that allows the observer to better identify the content of expression of populism. How can this be achieved? Principally, by adding more analytical rigour to the description, being more specific, and critically, augmenting understanding into the economic forces that help underpin it. In other words: by taking 'populism' more seriously. This is particularly the case for Hungary.

Advancing the work of Stuart Hall (1979, 1985, 1988), I develop the concept Hungarian authoritarian populism (HAP) to provide a thorough treatment of one of its most 'advanced' expressions. Hall's emphasis on capital relations, the weaponisation of 'moral panics', and an emergent coalition of forces from the upper to the lower echelons of civil society, all constructed upon a 'Gramscian terrain' and erected within a carefully selected 'conjunctural moment' can help observers of Hungarian 'populism' more fully understand its machinations.

Further, this book is at once a contribution to the literature on populism and an analysis of Hungarian capitalist development. Regarding the latter, I investigate both internal and external developments of the Hungarian political economy since 2010, the year the Fidesz-led governments returned to power, which have significant impact on important variables such as national debt, energy portfolio make-up, and EU relations amongst myriad others. The book's subtitle is inspired by Eyal et al.'s (1998) publication, *Making Capitalism without Capitalists*. As I argue throughout the present book, capitalists have long-since emerged in Hungary and are now globally embedded and highly experienced. They are also restless. Discontented with extant relations that constitute the Hungarian political economy, they are on the lookout for alternative accumulation pathways. The empirical chapters illustrate some of the methods the Fidesz government has used to consolidate its power and move towards achieving 'new' income streams.

I agree with Stuart Hall when he writes 'I … believe that we must "think" in a Gramscian way' (Hall, 1988, p. 161) and this is how I proceed with analysis. How can we 'think' our problems in a Gramscian way? First and foremost, we must eschew any superficial borrowing of the great Italian thinker's ideas and a subsequent simplistic cake-cutter-type application onto any given (cultural) 'problem'. Rather, we must pay close attention to 'how different forces come together, conjuncturally, to create the new terrain onto which a different politics must form up' (Hall, 1988, p. 163).

This book investigates the development of the Hungarian political economy since 2010, the year the first of four consecutive Fidesz-led governments (2010, 2014, 2018, 2022) was elected. The timing of this study is significant because the continued electoral success of Fidesz and Prime Minister Viktor Orbán is underpinned by changing dynamics within the Hungarian political economy. Principally these involve increased democratic backsliding (Cianetti et al., 2018; Enyedi, 2018; Halmai, 2020; Holesch & Kyriazi, 2022; Scheiring, 2019; Sedelmeier, 2014; Vachudova, 2020) an undermining of the democratic principles that emerged following the cessation of state-socialism in 1989 (Kornai, 2015), and the establishment of a national bourgeoisie (Rogers, 2020a; Scheiring, 2020; Szelényi, 2016). The latter is an outcome of a partial nationalisation programme, which has rendered domestic capital more loyal to Fidesz (Rogers, 2020a; Scheiring, 2020). Additionally, since 2010 Fidesz has orchestrated a broad turn to 'the East', ostensibly to secure investment flows and bilateral economic relations with a group of countries that share ideological values (Csillag & Szelényi, 2015; Rogers, 2019). Tangible results from these nascent transnational capital streams are beginning to emerge and this research argues they are significant in that they are designed to reproduce the Fidesz project. These developments attest to the importance of creating a research project that aims to investigate the underlying causes of these developments.

The Hungarian government is the standout case of one dominant party instigating critical internal and domestic changes to its national political economy in the CEE region. Significantly, there is the potential for this trend to permeate other regional countries' systems due to Fidesz's continued success at self-reproduction; similar patterns have been identified in Poland, for example (Bohle et al., 2023). The economic status quo that emerged during the 1989/1990–2010 period – characterised by the high foreign ownership levels of previously state-owned assets and sectors, privatisation, and multiple dependencies on multinational companies (MNCs), *Mittelstand* firms, and the European Union (EU) – has been diluted by a resurgent political agency. While Hungary's status as an assembly platform for middle range goods remains, new politically induced international capital inflows stimulated since 2010 have generated significant changes to the internal and external orientations of the Hungarian political economy and possess the potential to continue to influence shifts in the trajectory of its economic development and others' within the region. To proceed with analysis, I now outline this book's principal arguments.

Principal arguments

In total, this research proposes eight principal arguments I address throughout the book and revisit in the concluding chapter:

1. Hungary is governed by a coalition of competent, globally embedded capitalists not content with the politico-economic conditions in effect between 1989/1990 and 2010. I label them *capitalists without the right kind of capital*

2. The Fidesz government has developed a unique form of populism – a system of governance with a combination of democratic and autocratic constituents – with specific characteristics captured as 'authoritarian populism' (Hall, 1979, 1985, 1988). Inspired by Hall's work, I label this Hungarian authoritarian populism (HAP)
3. The Hungarian government has created a national bourgeoisie that has subsumed domestic business. National capital has consequently become more loyal to Fidesz, creating opportunities for the governing party to self-reproduce. I use Weber's term 'prebendalism' (Weber, 1978) to describe these arrangements: a system of prebends (fiefs) where Fidesz-loyal actors have access to property but this may be suspended or withdrawn should fealty be (deemed to be) eroded
4. Fidesz has initiated new transnational capital dimensions to stimulate inward financial flows from ideologically similar countries located to the East of Hungary
5. These networks create the opportunity for investments to be generated with entities that are less concerned with democratic principles, offering Fidesz and its supporters the prospect of accruing (the right kind of) capital while simultaneously continuing the process of reneging on democratic norms
6. The agreements to develop large-scale infrastructure projects with loans from Russian and Chinese state-owned entities reflect these trends
7. From the Varieties of Capitalism (VoC) perspective (Hall & Soskice, 2001), Hungary may be diverging from resembling a Dependent Market Economy (DME) advanced by Nölke and Vliegenthart (2009) to align more closely with another model within the VoC tradition: the State-permeated Market Economy (SME) (Nölke et al., 2015, 2020)
8. An outcome of the above list of principal arguments is the emergence of Hungary as a 'crypto-colony' a situation where 'political independence [is gained] at the expense of massive economic dependence' Herzfeld (2002, p. 900). In other words, the contemporary Hungarian political economy is one that eluded the 'classical' European period of colonisation, but its development is now at the behest of both international and transnational capital interests and the hegemonic HAP ideology

Together, these principal arguments form the core of this publication. Their purview is necessarily rather wide because this provides analysis the opportunity to temporally survey the Hungarian political economy and its potential trajectories.

The two chapters that follow provide an analysis of 'Hungarian authoritarian populism' and the book's thesis on *capitalists without the right kind of capitalist*. This is followed by three chapters that explore some of the internal and external supporting mechanisms that helps undergird these developments, with qualitative data that support these propositions. The concluding chapter closes with an analysis of how these trends may develop in the near to mid-terms (i.e., across the remainder of the 2020s).

To buttress comprehension of the post-2010 Hungarian political economy, the next section of this introductory chapter discusses some of the chief developments in Hungary's recent political economy. This broad historical account focuses on the foremost actors and mechanisms that have influenced these changes and in doing so, covers four general areas: (1) Hungary before 1989, (2) Hungary's association with Foreign Direct Investment (FDI), (3) Hungarian politics during the 2000s, and (4) Hungary's relations with 'Eastern' states before 2010.

Hungary before 1989: the state-socialist story

A defeated power in 1945, Hungary became a socialist country with a planned economy and a centralised political elite. The 1956 Revolution was crushed by the Soviet military and a change of leadership ensued, with approximately 200,000 people emigrating to the West. From an economic perspective, Hungary differed from many of its socialist neighbours and particularly the Soviet Union by implementing an economic reform package, the New Economic Mechanism (NEM)[3] in 1968, designed to encourage a more consumer-oriented economy with limited worker autonomy (Burawoy & Lukács, 1992) thereby graduating from the more stagnant and inflexible command economies of the Soviet Bloc, which had led to economic crises in the 1960s (Green, 2014). The NEM did not reform the economic situation in Hungary sufficiently, however, and this led to another round of reforms in the early 1980s with the objective of further developing market conditions from which to foster a new private sector (Bauer, 1990) and which had the outcome of influencing foreign economic policy (Comisso & Marer, 1986).

One of the principal legacies of the NEM reforms was to offset the implementation of any form of 'shock therapy', which occurred elsewhere after 1989,[4] making Hungary's economic development path more 'gradualist' (Kornai, 1996), an anomaly in the CEE region.[5] Hungary's gradual transition away from state-socialism in the 1980s – known colloquially as *Goulash Communism* – avoided the emergence of larger movements that opposed socialism, as had occurred in other socialist countries,[6] eventually leading to a considerably more stable political party environment than other countries in the region after 1989 (O'Neil, 1996).

The growth of debt in the 1980s

Towards the end of this decade, Hungary had a large external debt ($20bn) and the highest *per capita* debt figure for the region ($1,950),[7] which led to the emergence of domestic pressures that other countries did not experience, namely (1) policy choices regarding the debt, (2) trade policy following the breakdown of the CMEA[8] system, and (3) the higher expectation of better-quality living standards that became consolidated following a period of rising living conditions during the decade (Hare et al., 1992). The emergence of these debt trends can be traced back to the early 1970s in the first instance and the attempted insulation of the Hungarian economy from exterior shocks due to the inflation of energy prices, recession, and stagflation in the OECD (Oblath, 1993). Subsequently, there developed in Hungary a private market economy under socialist conditions as early as the late 1980s (Fabry, 2018), which fuelled an explosion of domestic small and medium-sized enterprises, rocketing from 451 in December 1988 to 5,978 twelve months later

Table 0.1 1980s gross and net Hungarian debt (selected years)

	1985	*1987*	*1989*
Gross debt (USD bns)	13.8	19.6	20.6
Net debt (USD bns)	11.5	18.1	19.4

Source: Adapted from Hare et al. (1992, p. 240).

(Böröcz, 1993, p. 90). The effect of this was to foster a climate of private ownership, in places compensating those who lost property[9] during the transition to socialism four and a half decades earlier.

The legacy of the debt that Hungary had accumulated during the 1980s has been debated. Table 0.1 demonstrates the levels of gross[10] and net debt[11] that Hungary experienced in the second half of the decade.

Hungary in the 1990s: the FDI story

The unprecedented events of 1989[12] brought the beginning of capitalism and democratisation, two phenomena that had with limited exceptions not been experienced in tandem in CEE.[13] A unique set of challenges presented themselves to Hungary at this time, not least the questions over ownership, macroeconomic stabilisation, and the relationship between economy and politics (Kornai, 1990). With the withdrawal of Soviet influence, the emergence of free elections and the establishment of a market economy, Hungary changed radically in this period, particularly in the first years following the change in system (for detailed accounts see *inter alia* Bohle & Greskovits, 2012; Böröcz, 1992; Eyal et al., 1998; Stark & Bruszt, 1998).

To help offset these levels of debt, two initiatives were implemented. First, the creation of a series of banking reforms aimed at enhanced clarity and harmony between the Hungarian central bank and parliament. Second, stabilisation of net debt, rather than any decrease in gross debt. The effect of this was to initiate a culture of FDI to create ‘sufficient’ capital inflows; transnational dimensions that originated primarily from Western European firms, particularly in the automotive, manufacturing, electronics, and banking sectors, and especially from Germany.

Indeed, successive governments in the 1990s sold large segments of Hungarian assets to foreign buyers, mostly Western MNCs[14] with foreign companies geographically dividing the country along national lines: German firms concentrated in the North-West and French companies in the Southern region of the Great Plain (Kiss, 2007). The level of FDI into Hungary during this first decade of the post-socialist period far outweighed any of its CEE peers including Poland with a population approximately four times higher and in fact, Hungary became a leading FDI recipient on a global scale (Hunya, 2000). Table 0.2 illustrates the accumulated stock of FDI in Hungary vis-à-vis a selection of CEE and post-Soviet states in 1994.

One of the core legacies to emerge from these inward capital flows was the development of an environment of sectoral ownership[15] dominated by foreign firms.

Table 0.2 Accumulated FDI stock in selected post-socialist states (1994)

State	*Total FDI stock (USD mns)*	*FDI stock as % of 1994 GDP*
Hungary	10,634	30
Poland	6,459	7
Czech Republic	3,996	13
Russia	3,900	1
Romania	1,101	3
Ukraine	950	1
Kazakhstan	719	4
Estonia	646	14
Slovakia	483	4
Slovenia	438	2
Bulgaria	397	4
Latvia	323	5

Source: Szanyi (1998, p. 31).

Table 0.3 illustrates this proprietorship in the V4 countries: Czech Republic, Hungary, Poland, and Slovakia.

In some sense, this phenomenon revived the historical empires that were prevalent before the First World War in the broader CEE region, whereby national entities from wealthier European countries and regions (Austria, Bavaria, Northern Italy, Sweden, etc.) retook command of key institutions. Firms [particularly state-owned enterprises (SOEs) and banks] in the V4 countries were taken over by MNCs from Western Europe.[16]

In Hungary, a significant outcome of the culture of foreign ownership was an increase in exports, primarily to Western Europe and to a lesser extent Japan and the United States. Indeed, the boom in Hungarian exports in the 1990s was stark: from approximately $9bn in 1989 to $26bn just a decade later (Mihályi, 2001). As above, this re-established the historical destinations for the Hungarian export market: the economically more 'advanced' countries to the West such as Austria and Germany, contrasting wholly with the destinations for goods before 1989, which were dominated by the Soviet Union under the auspices of the CMEA. Resulting from the advent of huge FDI inflows was the emergence of multiple dependencies on the firms that had subsidiaries operating in Hungary and the remaining three V4 countries. Industrial relations became effectively decided in the boardrooms of Western MNCs with interests in the Hungarian market (Nölke & Vliegenthart, 2009).

Table 0.3 Foreign sectoral ownership of V4 countries (%)

	Automotive	*Manufacturing*	*Electronics*	*Banking*
Hungary	93.2	60.3	92.2	90.7
Czech Republic	93.1	52.6	74.8	85.8
Poland	90.8	45.2	70.3	70.9
Slovakia	97.3	68.5	79.0	95.6

Source: Adapted from Nölke and Vliegenthart (2009, p. 683).

The Bokros package

With the influx of FDI into Hungary and the wider region, a neoliberal agenda emerged characterised by reductions in social spending transfers such as maternity benefits and sick pay (Kiss & Szapáry, 2000). The 1995 Bokros Package[17] was an austerity plan executed ostensibly to address a series of macroeconomic issues. For example, the 8.4% government deficit of GDP, 88% of public debt to GDP, 18.8% inflation, and 11% unemployment rate (Žídek, 2014, p. 66). These statistics were partially consequences of the debt levels accrued in the 1980s, outlined above.

The story goes back deeper into the pre-1989 period, however. It may not be surprising that neoliberal policies were implemented so quickly[18] – just under five years since the first democratic elections – given that classical economic texts from prominent free market advocates had been published in Hungarian translation from the 1960s and one leading Budapest university[19] was typically the *alma mater* of the economic elites where such texts were disseminated (Phillips et al., 2006). This thinking corresponds with other analysis that argued the rapid adoption of neoliberal economics throughout the post-socialist region was the result of the influence of a decades-old actor-centred transnational network of US and East European economists where the approval of such policies had been discussed during the Cold War period (Bockman & Eyal, 2002; see also Rogers, 2022).

What were the effects of the Bokros Package? In the first instance, the Hungarian Forint (HUF) lost 9% of its value, an 8% surcharge was applied to imports excluding investment goods and energy, a crawling peg was introduced, and real wages plummeted by 12%. However, the real 'breakthrough', at least from the perspective of the initiators of the package was the improvement in the balance of trade, reduction in foreign debt liabilities, and an increase in public finances. Ultimately, the international legacy of the Bokros Package was to create a more fertile environment for an export-oriented economy to emerge following the stimulation of significant FDI inflows, principally from Western Europe and was effectively the beginning of the neoliberal 'boom' in Hungary. The sectors targeted by these capital streams were primarily telecommunications, electronic goods, and automobiles. In turn, these sectors became dominated by foreign ownership as shown in Table 0.3.

Hungary in the 2000s: the political story

After the MSzP lost the 1998 national election to Fidesz, due in part to their unpopularity from the Bokros Package implementation, a rise in rancorous politics ensued, described as a 'vicious cycle of low trust and poor growth performance' (Győrffy, 2008, p. 13). This was accelerated after Fidesz marginally lost the 2002 election after four years in power. The culture of ever nastier and vociferous attacks between the two main parties – Fidesz and the MSzP – spilled out into the streets in September 2006 following the leaking of a private meeting[20] where then-Prime Minister Ferenc Gyurcsány[21] admitted lying on a series of economic issues[22] to be re-elected in May of that year.

The backdrop of this scene was the emergence of an environment of political promises based on poor readings of Hungary's economic situation. The two principal domestic political parties tried ever harder to outdo the other with assurances of a stronger safety net and improved living conditions such as the introduction of a 13th salary cycle and increased pension rates (see Bohle & Greskovits, 2012 for a more detailed discussion). Emerging from this was a deepened ideological divide, where Fidesz framed the MSzP governments as indifferent to national interests, resulting in the EU becoming a divisive centre point for the wider national question (Fox & Vermeersch, 2010). From electoral defeat in 2002, Fidesz created a new ideology and generated a strategy for an extended period in government. Simultaneously, the MSzP (self-)capitulated primarily from the fallout from the 2006 Őszöd Speech, an episode from which the party is yet to recover. I discuss these developments in more detail in Chapter 3.

From 2006, the MSzP government became ever more unpopular, which was successfully exploited by Fidesz leader Viktor Orbán and the party. This was compounded by the MSzP government's acceptance of a €20bn international bailout package in October 2008 following the onset of the Global Financial Crisis (GFC). After Gyurcsány lost a no-confidence vote in March 2009, Gordon Bajnai[23] was asked to head a caretaker government for the remainder of its parliament; a technocratic provisional government, which steered Hungary away from national bankruptcy via the adoption of emergency loans (Dénes, 2012). When the 2010 national elections arrived, Fidesz was in an enormously strong position, having built on the demise of the MSzP and the nationwide loss of respect for Gyurcsány. Orbán was in the luxurious situation of knowing that 'an increasingly frustrated electorate [was] left with the choice between voting nationalist, extreme right, or not at all' (Bohle, 2010, p. 12). The 2010 national election provided Orbán with Hungary's first so-called supermajority – at least two thirds of the parliamentary seats – enabling him to make alterations to the constitution without the legal requirement for cross-party consensus; a power Fidesz wasted little time exploiting, also discussed further in Chapter 3.

More widely, Hungary has experienced a sustained rise in support for radical, overtly racist political parties. In the 2000s, a new extreme right wing and ultranationalist party – Jobbik – emerged, which began to gain significant electoral momentum in the two years leading to the 2010 national election. In contrast to more single-issue nationalist parties, Jobbik's success in 2010 and beyond[24] has been anchored in its focus on economic issues and its opposition to inequalities that arise from capitalism (Varga, 2014). The party even mobilised a (now disbanded) paramilitary wing to appeal to the nationalist cause as Fidesz sought to outflank the party on the terrain of the Hungarian right in preparation for the 2010 national election. Jobbik was a relatively successful nationalist party and much of its support came from people aged under 30, which points to a potential sustained period of longevity (Pirro & Róna, 2018). Indeed, in 2022 Hungary's xenophobic extremes were championed by a new incarnation: the *Mi Hazánk Mozgalom* (Our Homeland Movement) party secured 6 of the 199 seats in the national assembly, meaning the extreme right has been represented in parliament for each of Fidesz' four consecutive terms of government.

Hungary and the 'East': pragmatic relations

During the first two decades of the post-socialist period, Hungary's principal political and economic focus was to develop the country's turn to the West. The introduction of neoliberal policies left little room for advancing relations with states located geographically to the East of the country. The influx of new industries from Western Europe, particularly from Germany, upgraded the industries that had shaped Hungary's manufacturing landscape before 1989. Concurrently, Russia as the main successor state to the Soviet Union was enveloped by an oligarchic subsumption of domestic politics and business in the 1990s and an assured, though shaky pro-Western outlook from 2000 with no particular emphasis on increasing engagement with Hungary. Regarding China, Hungary was the first CEE country to meaningfully re-engage with the country after 1989, following a high-level meeting in 2003 with bilateral relations experiencing increased quality from this point. Hungary's relations with Russia and China were never hostile during the 1990s and 2000s, but rather based on a pragmatic approach to maintaining positive relations with two major states in the world economy. I discuss these developments and others concerning contemporary and historical relations between Hungary and Russia and China in detail in Chapters 4 and 5, respectively.

Taken together, the aspects raised above provide a broad overview of Hungarian political and economic development from the second half of the twentieth century to 2010, spanning the historic moments of 1989–1991. Simultaneously, because of Hungary's rather rapid and profound adoption of – or takeover by – neoliberal policy, observers could be forgiven for thinking the cessation of state-socialism was less a conjunctural moment dividing one ideological doctrine from another and more a point of acceleration from which such thinking could be more thoroughly implemented and embedded.

Whatever the case, we have now arrived at the point where we need to outline how we are to understand developments in post-2010 Hungary. To help with this, I now discuss the theoretical contributions this book makes.

Theoretical approaches

This book does not simply investigate the local politics that have contributed to populism broadly defined. Instead, it asks how populist actors support themselves economically. As above, analysis moves in two directions for answers: first, domestic state-business relations, second; economic relations with 'the East', specifically, Chinese and Russian state-owned capital.

To do this, I blend what can be termed cultural and institutional approaches to the political economy. I have already mentioned this book's use of Stuart Hall's authoritarian populism. By drawing on his work, I build a model to account for the type of populism the Hungarian government espouses, which I label HAP (see also Rogers, 2020b). This advances studies that have sought to explain post-2010 Hungarian political development (specifically: Bozóki & Hegedűs, 2018; Enyedi, 2016;

Pappas, 2014; Szelényi, 2016). The key components of HAP are: (1) a conjunctural terrain (Gramsci, 1971), which accounts for the key historical moments when authoritarian populism emerged; (2) a set of 'moral panics' which are stimulated by the government in an effort to generate 'common sense' reactions, thus embedding support; (3) changes to the 'balance of forces', which materialise from the domestic changes, e.g., policy changes; (4) the development of prebendalism, a Weberian term (Weber, 1978) I use to describe the relationship between ruler and staff, and which captures the nature of the loyal domestic business networks that have developed to dominate national capital for Fidesz (I discuss this in detail in Chapter 3, see also Rogers, 2020a; Szelényi, 2016); and (5) endeavours to attract economic agreements with 'Eastern' 'regimes' with ideological resemblance.

Part of the theoretical framework I advance to inform this research – the VoC – is an institutional approach, which accounts for the type of capitalism that is under development within a given state. The framework's original creators describe it thusly: '[the] *varieties of capitalism* approach to the political economy is actor-centred, which is to say we see the political economy as a terrain populated by multiple actors, each of whom seeks to advance his [sic] interests in a rational way in strategic interaction with others' (Hall & Soskice, 2001, p. 6 italics in original). The VoC approach initiated what has become a sustained debate within the scholarly communities of economic sociology, (comparative) political economy, and social geography (to name a few) since its publication.

Reception has been mixed. The approach has been described as 'distinctive, original and enormously ambitious' (Howell, 2003, p. 105), and denounced because 'there is not nearly enough variety in the model, nor is it really about capitalism' (Streeck, 2016, p. 247). Such polarised descriptions denote the approach arrives with controversial baggage. On the one hand, it remains effective, on the other incapable. I am critical of the approach but also see value in continued discussion of its merits. Therefore, irrespective of these contradictory viewpoints, I critically engage with the VoC approach and one model within its framework.

Specifically, this book engages with the DME model (Nölke & Vliegenthart, 2009), an extension of the original parsimonious VoC approach. This model successfully helped theorise the outcomes resulting from some of the trends described above, namely the high levels of foreign ownership, the FDI inflows, and the emergence of multiple dependencies amongst other aspects, within four case countries isolated as those that most closely resemble the DME ideal type: Czech Republic, Hungary, Poland, and Slovakia (also the V4 countries). The authors identified five institutional complementarities (the primary means of raising investment, corporate governance, industrial relations, education and training systems, and innovation systems) that constituted the type of dependent capitalism in the V4 countries that had resulted from the investment decisions taken by MNCs headquartered externally to the region. The authors concluded that the four countries had essentially developed into assembly platforms for the 'production of relatively complex and durable goods' (Nölke & Vliegenthart, 2009, p. 672). In essence, the DME model underscores the radical shift in Hungary's – and the remaining three V4 members' – economic and industrial relations during the 1990s and 2000s.

I critically analyse these two approaches thoroughly in Chapters 1 and 2 respectively. Despite some tensions, which I discuss, I am confident fusing these theoretical contributions informs this research and helps audiences better understand some of the core aspects of the contemporary Hungarian political economy.

Finally, as above, the title of the present book – *Capitalists without the right kind of Capital* – is a reworking of Eyal et al.'s (1998) book title *Making Capitalism without Capitalists*. This is purposeful. The 1998 book successfully identified emergent social patterns in three 'transition' countries after 1989: Czech Republic, Hungary, and Poland finding – as the title suggests – the dominant class formations in the 1990s, i.e., those actors leading governments, were imbued not with 'economic thinking' but rather with a more cultural alternative. The authors' invocation of Pierre Bourdieu's 'cultural capital' contributed to the richness of the analysis. My proposition is that in CEE, capitalists as well as capitalism (at least in the Hungarian case) have been made: the core actors – individuals and organisations – are typically globally networked people and entities who are constantly seeking alternative (new/recalibrated) pathways of accumulation. What leading capitalists seek are alternatives to the 1989–2010 forms of capital – and capitalism, understood as social relations – as outlined above.

How the book proceeds

This book is divided into three parts. *Part I Capitalists without the right kind of capital: state-business relations under (Hungarian) authoritarian populism* contains the first two chapters. *Part II Hungarian authoritarian populism at work: internal and external considerations* contains the next three chapters. *Part III Authoritarian populism travels* is the concluding section. In total, there are six chapters.

Chapter 1 constructs the core theoretical dimensions of the book. I discuss some hitherto attempts to conceptualise and theorise Hungarian populism and how it has emerged, as well as work from some more 'classical' thinkers. I then analyse Stuart Hall et al.'s (1985) concept of authoritarian populism at length to construct my own formulation that accounts for contemporary Hungarian populism, which I label HAP. Through analysis of Fidesz' hegemonic position, its relationship with domestic and international capital, and the 'moral panics' it induces within society, the HAP approach helps to at least partially explain the political structure that has had so much impact on Hungarian capitalist development since 2010.

Chapter 2 extends analysis from the foregoing chapter by fusing two approaches to help further (partially) explain the post-2010 developments to the Hungarian political economy. I critique the VoC tradition with a concern for Hungary's changing external politico-economic relations before harnessing it to Hall's authoritarian populism. The result is a model that is both post-structural and institutional in approach and this, I claim, rather effectively describes the specifics of Fidesz' self-reproduction. I then revisit the seminal publication *Making Capitalism without Capitalists* (Eyal et al., 1998). The discussion I produce here forms a bridge between the situation so well-captured by the authors' book in the 1990s, to the sociological turnaround that has produced *capitalists without the right kind of capital*, the subtitle of the present book. The chapter concludes by outlining the methodological approach I took in conducting this research.

Chapter 3 is the first of three chapters with an empirical focus, centring on an investigation of the internal (domestic) dynamics of HAP. The Hungarian coalition governments (Fidesz-KDNP) have not only dominated the domestic political landscape since 2010 but also embarked on a widespread organised project of corrupt practice for the purposes of self-reproduction. These factors combine to make Hungary a highly unique politico-economic paradigm amongst its post-socialist European peers. Here an analysis of Fidesz since electoral defeat in 2002 uncovers trends within the party that became stronger throughout its time in opposition (2002–2010). I investigate a critical aspect of this phenomenon: how far Fidesz has subsumed domestic business through a recalibration of state–business relation, which has created a sociological constellation of prebendalism. This chapter discusses the successes of the prebendal network in determining current and potential paths of capitalist development. Subsequently, I argue institutionalist approaches to capitalist development can maintain efficacy but must acknowledge the critical importance of political agency in determining such outcomes, echoing analysis in the previous chapter. Consequently, I provide scope for future research to investigate continued corrupt practice, prospects for changes to the external dimensions of the national political economy, and government strategies in Hungary and cognate 'populist'/'illiberal' governments, advancing nascent studies of comparative capitalism that have moved beyond the boundaries of the so-called 'advanced' and/or Eurozone economies.

Chapter 4 is the first of two empirical accounts of the exterior dynamics of HAP. Here I focus on economic engagement with Russian-sourced capital and the agreement to extend Hungary's sole nuclear power plant, the Paks II project. The chapter proceeds by discussing Fidesz motivation for engaging more closely with Russian entities. It finds that Hungary's dependence on Russian energy deliverables creates the possibility to work with Russian suppliers to agree a discounted pricing structure. This assists with political capital for the Hungarian government as it may help address the high cost burden for Hungarian households for domestic energy consumption. I divide analysis of the Paks II deal into three chronological sections, and focus on the project during the preconstruction, lifecycle, and decommissioning phases. I then identify a list of benefits to Hungary from the agreement. Before the chapter reaches its conclusion, I briefly discuss the nuclear lobby in Hungary and the importance of the key actors who helped broker the contract.

Chapter 5 analyses the Belgrade-Budapest railway upgrade (BBRU) an expression of Sino-Hungarian economic relations, which have become more important since Fidesz returned to government in 2010. Theoretically, hitherto approaches to understanding Hungarian capitalism have been overly firm-focused and have a weakened efficacy in accounting for (1) politically motivated decisions on FDI or (2) increasingly significant transnational capital inflows from China, both of which have the potential to affect the trajectory of Hungarian economic development. While this project has conceivable economic benefits to Hungary, it is ultimately designed to help stimulate further inward Chinese capital and subsequently reproduce the Fidesz project. The chapter continues by offering potential theoretical outlet for the VoC framework. Specifically, this involves acknowledging the growing importance of what I label the China-Germany-Hungary tripartite: a scenario where Hungary acts as host to advancing Sino-German firm interactions.

Chapter 6 provides the conclusion. HAP as the name suggests, is not wholly applicable to or workable in other nations, states, or political economies. This chapter discusses this by reemphasising the uniqueness of HAP. Here, I stress the importance of understanding the changing internal and external dimensions of the political economy. I also look at the *longue durée* to analyse the longer-term potential trajectories of HAP and what it means for Hungary and the CEE region. To do this, I use Michael Herzfeld's (2002) notion 'crypto colonialism' to theoretically ground understanding of Hungary's current development situation. Moving beyond André Gunder Frank's (1966) *development of underdevelopment* thesis, I find the crypto colonialism conceptualisation appropriate for capturing aspects of Hungary's (cultural) political economy. Further, I see this approach as containing longevity. As I will argue, its theoretical content is apposite for understanding other expressions of populism.. This is particularly important because of the proliferation of populism and illiberalism across the globe (see Laruelle, 2022 for an important intervention on determining the nature(s) of illiberalism). Next, I create a list of research limitations that somewhat undermine this research principally due to matters of focus, and spatial and temporal restrictions. Finally, I suggest future research initiatives based on the book's findings, reiterating the critical importance of continued investigation to further understand the most widely discussed form of populism, its successes and potential for proliferation to other (post-socialist European) polities.

Notes

1 Central and Eastern Europe is a broad term applied to the European countries that experienced state-socialism at different periods between 1917 and 1991. While this description has been contested in its relevance as a heuristic marker (Müller, 2020) I will use it throughout this book.

2 Here I avoid deliberately the use of another indolent expression: climate change. This pedestrian term also does not signify an accurate reflection of real-world environmental degradation.

3 For a comprehensive breakdown of Hungarian economic reforms during the socialist period, see Hare et al. (1992).

4 Perhaps the most well-known example of this economic doctrine was implemented in Russia from January 1992 by Yegor Gaidar and collaborators (Gerber & Hout, 1998).

5 Another CEE economy to adopt the gradualist approach after the cessation of state-socialism was Slovenia (Rojec et al., 2004).

6 The *Solidarność* Movement in Poland was the most impactful such group (Ost, 1990).

7 For further selected debt indicators, see Salamin and Floro (1993).

8 Council for Mutual Economic Assistance, also known as COMECON. A Soviet-led economic organisation, which covered most European socialist states from 1949 to 1991, with non-European membership extending to Cuba, Mongolia, and Vietnam.

9 At the 1994 national elections, the *Történelmi Független Kisgazda Párt* (The Historic Independent Smallholders' Party) campaigned on this single issue. The faction received 0.03% of the vote.

10 Outstanding government debt.
11 The difference between Hungarian hard currency liabilities and assets. For more detail on Hungarian debt liabilities, see Bartlett (1996).
12 In the sense that the end of state socialism in CEE surprised (most) observers both from the 'East' and 'West' despite certain economic and political trends such as the increased indebtedness of some CEE states and lack of will of some eastern bloc leaders to maintain the status quo.
13 An exception here is the 1920 Czechoslovak Constitution which established democratic institutions modelled on Western states such as France.
14 Despite the radical changes in firm ownership, organisation structures and firm strategies endured (Czaban & Whitley, 2000).
15 Certain sectors (e.g., automobiles) had a negligible production history in Hungary.
16 This analysis also includes Greece and its ownership of entities in the Eastern Balkans, Swedish firms' takeovers in Latvia and Lithuania, and Finland's economic interaction with Estonian firms (Bohle, 2017).
17 It is somewhat ironic these economic reforms were implemented by a socialist government (MSzP 1994–1998). This can be understood within the context of the rise of the fiscal deficit in the early 1990s, which was not curtailed and which led to a consensus on the necessity to instigate the austerity programme (Kiss & Szapáry, 2000).
18 This varied across the wider CEE region, with some countries initially more reluctant to implement neoliberal reforms (e.g., Slovenia) while others were more enthusiastic in the immediate years after 1989/1990 (e.g., Poland).
19 The Karl Marx University renamed the Budapest University of Economic Sciences and Public Administration and subsequently, Corvinus University.
20 This came to be known as the 'Balatonőszöd speech', named after the location where it occurred.
21 Prime Minister 2004–2009.
22 These included new investment, the creation of 200,000 new jobs, tax cuts, state pension increments and reductions in contributions to social security (Körösényi et al., 2017, p. 91).
23 Prime Minister 2009–2010.
24 Jobbik won 16.6% of the vote at the 2010 national election and 47 seats. Despite winning higher percentages of the vote at the 2014 and 2018 national elections, its number of MPs was reduced due to earlier implemented parliamentary reform. In 2018, the party came second to the Fidesz-KDNP coalition, pushing the MSzP into third place. At the 2022 election, Jobbik joined a nine-party coalition (United for Hungary) with the aim of unseating Fidesz. The objective failed miserably: the party lost 16 seats while Fidesz won its largest ever vote share.

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Part I

Capitalists without the right kind of capital

State-business relations under (Hungarian) authoritarian populism

1 The development of (Hungarian) authoritarian populism

Lineages and applications

Hungary has come to be conventionally regarded as populist, but this is simplistic. Discourses on populism in Hungary omit too many features that distinguish it from superficially similar expressions. Unless more emphasis is placed on analysing specificities within this country, improved understanding of the Fidesz-KDNP government (hereinafter, Fidesz) and how it operates to reproduce itself will not sufficiently materialise. For example, since the 2010 electoral victory, Fidesz has operated a nationalisation programme to create an indigenous cadre of local, loyal actors who *de facto* operate to consolidate wealth in Fidesz hands (Rogers, 2020b, 2020a; Szanyi, 2022; Szelényi, 2016), as well as other politically loyal, though less wealthy beneficiaries of government policy (Kornai, 2015; Mihályi & Szelényi, 2019a; Rogers, 2023), leaving Fidesz power so consolidated that Prime Minister (PM) Viktor Orbán has effectively decided when he will step down: in 2030, two elections hence (Euractiv, 2018). Crucially, these developments have created opportunities for the Hungarian government to begin affecting external dimensions of the political economy, which deviates from the hitherto economic trajectories experienced following the systemic change in 1989/1990 (Eyal et al., 1998; Stark & Bruszt, 1998).

The purpose of this chapter is to build a framework to account for the type of populism that has emerged in post-2010 Hungary and that orchestrates internal and external methods of government reproduction. To do this, I develop Stuart Hall's (Hall, 1979, 1980, 1985, 1987) notion of 'authoritarian populism' (hereinafter, AP) to create a nuanced theoretical framework to conceptualise this phenomenon. Recent studies have connected AP to contemporary developments in Canada (Carlaw, 2017), India (Sinha, 2021), since renamed North Macedonia (Petkovski, 2016), Russia (Mamonova, 2019), Turkey (Arat-Koç, 2018), and the United States (Chacko & Jayasuriya, 2017), and these applications of AP reveal at least two immediate factors. First, Hall's work is germane for a variety of locations, which have diverse political economies, demonstrating its global relevance. Second, AP is an appropriate theoretical approach to revisit at this historical juncture. The trends running through these analyses include the emergence of AP against the background of struggles for the appropriation of

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(transnational) capital; the mobilisation of nationalist xenophobic symbolism to create a 'right' set of supporters from both Left and Right and to simultaneously subdue challenges to the emergent hegemony; and the insertion of AP into politics from above (the state) and politics from below (civil society). Here, I explore these themes in relation to Hungary with the outcome the development of a neo-Gramscian framework that accounts for post-2010 Hungarian (authoritarian) populism. I intend for this work to be critiqued and applied to other variants of (authoritarian) populism, which are under development across the globe. Importantly, this should not be viewed as a phenomenon that affects states from the 'East' or whose political economies are described as either 'underdeveloped' or 'developing'. Of course, Hall created his concept with Britain in mind.

This framework builds on studies that explain political developments in Hungary since 2010, discussed below. Uniquely, however, the approach I develop in this chapter extends recent work conducted on Hungary in the Gramscian tradition, which treats more thoroughly the roots of contemporary Hungarian development, e.g., the pre-1989 beginnings of neoliberalism (Fabry, 2018), demographic nationalism (Melegh, 2016), and others that do not specifically engage with any Gramscian approach but are nonetheless broadly post-Marxist, e.g., the detrimental effects of neoliberalism on mortality rates (Scheiring, 2020) and strains between democracy, financialisaton, and the so-called semi-periphery (Scheiring, 2016). By analysing post-2010 Hungarian populism, this chapter makes an original contribution to a large literature on the subject because it isolates components of Hungarian populism that have begun to alter the external dimensions of the political economy. This results in the formulation of a framework potentially applicable to cognate expressions of populism in the Visegrád Four (V4) countries and Central and Eastern Europe (CEE) more broadly, particularly in Poland (Kelemen, 2017; Kelemen & Bauberger, 2017; Shields, 2015).

This chapter proceeds by discussing examples of scholarly literature on populism to form a background of understanding of its development in Hungary. This is followed by an overview and critique of a selection of extant literature that investigates the type of populism that has developed in Hungary since 2010. I then compliment this with a discussion of two 'classical' approaches, namely Weber's *charismatic authority* and Karl Polányi's *double movement* to assess their application to extant Hungarian development. Next, an overview of AP discusses components of this area of Stuart Hall's work and lays the groundwork for its application to Hungary, which is followed by a section discussing AP and its relationship with capital. I then apply Hall's work to the Hungarian case by outlining the origins of the type of populism that has emerged in Hungary: Hungarian authoritarian populism (HAP). Following this, a section positions HAP in relation to authoritarian development in cognate polities, asking how far the components of post-2010 Hungarian populism, as isolated in this book, may travel. Finally, a concluding section reflects on the components of the chapter.

Populism in Hungary

Global political developments in the 2010s have inspired – or even forced – scholars to generate more comprehensive understandings of what populism is and what it means. While many attempts have been made, we can be sure that populism is 'chameleon-like, ever adapting to the colours of its environment' (Bugarić & Kuhelj, 2018, p. 22). It is Right and Left, agrarian and political (e.g., Levitsky & Loxton, 2012) and may yield both positive and negative effects (Mudde & Kaltwasser, 2012, pp. 20–22). Populists claim to 'speak for the forgotten mass of ordinary people' (Canovan, 2004, p. 242), which indicates populist leaders' desire for citizens to be active participants in politics, a phenomenon prevalent in Hungary (Müller, 2011). Empirical studies have shown an ambivalent connection between democratic practice and populism (e.g., Levitsky & Loxton, 2012) though the logic of populism is not 'we are the 99% [rather] we are the 100%' (Müller, 2014, p. 487). In this understanding, a definition could be construed as a charge by the government of the day to act in the name of the nation – not the state – towards the realisation of objectives, with those who fall outside this purview (i.e., those who object), not part of the nation (Halmai, 2018).

Hungary is not particularly unusual in its expression of authoritarian politics (Börzel et al., 2019); such political developments can be found across the world (Gandhi & Przeworski, 2007; Hadenius & Teorell, 2007; Levitsky & Way, 2010; Linz, 2000). The Hungarian government has developed a special kind of populism, however, because not only is it nominally democratic, relatively politically stable, and possesses authoritarian components such as broad control of the media and judicial influence, but it has now developed the capacity to influence state structures to the extent that the external dimensions of the Hungarian political economy are altered. This is partially what renders Hungary a 'historically unusual' case (Szelényi, 2016, p. 22).

This chapter recognises the importance of understanding how Fidesz and the populism it espouses operate to affect the political economy. The model created in this work to account for the type of populism that has emerged in Hungary since 2010 contains (1) acknowledgement of the emergence of the Hungarian government as an example of a 'form of hegemonic politics', (2) recognition of the government's relations to and reconfigurations of domestic capital, and (3) a way to understand how the it has consolidated the first two dimensions of this trichotomy, to begin to alter state structures and the trajectory of national capitalism. This model will allow observers to view Hungarian populism not merely as a unidirectional or two-way process (Bozóki & Hegedűs, 2018), but to consider a third dimension, namely that Fidesz may have begun to institutionally adapt state structures to generate similarity with other forms of authoritarianism, however varied – such as China (Nölke, 2018; Rogers, 2019) – for the purposes of self-reproduction. Because of the continued triumphs of the Hungarian government (e.g., via continued electoral success), post-2010 developments to both internal and external capital relations require deeper investigation. Without attention to these dimensions, understanding populist development in Hungary and related expressions of authoritarianism is undermined.

Discourses on populism in Hungary

There are numerous academic works that have investigated the type of government that emerged in Hungary in the 2010s (Batory, 2015; Fekete, 2016; Hegedűs, 2019; Kornai, 2015; Palonen, 2018). Helpfully, Bozóki and Hegedűs (2018, p. 1176) summarise some of the various labels that have been attributed to, first populism in CEE, e.g., ‘illiberal populism’ (Smilov & Krastev, 2008), and then Hungary, including ‘populist democracy’ (Pappas, 2014), ‘paternalist populism and illiberal elitism’ (Enyedi, 2016), as well as their own description: ‘externally-constrained hybrid regime’. This section evaluates two of the studies that Bozóki and Hegedűs (2018) discuss, the authors’ own investigation and a further work, which has clarified the Hungarian government’s relations with domestic capital: Szelényi’s (2016) analysis on the ‘illiberal prebendal’ system.

First, Pappas (2014) employs the term ‘Populist Democracy’ to categorise post-authoritarian Greece and post-communist Hungary. Comparing these two countries may seem challenging at first glance, given their dissimilar historical development, something the author notes, but he identifies similarities in both cases because, along with the ruling party, ‘at least the major opposition party (and even other minor parties) are also populist’ (Pappas, 2014, p. 1). This work sees the emergence of ‘Populist Democracy’ as contingent on a three-fold structure, developed from the stage of nascent political liberalism: (1) populist opposition; (2) populism’s ascent; and (3) populism’s contagion (Pappas, 2014, p. 5) with the final node reflected by the proliferation of populism into the major parties, as identified by the model. Political pluralism emerged in Hungary after 1989/1990, , with parties populating a broad spectrum of conservative, socialist, and liberal positions. This diverse political environment became diluted during the 1990s and 2000s with populism emerging as the *modus operandi* of choice for Fidesz[1] based on the calculation that it was ‘far more electorally rewarding than any other option available to them’ (Pappas, 2014, p. 8). Concomitantly, populism spread to the principal opposition party – the MSzP[2] – which mimicked Fidesz, adopting two main approaches to politics, namely, absolute ideological rejection of Fidesz and an overemphasis on generous welfare prospects, with both parties making unrealistic promises to secure votes, described elsewhere as the ‘politics of outbidding’ (Bohle & Greskovits, 2012, p. 240). The ‘Populist Democracy’ label is fairly robust in most areas, with the critical drawback being that it sees this form of populism as unstable. In Hungary, the Fidesz project shows little sign of slowing down, with the most recent electoral victory (April 2022) returning Fidesz and Orbán to power with a historically unprecedented fourth consecutive tenure in government and another supermajority.[3] Therefore, this trend of political stability calls into question the efficacy of this label in its application to Hungary. Further, due to the disintegration of the Hungarian Left and its inability to make inroads into Fidesz’ domination, it has become increasingly unclear which party is the main opposition party. As noted in the introductory chapter, this is compounded by the emergence of an overtly xenophobic, (apprentice) fascist political party (*Mi Hazánk Mozgalom*) which gained six seats at the 2022 national election.

Second, Enyedi's (2016) article focuses on addressing the phenomenon of elitism and how it can be attributed to the development of an 'overall populist appeal' (Enyedi, 2016, p. 9). This work investigates Fidesz and the radical far-right nationalist, xenophobic Jobbik party (from which *Mi Hazánk Mozgalom* split in 2018), because it managed to not only survive, but advance its influence following the 2008 Global Financial Crisis. Before returning to government in 2010, Fidesz 'conducted an orthodox populist strategy' (Enyedi, 2016, p. 12), which ties in with Pappas's descriptions. However, in the years since 2010, on the back of widespread domestic support, power has become so concentrated in the Prime Minister's hands that Hungary's 'regime is centralised to a level that is unknown in Europe' (Enyedi, 2016, p. 13). The tag of elitism, which accompanies this type of populism is attributed to the rise in poverty that has developed as a result of Fidesz's reduction in welfare payments; the government has penalised those who do not fit into certain ideological brackets, i.e., those who have 'exhibited anti-communitarian behaviour' (Enyedi, 2016, p. 14), creating a government that unambiguously discriminates against the lower classes. This form of populism stands out from more regular forms because of its paternalism, which 'rejects the political correctness of the "inorganic" establishment but considers people insufficiently mature to participate autonomously in decision-making' (Enyedi, 2016, p. 21). This description is useful as it analyses the standout mainstay party (Fidesz) in CEE politics. Particularly helpful is the analysis on the elitist nature of Fidesz and the downgrading in economic standing of many Hungarians because this raises questions over how to best explain Fidesz and Orbán's continued popularity despite the lack of material benefit for most Hungarian citizens. By employing nationalist rhetoric, Fidesz has been able to offset opposition to lower welfare provisions to Hungarian citizens, which Enyedi (2016, p. 20) suggests may be due to Hungary's 'historical trajectory'. Whatever the case, this work is important because it highlights some of the standout characteristics of the Hungarian government: paternalism, elitism, social obligations, and national homogeneity. Further, this may be a useful approach to understand other expressions of populism in CEE that bear resemblance to post-2010 Hungary and therefore could be expanded in its application.

Third – and of particular significance – is Szelényi's (2016, p. 23) assertion that Hungary, along with other post-communist countries, notably China and Russia, but also Eastern Europe, broadly defined, 'may be converging on an illiberal, prebendal system', which has emerged from legitimacy issues that arose following the collapse of communism in these states and regions. Anchored in Weber's (1978) work on the three ideal types of domination – including a fourth type, which is typically overlooked – Szelényi (2016, p. 22) analyses the relationship between ruler and staff. To do so, he applies the Weberian terminology 'prebendalism', which he describes as 'the making of a class "serving nobility"' where a wider oligarchy of more concentrated wealth is diluted and reorganised, enriching the incumbent government with the principal result being the development of a loyal bourgeoisie.

In this sense, these changes are akin to the differences between the Russian oligarchy in the 1990s, whose members enjoyed considerable political influence and their subsequent subordination after Yeltsin left the Presidency on the eve of the millennium. While developments in Hungary since 2010 have generated widespread interest from observers, mentioned above, Szelényi (2016, p. 18) notes how (perhaps these same) observers of the developments in 1990s CEE typically 'over-idealize' the period as one of great, progressive change particularly as many members of the population in these countries were sceptical of the seemingly altruistic overtones of emergent political parties. This is underscored by the habitually low voter turnout during the first wave of democratic elections and questions over the 'most vulnerable component of this [type of] liberal-democracy … the legitimacy of private ownership' (Szelényi, 2016, p. 18). This form of organisation emerges from the Weberian notion of *Herrschaft*[4], and according to Szelényi (Szelényi, 2016, p. 23), Orbán has 'a dose of charisma'.[5] The importance of this analysis, for the purposes of this research, however, is the acknowledgement of the emergence of prebendalism as a core feature of state-business reltions in Hungary. To understand the post-2010 Hungarian politics, it is critical to investigate the ownership of capital and how capital can be coerced into remaining loyal to the government for it to be able to reproduce itself and continue its success. The nationalisation programme introduced by Fidesz after 2010 was designed to reduce the presence of foreign ownership in particular sectors, notably banking, energy, retail, and utilities. Simultaneously, corrupt practice in post-2010 Hungary has increased dramatically, with Hungary positioned in joint 77th place in the CPI[6] score (at 2022 levels) with Burkina Faso, Kuwait, the Solomon Islands, Timor-Leste, Trinidad and Tobago, and Vietnam (Transparency International, 2023). This drastically contrasts with its position in 2004 – the year of EU accession – when it was identified as the third least corrupt country amongst its post-socialist peers[7] that also joined the bloc in that year (Transparency International Hungary, 2022). From a political economy perspective, the natural question to emerge from this data is: to what extent has Fidesz used big capital to cement its position in power? Prebendalism as a nascent phenomenon helpfully captures these trends. This is an organisational structure where 'the staff has only rather limited claims to appropriate the means of administration (and property). Those are at the discretion of the ruler. In contrast under patrimonialism at least some of the means of administration … are appropriated (though with some limitations) by the staff' (Szelényi, 2016, p. 4). I discuss in further detail in Chapter 3.

Fourth, Bozóki and Hegedűs (2018) make an important distinction from the abovementioned works in their analysis of Hungary by producing a description based on the country's relations with exterior actors, describing it as an 'externally-constrained hybrid regime'. By incorporating an external dimension, the authors' model diverges from the other types discussed, which are principally domestically focussed studies in the sense they place emphasis on the development of national factors to account for the given type of politics they seek to explain. Bozóki and Hegedűs, however, demonstrate that Hungary's development is in part resultant from a specific externality: its relationship with the EU, which 'does not only fulfil system constraining functions regarding the Hungarian regime, but performs system support and system legitimation functions as well' (Bozóki & Hegedűs, 2018, p. 1173). This is a crucial feature because the characteristics of all government politics – particularly those that operate in countries that are land-locked, relatively small, and members of multiple international institutions, as Hungary is – are highly contingent on external factors. Developing this point, the authors highlight two reasons why Hungary has emerged as unique (Bozóki & Hegedűs, 2018, pp. 1175–1176). First, Hungary is the only example of a state that has achieved Western liberal democracy and subsequently developed into a 'hybrid regime'. Second, the country has emerged as the sole 'completely developed hybrid regime within the EU',[8] contradicting the EU's own legal stipulations for the accession to the bloc after 2004, e.g., liberal democracy conditionalities. In this regard, the EU is critical to the running of Hungary's 'hybrid regime', performing a trichotomy of roles, defined as '(1) a systemic constraint; (2) a supporter; and (3) a legitimiser of the regime' (Bozóki & Hegedűs, 2018, p. 1179). The authors' outlook on these developments between Hungary and the EU is not particularly positive, as they identify (2018, p. 1183) two ways in which this 'hybrid regime' could gravitate towards authoritarianism. First, considerable drawdowns in the EU Cohesion Fund[9] could lead to a decoupling of the Hungarian government and the EU[10] and a consequent move away from the normative roles the EU plays in Hungary and which are typical of 'Western' liberal democracies, e.g., the Rule of Law. Second, the EU's constraining methods may be undermined should it become less able to function as an institution built on 'mutual values and interests', with the result that Hungary may further drift away from these values it developed after its own accession two decades ago.

These analyses on developments in Hungary underscore how 2010 has become a watershed moment in its post-socialist history. The four models put forward by these authors demonstrate the importance of investigating the type of government that has emerged in Hungary because of Fidesz's continued success and its evolution. Significantly, while there is agreement that developments in the country have standout features vis-à-vis ostensibly cognate politics, each model offers different accounts to explain such developments, highlighting unique features that are not necessarily congruent with one another. Further, in two of these cases, these models are applicable to countries other than simply Hungary, which allows for a comparative analysis and implies that the post-2010 Hungarian government may not be an outlier. Furthermore, there are differences in the authors' acknowledgement of the origin of the causal mechanisms that have helped to develop Hungary's politics after 2010. Undoubtedly, all authors are aware of the importance of exterior actors in forming the post-2010 government, though only the final study reflects this by placing the EU at the forefront of its investigation. As Chapters 4 and 5 demonstrate, this is a critical recognition because by addressing the role of exterior actors, a deeper understanding can be developed as to the nature of Hungarian populism and developments in the contemporary Hungarian political economy.

To give an overview of the four models discussed above, Table 1.1 summarises their key components highlighting the unique features of each type, their

Table 1.1 Four types of 'regime'[11]

Type of 'regime'	*Key features*	*Application[12]: State/(party)*	*Domestic/ International[13]*
Populist Democracy (Pappas, 2014)	Two-partism; highly unstable	Greece and Hungary (single party)	Domestic
Paternalist Populism and Illiberal Elitism (Enyedi, 2016)	Collective interest, social obligations; ethnocultural similarity and conscience	Hungary (multiparty)	Domestic
Illiberal Prebendal (Szelényi, 2016)	Class of 'serving nobility'; Impressions of security and welfare provision	Post-communism: China, Russia, and CEE (single party)	Domestic
Externally constrained Hybrid Regime (Bozóki & Hegedűs, 2018)	Liberal democracy to hybrid regime convert; fully developed hybrid regime, systemically assisted by EU	Hungary (single party)	Domestic and international

Source: Author's own compilation.

application in terms of geographical area and political party, and the origin of structural support.

Most of the models presented in Table 1.1 are based on contemporary historical trends. The exception is Szelényi's model, which develops from the classical work of Max Weber. Detractors of Weberian sociology notwithstanding, using 'classical' works to inform approaches to better understand the populism phenomenon helps theoretically ground our thinking even further. I take inspiration from this and now conduct a brief overview of two 'classical' approaches to add more depth to the analysis as they contain analyses that broadly account for political agency and its interaction with the political economy: Weber's *Economy and Society* (1978) and Karl Polanyi's *The Great Transformation* (2001).

Classical approaches

Max Weber's charismatic authority (CA) comprises one of three forms of *Herrschaft* analysed in *Economy and Society* (Weber, 1978). The two other pure types of authority theorised by Weber are (1) rational-legal authority where persons operate within a bureaucracy to execute rules, typically reproduced in representative democracies, and (2) traditional authority, where those executing rules do so, based on the inviolability of 'immemorial traditions' (Weber, 1978, p. 215), which may be demonstrated in cases of monarchical command. CA is actor-centred and legitimate in terms of the leader/follower relationship, which evokes 'archetypes of heroic warriors, prophets, magicians [creating an authority to] accumulate political capital' (Jentges, 2014, p. 33). Once mobilised, CA is proliferated and reproduced. This phenomenon typically emerges in times of crisis, arising as the spirit within which to counter – or more dramatically – transcend the given crisis. As a methodological mechanism, it is a 'force for change … in direct contradiction to the logic and laws of the rational-legal and the traditions and inherited status of the traditional' (Conger, 1993, p. 278). CA is a reaction to a problematic situation that necessitates extraordinary leadership as the vehicle from which to transcend it. The components of a charismatic leadership are threefold according to Weber: there is (a) a strong leader bestowed with charismatic qualities who is (b) supported by followers and staff who are the principal agents in the generation of charisma, which then (c) becomes institutionalised as an instrumental method with which to govern. Crucially, it is the latter two of these three components, namely, the followers and staff, that have the capacity to withdraw CA from the leader. This risk of withdrawal is the principal Achilles heel of any leader imbued with CA. This also partially accounts for the difficulty in bequeathing CA to other actors.

Why might CA be a possible analytical tool with which to understand the nature of the post-2010 Hungarian political structure? In the first instance, as a reaction to the economic configuration that emerged during the first two decades of post-socialism, characterised by privatisation and high levels of foreign ownership, as outlined above and in the introductory chapter, deep-seated national grievances were evoked and pinned to economic concerns by Fidesz: one of the seven potential outcomes to the introduction of capitalism and democracy in the CEE region after 1989/1990 described by Offe (1991, pp. 886–887).[14] This has led Fidesz – and in particular, Orbán – to become the principal agent for voicing these concerns on behalf of the Hungarian nation at the domestic and international levels. Regarding the mobilisation of a staff for the production of CA, Orbán and Fidesz have skilfully created a national bourgeoisie (Rogers, 2020a; Szelényi, 2016), which in return for bounty (capital), is politically loyal and sycophantic. This has led to a very strong and stable state-business nexus, which only rarely comes under threat, and which in turn has led to Hungary becoming rather unique with the PM possessing CA, at least in part (Szelényi, 2016). In other words, while the wider Fidesz-led business network continues to respect the ostensible 'property for loyalty' agreement (discussed further in the next chapter), legitimacy is maintained and therefore any presence of Weberian charisma, too. Resultingly, CA can assist in better understanding this aspect of contemporary Hungarian capitalism.

Karl Polanyi's *The Great Transformation* (2001) analysed the phenomenon of the double movement. What is it?

> On one side is the movement of laissez faire–the efforts by a variety of groups to expand the scope and influence of self-regulating markets. On the other side has been the movement of protection–the initiatives, again by a wide range of social actors, to insulate the fabric of social life from the destructive impact of market pressures. What we think of as market societies or "capitalism" is the product of both of these movements; it is an uneasy and fluid hybrid that reflects the shifting balance of power between these contending forces.
>
> (Block, 2008, p. 1)

Polanyi's work offers a useful method to comprehend the ostensible post-2010 countermovement against the economic status quo that developed during the 1989–2010 period, characterised by foreign ownership and external dependencies (Nölke & Vliegenthart, 2009). However, identifying any anti-neoliberal trends can be problematic in the sense that 'a countermovement is the short answer, but plotting its coordinates is no simple task' (Dale, 2012, p. 12). Countermovements can populate a spectrum of alternatives that range from the fascism of the 1930s to the New Deal of the same era – both reactions to the free market, as categorised by Polanyi himself. This approach identifies the fictitious commodities of land, labour, and money (Polanyi, 2001), which serve to squeeze populations by affecting societal relations, detrimental to social stability as the core reasons for the wide applicability of the countermovement thesis. Twenty-first century examples may be no different in this regard, which underscores the recent re-emergence of attention to Polanyi and his work on the political economy (Bohle & Greskovits, 2012; Clark, 2016; Dale, 2016; Hann & Hart, 2009).

Indeed, Polanyi's analysis was used by Bohle and Greskovits (2012) to study capitalism on Europe's periphery, i.e., (much of) post-socialist Europe. This was a helpful framework with which to understand capitalism in CEE as the authors recognised the importance of 'bringing politics back in [to measure] post-socialist success in capitalist democracy' (Bohle & Greskovits, 2012, p. 16). Significantly, in their comparative investigation, the authors emphasise (2012, p. 258) that it is in Hungary where 'embedded neoliberal capitalism[15] and democracy now face the greatest danger of being dismantled'. This approach placed emphasis on the general problem of the decoupling of capitalism and democracy in the region, and it was noteworthy to identify Hungary as the principal case where this trend is materialising, a phenomenon the models presented in Table 1.1 underscore.

Polanyi's analysis allows for more attention to be placed on national characteristics and subsequently how any reaction to the free market might be framed or operationalised by domestic political actors in Hungary. As discussed, both implicitly and explicitly by the works summarised in Table 1.1, the Hungarian government produces consistently hostile rhetoric against what and/or whom it perceives as a form of colonisation/coloniser of Hungary (by 'Western' entities, particularly the EU). The chief outcome of these reactions is the demonstration of the fragility of the democratic institutions, which developed after 1989/1990. For example, Fidesz continually calls for inter-regional dialogue and co-operation, but this is to be done on local terms, thereby sidestepping what is increasingly viewed as an overarching EU-inspired subjugation of the will of local (CEE) peoples, described elsewhere as Western hegemony that filled the vacuum left by the downfall of state-socialism (Janos, 2001). From a regional perspective, this speaks to Szűcs and Parti's (1983, p. 135) 'three Europes' where 'East-Central Europe became squeezed between' Eastern and Western Europe, following great expansions in the sixteenth and seventeenth centuries, leaving Hungary and its neighbours unsure where they really belonged, an analysis that produced 'an avalanche of debates' (Péter, 1999, p. 109) around the location of Hungary and whether Central Europe existed at all.

Table 1.2 Weberian and Polanyian approaches[16]

Classical approach	*Key features*	*Application*[17]	*Domestic/ International*
Charismatic Authority (Weber, 1978)	Institutionalised, instrumental method of governance	Leadership and regime	Domestic and international[18]
The Great Transformation (Polanyi, 2001)	Reaction to free market fundamentalism/fictitious commodities	Countermovements	Domestic and international

Source: Author's own compilation.

Polanyi's analysis remains useful as it helps to situate Hungary's ostensible countermovement against neoliberal free market forces within the nation state itself. Further, Bohle and Greskovits (2012) have shown it offers a broader framework for investigating a wider trend within the CEE region: the increasingly unamicable relationship between free market capitalism and liberal democracy, both of which were adopted throughout post-socialist Europe – in different forms and at different rates of embeddedness – over three decades ago. Table 1.2 summarises the principal components of both approaches discussed in this section.

It is critical for any attempt that theoretically accounts for national capitalism to pay greater attention to domestic political agency and in this sense, 'bring politics back in' (Bohle & Greskovits, 2012, p. 13). This assertion becomes more pertinent when discussing post-socialist European countries, because in the first instance, capitalist and democratic institutions are relatively newer and therefore more vulnerable to shocks, already witnessed through the process described as 'democratic backsliding' (e.g., Mechkova et al., 2017), discussed earlier in this chapter. Indubitably, this is a complex process, reflected by the variation in efforts to approach this problem. For this reason, I identify a series of limitations, which demonstrate why it is important for Hungary to be further analysed to create an improved approach to understanding the nature of the Hungarian government in the post-2010 period.

Limitations to these approaches

The first four models discussed above have been successful in their analyses of the contemporary Hungarian government, with the additional two classical approaches also demonstrating their own efficacy in at least partially accounting for the type of capitalism that has been developing in Hungary since at least 2010. These six models, however, contain limitations for different reasons, some of which I outline here.

The studies included in Table 1.1 do not fully capture the nature of Fidesz and subsequently the contemporary Hungarian political economy (though this was not explicitly their remit) because – with the exception of the work on the 'externally-constrained hybrid regime' – their dimensions are typically inward-looking and underplay the external dimensions of post-2010 Hungarian politics, which enlarge the 'ever-widening grey zone' (Bozóki & Hegedűs, 2018, p. 1173) between democracy and dictatorship. This is a crucial observation and reveals it is critical for any approach attempting to understand the Hungarian political economy in the post-2010 period to emphasise the importance of external factors that affect the type of politics developing in the country. Regarding the final study listed in Table 1.1, rather than describe a limitation, this book will build on the authors' investigation of the connection between Hungary and exterior actors in Chapters 4 and 5, demonstrating the importance of Hungary's relations with 'Eastern' states since 2010 and the subsequent emergence of nascent transnational capital dimensions and their implications for the trajectory of Hungarian capitalist development.

Weber's charismatic authority is not wholly applicable to the Fidesz for three reasons. First, Hungary remains, at least nominally, a democratic country, with national elections held in four-year cycles, an institution in operation since 1990. Importantly, this sociological reality, however imperfect, diverges from Weber's CA ideal type, which is typically concerned with describing the emergence of charisma in non-democratic hierarchies. Second, the wider institutional context in which Hungary is now enmeshed (e.g., the EU and NATO) arguably constrains the possibilities of CA fully developing. Such an organisational network severely limits Fidesz' and Orbán's agency because the obligations that come attached to membership play constricting roles as inclusion comes with a range of commitments that contradict (populist) rhetoric. At the same time the Fidesz project remains highly attractive to a host of international (i.e., non-Hungarian) actors who seek to emulate its success, which signifies both its domestic and international components, shown in Table 1.2. Third, the followers that Weber discusses as critical for the production and maintenance of charisma must be reciprocated with material benefits if the leader or organisation is to remain in a charismatic state. Strikingly, however, Hungary has the third lowest minimum wage in the EU at approximately €500 per month at 2022 levels (Eurostat, 2022) with average salaries the fourth lowest in the OECD above Greece, Mexico, and Slovakia (OECD, 2022) (although the COVID-19 global pandemic raised the average salary by 5% (OECD, 2021).

Polanyi's analysis of the countermovement implies there is a disconnect between proponents of the market and wider society. In contemporary Hungary, however, despite the nationalisation programme fostered after 2010 for the purposes of reducing foreign ownership in certain sectors, multiple dependencies on 'Western' MNCs, *Mittelstand* enterprises, and EU capital transfers remain. Further, firms with operations in Hungary continue to engender flows of foreign direct investment (FDI), a key component of the neoliberal political economy that developed after 1989/1990, as outlined in the introduction. Indeed, inward FDI stock as a percentage of GDP (at 2020 levels) is approximately 109% (World Bank, 2022). These statistics demonstrate the critical importance of foreign firm presence for the Hungarian economy. Hungary remains highly dependent on foreign capital and consequently embedded neoliberalism has continued to operate under successive Fidesz-led governments. Therefore, Polanyi's approach is unable to account for the maintenance of extant 'Western'-induced value chains that constitute the bulk of the Hungarian economy with those structures labelled institutional complementarities within the Varieties of Capitalism (VoC) tradition (Nölke & Vliegenthart, 2009). Further problems with Polanyi's approach concern self-determining models as they can lead to teleological understanding of social change (Vandergeest & Buttel, 1988), thereby diluting societal initiations to a goal-seeking sphere of activity. Elsewhere, Polanyi's work has been accused of enacting a teleological approach (Burawoy, 2003) because of the author's assumption of inevitable outcomes for industrialised societies in terms of overcoming the self-regulating market (Dale, 2012).

Finally, Polanyi's analysis of the double movement does not contain a technical account of the mechanics of capitalism, e.g., accumulation, competition, etc. (Dale, 2015); therefore, it will not have the capacity to identify and investigate much smaller-scale and time-specific phenomena that combine to operationalise components of a given national capitalism. In this sense, it lacks the theoretical tools to produce more intricate analysis that digs deeper into the machinations of capitalist institutional frameworks. Further, I agree with Dale (2015) that the double movement may not be a good 'strategic guide' because the binary nature of one movement countered by another cannot necessarily account for the emergence of anti-market protests in the broad sense.[19]

Hungary is unique in CEE in terms of continued single-party dominance within a nominal democracy and observers are right to concern themselves with its development. As stressed above, to understand development trajectories, it is paramount to emphasise the importance of external factors that affect the type of populism being developed by a given 'regime'. In Hungary, this is particularly important due to increased interaction with China (Jacoby & Korkut, 2016; Matura, 2018; Rogers, 2019) and Russia (Ámon & Deák, 2015; Buzogány, 2017),[20] the two external actors (states) analysed in Chapters 4 and 5, respectively. The remainder of this chapter therefore focuses on theorising the type of populism that has emerged in Hungary by developing Stuart Hall's notion of authoritarian populism (Hall, 1979, 1980, 1985, 1987) with attention on how the Fidesz government has begun to alter the external dimensions of the Hungarian political economy. By engaging with Hall's work, this chapter proceeds by developing a neo-Gramscian analysis of an expression of Hungarian politics that has been developing not since 2010, the occasion of Fidesz's second electoral victory, but from 2002, when the party lost office for the first – and only – time.

This is essential because to paraphrase Hall (Hall, 1979, p. 14), hitherto analyses while important contributions to understanding Hungarian populism, do not capture its 'full dimensions'. By incorporating a Gramscian approach to Hungarian populism, this research aims to provide a 'fuller' account by avoiding being categorised by what Bluhm and Varga (2020, p. 643) describe as a literature that 'attempts to grasp the illiberal turn in terms of "right-wing populism"'. The application of AP is an important move forward in formulating an improved, albeit partial interpretation of Hungarian populism because of its focus on (political) agency and its acknowledgement of the role of (transnational) capital in Fidesz' reproduction. For these reasons, this chapter avoids simply discussing Rightest populism, permitting observers of populism more generally to comprehend its characteristics from a neo-Gramscian perspective through an investigation of the Hungarian government, an approach anticipated to be applicable to similar political expressions within the region, as noted above.

Authoritarian populism

This term was originally coined by Stuart Hall (1979) and emerged from earlier work that conceptualised the 'authoritarian state' (Poulantzas, 1978), drawing on Gramscian approaches to theorising the state and hegemonic blocs (Gramsci, 1971). Essentially, Gramscian hegemony refers to how a ruling class (or dominant elite) maintains control not merely through coercion but mainly through cultural practices and the communication of ideologies that legitimate and justify their rule. Gramsci's work thus graduated from the concept of hegemony as understood by the protagonists of the October Revolution in Petrograd to contain 'both the extraction by rulers of consent from the ruled and the deployment of coercion to enforce their rule' (Anderson, 2017, p. 21). Hall (1979, p. 15) defines AP as

> an exceptional form of the capitalist state, which, unlike classical fascism, has retained most (though not all) of the formal representative institution in place, and which at the same time has been able to construct around itself an active popular consent.

His work on AP produced a more holistic, historically embedded and deeper (organic) account of the components of what he himself had dubbed 'Thatcherism' from its emergence in the mid-1970s (i.e., when Thatcher herself was still in political opposition) and how it accrued continuous electoral success for over a decade, echoing Gramsci's call to create analysis that is more historically sensitive (Landy, 1986).

Part of AP's success in accounting for Thatcherism emanates from its roots in the 'Gramscian terrain of struggle' (Hall, 1980, p. 131), which seek to understand the relationship between the conjunctural, i.e., the historical moment in which a shift towards AP is in effect and the 'organic' elements, i.e., the depth of the crisis. By following this Gramscian path, a more profound understanding of the wider plateau of components becomes visible. The legacy of this approach, in part, is to understand more thoroughly 'a new balance of forces, the emergence of new elements [and] a new historical bloc' (Hall, 1979, p. 15).

A Gramscian focus here is important, not least because for Gramsci himself, 'the state is not an end in itself, but an apparatus, an instrument' (Bobbio, 1979, p. 24). Therefore, political actors have the potential to use their agency to affect the state, to manipulate state institutions for the purposes of self-perpetuation. Hall's analysis of the 'Gramscian terrain' (1979, 1985) was published at a similar time to other scholars' work, which sought to develop theoretical approaches to understand the social from post-Marxism to post-structuralism (e.g., Laclau & Mouffe, 1985), and this acted as a strengthening force for post-Marxist approaches (Leggett, 2013, p. 300) despite substantial disagreements between them (Wood, 1998). Indeed, it is on the Gramscian terrain that ‘cultural mobilisations of consent across diverse social sites amount to important consolidations of political power’ (Wood, 1998, p. 401). Such an observation acknowledges the width of analytical scope afforded to social studies through the incorporation of a Gramscian approach and signifies strong potential to capture various symbols and ideas associated with political power that infiltrate state structures, for example discursive practice (Barrett, 1991); a critical component of any (authoritarian/populist) goverment attempting to consolidate a hegemonic position.

To empirically bind his approach to understanding what he saw as the critical components of Thatcherism, Hall identifies four primary areas where the phenomenon manoeuvred on the conjunctural terrain to operationalise its ideology: crime, welfare, the treatment of women, and race (Hall, 1980, pp. 144–146). These ‘moral panics’ (Cohen, 1972) were explored earlier by Hall et al. (1978). They are typically promoted by moral entrepreneurs such as politicians and journalists to exaggerate phenomena in societies such as immigration or specific events – for example, an isolated criminal action – through the attachment of negatively loaded descriptive tags, e.g., ‘skiver’. The outcomes for those categorised in such ways are criminalisation, demoralisation, and scapegoating (Hall & Scraton, 1981). ‘Moral panics’ emerge from the configuration of power dynamics, i.e., those who *can* place blame on another, which stems from structural crises in capitalism ‘rather than [as] just symptomatic of inevitable social change’ (Moore & Forkert, 2014, p. 499). Indeed, Hall demonstrates that AP becomes hegemonic because it infiltrates multiple layers of society through the stimulation of a two-pronged structural support network, partly originating from ‘below’ through its ‘wide appeal and common touch’ (Hall, 1980, p. 141) and partly promoted from ‘above’ by the ‘ventriloquist voices’ (Hall, 1979, p. 18) of selected loyal media in order to reproduce itself.

At this point, I want to re-emphasise the importance of locating AP within its historical moment. By accentuating the nature of understanding the forces that combine to formulate AP, Hall was able to successfully capture the beginning of the phenomenon of Thatcherism, identifying its creation at the time when Thatcher herself rose to Tory Party leadership in 1975 (Hall, 1987). What Hall accomplished was to inform us of the importance of keeping Gramsci’s onus on history at the forefront of observation. By locating Thatcherism’s nascent moments during Conservative Party opposition (1975–1979), Hall was able to avoid the potential mistake of viewing it as an open-shut singularity, wedged between the two dates that bookended Thatcher’s time in office: 1979–1990. This would have been an arbitrary plotting of the nodal points of AP and would have overlooked the importance of determining AP’s genuine roots and resultingly would not have been able to theorise the fundamental aspects of Thatcherism. ‘Hall’s insistence on analysing periodised relations of force, including culture and communication’ (Harsin & Hayward, 2013, p. 204) thus allowed his analysis to unearth a deeper set of foundations that helped strengthen the Thatcherite period and contribute to its successes in implementing its policies that crushed working people and financialised society.

Authoritarian populism and capital

Indeed, one of the most significant changes in the 'balance of forces' (Hall et al., 1985, p. 116) during the development of AP in 1970s and 1980s Britain was the emergence of neoliberal economics defined in the British context as:

> (a) the privatization, deregulation and commercialization of the state sector; (b) promotion of the City as the centre for international financial capital; (c) the reinforcement of market forces by encouraging inward and outward investment and promoting the small business sector; and (d) the enhancement of capitalist 'flexibility' through legislative restraint of trade unionism, increasingly coercive 'training' schemes, a market-oriented social security programme, and various low-cost schemes aimed at helping business to help itself.
>
> (Jessop et al., 1990, p. 89)

Hall considered Thatcherites as being 'at the forefront of what they [thought was] the new global expansion of capitalism' (Hall, 1987, p. 172). Given the longevity and seeming indestructibility of neoliberalism (Crouch, 2011; Gamble, 2013), this is an appropriate summation. The promotion of the necessity for crisis management by Thatcherism was part of the change in the 'balance of forces' developed from 'moral panics' (Cohen, 1972; Hall et al., 1978), which are critical to the expansion and consolidation of AP. Indeed, it is precisely these developments – 'moral panics' and subsequent emergent forces – that construct the conjunctural terrain (Gramsci, 1971) from which AP crystallises and consequently subsumes society through 'common sense' thinking, i.e., by demonstrating that this form of political organisation is the principal method with which to overcome and exit crisis.

According to Jessop et al. (1985), Hall's work on AP worked along two fundamental strains: the emphasis on 'common sense' and the changing 'balance of forces'. These authors are critical of this approach, however, principally because they see it as overlooking the necessity to investigate the structural economic issues that underpin the emergence of AP.

Hall does not pay considerable attention to the economic elements of AP though he does not overlook them. He does not see the emergence of AP as exclusively wrought by the Right, but rather as a shortcoming of social democracy (Hall, 1980, p. 126). Further, democratic components were corroded because of the importation of 'big capital' in place of social democracy, which was unable – or perhaps incapable – of managing economic and political battles (Hall, 1980, p. 126). Revealingly, it cannot be coincidental that AP was developed as an approach to understanding forces that were moving to the political Right at almost the exact same time as neoliberalism was surfacing as the fundamental mode of global economic governance.

To understand the content of AP, it is essential to pay attention to the capital relations that develop to form the conjunctural terrain from which it operates. More prosaically perhaps, it is paramount to comprehend how capital is used by the government as this creates the bedrock of power from which it is able to proliferate and

Table 1.3 Components of authoritarian populism[21]

Type of populism	*Key features*	*Application: State/(party)*	*Domestic/ International*	*Policy strategies*[22]
Authoritarian populism (Hall, 1979)	Conjunctural terrain; moral panics; change in the balance of forces	United Kingdom (single party)	Domestic	Centralised power; deregulation; flexible labour market; free market; low taxation; privatisation; restrained unions

Source: Author's own compilation.

reproduce itself. The subsumption of business(es) big and small to the will of AP is an important consideration. In the Thatcherite case, this was part of the ideology of AP, which also greatly appealed to and consequently could consistently count on the support of the middle and sections of the working classes. Finally, Hall informs us of the importance of 'the moment' in terms of a government achieving AP:

> the moment when you can get sufficient power in the state to organize a central political project is decisive, for then you can use the state to plan, urge, incite, solicit and punish, to conform the different sites of power and consent into a single regime. That is the moment of 'authoritarian populism'—Thatcherism 'above' (in the state) and 'below' (out there with the people).
> (Hall, 1987, pp. 168–169)

Table 1.3 captures the principal components of AP discussed so far and lists its typical policy strategies.

The origins of Hungarian authoritarian populism

A standout result of Fidesz's dominance in post-2010 Hungary has been the emergence of hegemonic politics. With no viable political alternative, Fidesz – much like Thatcherism in 1980s Britain – has developed into a form of Gramscian hegemon, undermining democratic achievements of the post-1989 period. To locate these developments in their historical moment, it is important to revert to 2002. Fidesz victory in 2010 did not instigate HAP; rather, it was electoral defeat in 2002 that stimulated its emergence. An ideologically different Fidesz had been in power for four years (1998–2002) and was confident of becoming the first incumbent to retain office since democratic elections began in 1990. When defeat occurred in 2002, the party moved to create the conditions that would avoid a repeat of this outcome. Initially, a broad movement to consolidate conservative media was instigated by the party to counter what it viewed as a liberal media bias, and this resulted in a lack of conservative media institutions that were critical of Fidesz. This assumption of media influence occurred during a time when civil society activity increased, particularly on the Right and extreme Right, which has had effects on the quality of Hungarian democracy. This environment created the groundwork for the exploitation of a series of crises that continue today, and which help to propel HAP and subsequently reproduce the Fidesz project. I identify two crises here that helped to accomplish the first of four consecutive supermajority victories from 2010.

First, the (self-)capitulation of the MSzP from May 2006 (for an overview, see Lendvai, 2017), which led to 'political chaos flood[ing] the country' (Berend, 2013, p. 43). Second, in the aftermath of the 2008 Global Financial Crisis, the successful exploitation of then-PM Ferenc Gyurcsány (Frič et al., 2014). A key result of these actions was Gyurcsány's resignation following a 2009 vote of no confidence and the subsequent splintering of Leftist political parties, paving the way for the emergence of a robust form of conservatism, which has solicited the assistance of right-wing academics and intellectual networks (Bluhm & Varga, 2019; Buzogány, 2017; Greskovits, 2020).

The 2002–2010 period in opposition was a time of foundation-laying for an anticipated period of prolonged governance for Fidesz. While nothing was guaranteed from 2010, the crushing of the MSzP, the emergence of the xenophobic Jobbik party, and the 2008 Financial Crisis created a fertile platform from which Fidesz has launched itself to three further national election successes as well as regional and European election victories. This was compounded by the large-scale social capital accrued during this period from the Civic Circles movement, a faction designed to extend the political Right's network across a variety of social institutions (Greskovits, 2020). The present research claims that from 2002, HAP began to develop within the Fidesz party, echoing the emergence of what came to be known as Thatcherism before Conservative victory at the 1979 General Election in Britain. From this starting point, Fidesz identified a path that would help it achieve and embed the objective of securing a sustained period in government, a position that engenders limited scope for successful political challenges from domestic opposition.

Taken together, these components combine to enable Fidesz to 'change the balance of forces'. Indeed, for any government that seeks to stimulate the conditions for a protracted cycle of successful reproduction, '[t]he political project is … clear. Before capturing the state, all the spaces of "civil society", not just the economic spaces, should be occupied to secure the transformation of "common sense" into "good sense"' (Davidson, 2008, p. 72). Additionally, because of the government's domination of the media, loyal capital (discussed below), and their parliamentary supermajority, few people remain unaffected by the continued exploitation of these areas, further reproducing Fidesz's success and bolstering its support.

Fidesz as a form of hegemonic politics

Had Fidesz remained loyal to its pre-2002 democratic principles – although a centre-right party, its ideology was considerably more liberal-democratic during this period – AP may not have been developed in Hungary, at least by Fidesz. Hungary's post-2010 development has created a platform necessary for the effective identification of 'moral panics', as one of AP's three main constituents and the subsequent change in the 'balance of forces' and materialisation of AP.

These changes in dynamics represent what Hall describes as a 'fundamental shift in the modalities through which ruling blocs attempt to construct hegemony in capitalist class democracies' (Hall et al., 1985, p. 117).

In similar vein to the AP that emerged from Thatcherism, the post-2010 Hungarian government has successfully identified critical nodal points on the ideological terrain that have been instrumental in securing its longevity. Hall's identification of the four 'moral panics' Thatcherism stimulated to exercise its populist appeal and achieve hegemony helped to locate the zones of success where AP was able to progress. Specific to Fidesz, this research also outlines four areas of conflict ('moral panics') that have assisted the party in acquiring hegemony.[23] I briefly discuss these here and investigate them in more detail in Chapter 3.

First, colonisation. Verbal attacks against the EU are consistent and come despite the continued acceptance of structural funds and subsequent dependency (Miklóssy, 2018; Nyyssönen, 2018). Paradoxically, Fidesz was the party that signed the bulk of the agreements necessary for EU accession during its first period in office (1998–2002), which underscores the depth of the ideological shift that has taken place since that period. By framing the EU as an actor that operates against Hungary's best interests Fidesz generates antipathy against the bloc ('moral panic'), which in turn creates a zero-sum playing field, i.e., the Hungarian nation vs. the colonising power, stimulating a 'common sense' reaction amongst followers. Further, this evokes areas of national memory that are adorned with the idea of Hungary as the perennial victim of exterior aggressors and occupiers (Hoensch, 1988; Lendvai, 2003).[24]

Second, otherness. Hungarian exceptionalism is nothing new (Pethő, 2004). Where it has contributed to generate HAP after 2010 is for it to be promoted by the incumbent government across the political spectrum to create the 'right' Hungarian, much like in the other contemporary cases of AP, discussed above. Orbán and Fidesz have created a discourse around the greatness of the Hungarian nation rather than the Hungarian state regarding Hungary's exceptionalism in that it is in the 'West' but has roots in the 'East', described elsewhere as 'self-Orientalism' (Rac, 2015, p. 198). The mobilisation of semiotic symbols, for example, Turanism,[25] has further strengthened the narrative around *Hungarianness*.

Third, immigration. This 'moral panic' expands on the previous point but is more of a latecomer to the post-2010 HAP. It was not utilised with regularity until the so-called migrant crisis in 2015. From this point onwards, it has taken centre stage. Orbán and other Fidesz representatives, particularly Foreign Minister Szijjártó, consistently cite immigration as one of the biggest threats to the Hungarian nation and 'Christian Europe'. In turn, this rhetoric has become 'hitched to the nativist cause' (Fekete, 2016, p. 39), forming a platform from which to project Fidesz's ideology further through increased identification of *Hungarianness*. It has become 'common sense' in Hungary to associate immigrants with criminal activity (Thorleifsson, 2017), based on a perceived understanding that their presence in Hungary is a threat to the economic well-being of the average citizen.

Fourth, specific threats, e.g., Hungarian-born US billionaire George Soros and the Central European University (CEU).[26] This final 'moral panic' is operationalised

Table 1.4 The ‘moral panics’ of Hungarian authoritarian populism

Moral panic	*Typical protagonist*	*‘Common sense’ reaction*
Colonisation	EU	Anti-EU rhetoric
Otherness	*Hungarianness*	Promotion of *Hungarianness* and exhumation of xenophobic historical characters
Immigration	Middle Eastern migrants	E.g., Border fence
Specific threats	E.g., Soros, CEU, etc.	National Consultations/university eviction

Source: Author’s own compilation.

to keep HAP on track and Fidesz relevant. By pinpointing confrontation in different areas, the previous three ‘moral panics’ are reinforced. For example, attacks on Soros extend from the above-identified issue with immigration. Disturbingly, the shadow element of attacks against Soros is anti-Semitism, a hostility with a significant history in Hungary, highlighted by the country’s Axis status during the Second World War and anti-Jewish laws under the Horthy Regency. According to Fidesz, the ‘Soros Plan’ is an attempt to settle migrants in Hungary, and wider Europe, without discussion with national governments. As a reaction, Fidesz launched a ‘national consultation’,[27] which though premised on democratic tradition, i.e., asking the population their opinion of the given subject, the biased questioning functions to reinforce decisions already taken (Bocskor, 2018) with turnouts extremely low rendering results essentially insignificant (Euractiv, 2023). Another example where targeted attacks are made is with the CEU, formerly a US post-graduate institution in central Budapest, founded in 1991 by Soros. By evicting a foreign higher education institution, Fidesz has demonstrated its mistrust for intellectuals, or simply those actors it considers threatening to the region, e.g., Soros. Because of the party’s widespread support and success, and stimulation of this ‘moral panic’, it subsequently becomes ‘common sense’ to reject the CEU’s presence in Hungary.

Taken together, these components combine to enable Fidesz to ‘change the balance of forces’. Like the four ‘moral panics’ identified by Hall, Fidesz’s mobilisation of these key areas has created continued success, keeping the party relevant. Additionally, because of the government’s domination of the media, loyal capital (discussed below), and their parliamentary supermajority, few people remain unaffected by the continued exploitation of these areas, further reproducing Fidesz’s success and bolstering its support. The four ‘moral panics’ outlined in this section are summarised in Table 1.4, including their typical protagonist and the ‘common sense’ reaction executed by Fidesz and approved by supporters.

(Hungarian) Authoritarian populism and changes to the ‘balance of forces’

Following loss of government in 2002, Fidesz realised it had made the fundamental mistake of failing to develop its own bourgeoisie, which meant there was little government-loyal domestic capital (Szelényi, 2016). By nationalising segments of the economy and increasing Hungarian ownership, Fidesz has avoided repetition of this critical missing link to continued longevity. For Orbán, it is important that an enriched, politically devoted set of actors does not become powerful enough to erode his authority or challenge his leadership, however. For this reason, a specific type of corruption has emerged in Hungary since 2010 that does not replicate the Yeltsinian oligarchic-enriching techniques of 1990s Russia (Kryshtanovskaya & White, 2005). A business culture has emerged in Hungary that is characterised by the transactional relationship of loyalty-for-profits with the immediate effect of a further weakening of the already vulnerable institutions that had developed since the systemic change in 1989/1990. By maintaining allegiance to Fidesz, favoured firms and personnel can operate more effectively (e.g., through contract awards etc.) and in return, Fidesz receives an enriched and dependent entity that operates in government interests, further entrenching its position, a phenomenon elsewhere conceptualised and theorised as an 'accumulative state' (Scheiring, 2020). Critically, prebendalism has become one of the drivers of Hungarian development in the post-2010 period, and increasingly, capital relations with external, non-EU actors with ambitions to stimulate new transnational investment flows, most prominently, China (Jacoby & Korkut, 2016; McCaleb & Szunomár, 2017; Rogers, 2019, 2023).

From this tight control of loyal capital, Hungary has become 'an exceptional form of the capitalist state' (Hall et al., 1985, p. 119). Fidesz has institutionalised the means of accumulating capital, creating new nodal points of ownership within the prebendal constellation for the purposes of continued self-enrichment and self-reproduction (Magyar, 2016). In this sense, Fidesz has engaged in a struggle for hegemony formulating a new Gramscian bloc with the explicit ambition of dominating the liberal politics that was typical of the 1989–2010 period and assuming control of a broad spectrum of the Hungarian Right.

Significantly, by expropriating wealth, the new national bourgeoisie has partially reclaimed assets from Western multinational companies (MNCs) that entered Hungary during the privatisation boom of the 1990s and 2000s. A brief example: in 2014, Fidesz nationalised MKB Bank, the country's fourth biggest commercial bank, repurchasing it from Bayerische Landesbank, headquartered in Germany. In 2017, 49% of the bank was acquired by Lőrinc Mészáros, the mayor of Orbán's home village (Zoom, 2018). Further, the emergence of HAP has formed a base from which Fidesz's prebendal networks operate to change the 'balance of forces' not only domestically but also internationally. The domestic changes the Hungarian government has instigated since 2010 have created the conditions for a potential reconfiguration of external economic relations, which is compounded by the drawdown in EU structural funds and the loss of FDI's role as chief regional growth generator (Bohle, 2018).

How far might the findings thus far discussed in this chapter be applicable beyond Hungary to account for capitalist development in similar authoritarian populist 'regimes'? Appel and Orenstein (2018, pp. 165–168) argue that Hungary has sought to emulate the Russian development model that works along nationalist economic lines. Certainly, there was – at least prior to the 2022 Russian invasion of Ukraine – a broad arc of post-socialist European governments who, to various degrees, looked to their Russian counterpart and its long-term leader as a form of big brother, spirited by a pronounced rejection of 'Western' cultural values. However, while it is relevant to compare post-2010 development in Hungary to an analogous situation in Russia, the former's EU membership, a highly dependent export-based economy, and significant continuities in the Hungarian political economy, developed from the mid-1990s stifle comparison. The same authors discuss Poland's 'adoption of populist economic policies in the heartland of neoliberal reform' (Appel & Orenstein, 2018, p. 169), which indicates the potential of using the conceptual framework developed in this chapter to capture the architecture of the Gramscian terrain in Hungary's regional neighbours, specifically, a change in the 'balance of forces'.

What the conceptualisation of HAP does is add to other debates on capitalist development in CEE, particularly Bohle and Greskovits' (2012) analysis of 'embedded neoliberalism'. The authors' work remains pertinent as it emphasises the importance of looking beyond firm-centric outcomes (Nölke & Vliegenthart, 2009) – in a region where politics continues to be the principal development driver (Mihályi & Szelényi, 2019b) – and bases its framework on recognition of a 'distinct political settlement' (Feldmann, 2019, p. 179) in the region. Furthermore, given each CEE state obviously has its own historical routes, cultural and national characteristics, e.g., variegated identities, population size, sectoral privileges, etc., but simultaneously has been bracketed as falling within certain categories, e.g., gradualism, as in Slovenia (Rojec et al., 2004), taxonomies, irrespective of durability may range in success due to manipulation of their dynamic circumstances by political agency.

Significantly, Stuart Hall's work contains analysis of both formal (e.g., the police) and informal (e.g., 'moral panics') institutions. This speaks to an approach with an institutionalist radar, which simultaneously demonstrates the limitations of hitherto models that sought to explain Hungarian capitalism before 2010, such as the Dependent Market Economy model, an extension of the Varieties of Capitalism approach (Nölke & Vliegenthart, 2009) to better understand capitalist development not only in Hungary but its regional neighbours in post-socialist Europe. I discuss this at length in Chapter 2. The use of a neo-Gramscian perspective is appropriate, furthermore, because it allows observers of Hungary and similar authoritarian populist governments to place more onus on (transnational) capitalist relations, which graduates from previous classifications on CEE populism(s) that overlook these dimensions. Indeed, because of the attempted recalibration of the Hungarian political economy by Fideszsince 2010, acknowledgement of capitalist dimensions in models that account for populism has become increasingly critical.

The emergence of HAP and its stimulation of 'moral panics' have formed a base from which the 'balance of forces' changes not only domestically but also internationally. The domestic changes Fidesz has instigated have created the conditions for a reconfiguration of external economic relations, with Russia and China in the first instance, and subsequently, alterations to the externalities of the Hungarian political economy. Since 2010, Orbán has made it his explicit intention to increase economic engagement with countries located geographically to the East. What might this mean for the trajectory of Hungarian economic development given

Table 1.5 Hungarian authoritarian populism[29]

Type of populism	*Key features*	*Application: State/(party)*	*Domestic/ International*	*Policy strategies*
Hungarian authoritarian populism	Conjunctural terrain; moral panics; common sense; change in the balance of forces; prebendalism	Hungary (single party)	Domestic and international	Centralised government; flat tax; partial nationalisation; social benefit reduction; stimulation of new economic partnerships

Source: Author's own compilation.

that opportunities for occupants of the capitalist semi-periphery,[28] are constrained by the capitalist core?

The short answer is Fidesz's turn to the 'East' to generate new transnational capital dimensions is highly unlikely to see Hungary's economy graduate from any semi-peripheral position in the capital world economy. Rather, it may engender an additional external constraint, supplementing Hungary's relationship with the EU as discussed by Bozóki and Hegedűs (2018), particularly given the potential for financial exposure and risk burden, analysed empirically in Chapters 4 and 5.

In turn, this could create a situation where Hungary's development achieves new 'Eastern' dimensions, potentially attractive for the Hungarian political elites as capital inflows could arrive in Hungary detached from the Western focus on adherence to democratic norms. In other words, the prebendal network can advance accumulation methods and consequently more deeply cement its position, producing a more embedded locus for Fidesz and Fidesz-loyal actors. It is undetermined whether new forms of dependency will develop between Hungary and its 'Eastern' partners – particularly given Hungary's extant dependencies on 'Western' entities such as MNCs and the EU noted above – but should this outcome emerge, it will have been stimulated by Fidesz and HAP as an attempt at self-reproduction.

Table 1.5 provides a summary of the principal components of HAP, which have emerged in post-2010 Hungary. Included in this abridged description are prebendalism and the international factors that are critical to the reproduction of the Hungarian government. As noted above, Chapters 3–5 elaborate on these components with empirical investigations. I have included policy strategies of the post-2010 period in the final column to demonstrate similarity and difference with AP's equivalent strategies, given in Table 1.3.

Authoritarian populism: in and out of Hungary

This chapter has proposed a framework for understanding the nature of Hungarian populism that has developed since 2010 and has argued it may be applicable to similar expressions of authoritarianism in CEE (e.g., Poland) and potentially beyond. The type of populism that has emerged in Hungary is a unique blend, of which the most important components are authoritarianism, prebendalism, and the subsumption of domestic business. Taken together, these constituents have become capable of influencing external capital relations, which justifies this study's attempt to graduate away from analyses that occasionally obfuscate these dimensions through their comparison of Hungarian populism with other cases. By developing Stuart Hall's work on authoritarian populism and its grounding in Gramscian analysis, this chapter has demonstrated the parallels between Hall's original application and post-2010 Hungary. Like Hall's work, this research also offers only a partial explanation of contemporary Hungarian populism, but by applying his approach I have developed a model that complements those discussed in this chapter by drawing on parts of their content. Specifically, by incorporating Szelényi's (2016) use of prebendalism and Bozóki and Hegedűs's (2018) emphasis on the importance of regime-maintaining exterior dimensions, this chapter has created an approach labelled 'Hungarian authoritarian populism'.

Fidesz has created its own conjunctural terrain and altered the 'balance of forces' and this (partially) accounts for the government's continued success and dominance of Hungarian politics. The government has infiltrated multiple segments of society (e.g., the media and national capital), which have proliferated its influence. The primary result of these developments is that Fidesz has emerged as a hegemonic force in domestic Hungarian politics. AP is a useful way to explore the nature of the contemporary Hungarian government in more depth. This approach helps to position the emergence of Fidesz's hegemony through its emphasis on the historical. To underline this, I discussed the change in Fidesz ideology after electoral defeat in 2002. By reverting to this date, rather than taking 2010 as a starting point, this approach is like Hall's work in that he looked to the mid-1970s to formulate the foundations of AP's development in its original application to Thatcherism. Adding increased historical depth to analysis results in a more organic understanding of post-2010 Hungarian populism.

The emergence of a group of loyal agents who work for governmental interests in return for lucrative contracts has helped Fidesz dominate national capital. Because Fidesz now has a more concentrated influence over the political economy than pre-2010 governments, it has an increased capacity to manipulate development trajectories. In the post-2010 period, Hungary has developed important external dimensions, particularly with countries geographically located to the East (Rogers, 2019; Weiner & Deák, 2018), and further research in this area would be helpful for improving knowledge of their impact on the Hungarian political economy, particularly as such nascent transnational capital dimensions have the potential to further embed the party's hegemonic position and also the possibility to offer a method to overcome the institutional conditions that emerged after 1989/1990 chiefly Hungary's dependent status.

Whilst this chapter has used Hungary as its primary area of focus, I anticipate the conceptual framework developed in these pages can be applied to similar polities, particularly in the CEE region, though not limited to it, most notably Poland, because conservative ideology has been highly successful (Bluhm & Varga, 2020;

Bohle et al., 2023) with the Left mostly impotent to counter the Polish variant of populism (Shields, 2015), and also Serbia (Rogers, 2022). This offers researchers who focus on the CEE region, or who are concerned with (comparative) international political economy more broadly, the opportunity to investigate how capitalism develops in populist or illiberal settings. Furthermore, such a theoretical application to similar regional cases may inform knowledge as to what motivates government strategies and how they might relate to each other, e.g., the presence of prebendalism or patrimonialism, which domestic sectors may be privileged, and the trajectories of FDI inflows irrespective of origin.

In Hungary, I anticipate the prebendal network of loyal cronies will extend well into the 2020s and perhaps grow. With Fidesz's continued electoral dominance, it is challenging to envisage any redistribution away from this regimented, new subsumed nationwide business network. In this sense, Fidesz places capital at the forefront of its own reproduction as Thatcherism did in 1980s Britain. Orbán and Fidesz have inverted (cultural) modernity and rejected the post-1989/1990 consensus, apart from continued Western MNC and *Mittelstand* operations. As I outline in the next chapter: the governors of Hungary are *capitalists without the right kind of capital* and therefore, HAP may become a longstanding trend in Hungary.

Notes

1 Fidesz is one of the oldest conservative parties in the CEE region, established in 1988.
2 *Magyar Szocialista Párt*, the descendant of the Hungarian Socialist Workers' Party, which governed between 1956 and 1989.
3 Fidesz won 49.27% of the vote and 135 of the 199 parliamentary seats. The turnout was 69.59%.
4 This is a challenging term to translate into English but is commonly captured as 'legal-rational authority'.
5 This is a reference to one of the three ideal types of authority/domination categorised by Weber (1978), namely *charismatic authority.*
6 Corruption Perceptions Index – the measurement by which Transparency International gauges how corrupt a given country's public sectors are.
7 Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Cyprus and Malta also became members at this time but have no history of state-socialism.
8 The authors consider Poland as a possible future addition to this categorisation.
9 The EU Cohesion Fund delivers financial flows to member states whose Gross National Income per person is less than 90% of the EU average. In December 2022, the European Commission announced it would withhold all €22bn until the Hungarian government met conditions related to a broad menu of measures including judicial independence, academic freedoms, LGBTQI rights, and asylum (Reuters, 2022).
10 In 2019, the EU announced that it would indeed reduce the finance levels available to Hungary – and other CEE states, e.g., Poland – from the Cohesion Fund from between 23% and 24% of their pre-2020 levels, by reallocating capital to Southern European members. This structural adjustment has resulted in part from the so-called Brexit situation, which has seen a 10% budget reduction for the EU due to anticipated loss of income from the United Kingdom.
11 This is not an exhaustive list. I have selected these works because they have been written to account, at least partially, for Hungarian political development in the post-2010 period.

12 This refers to (1) the states and/or areas to which the authors apply their models and (2) how many parties are identified as fitting the types of 'regime' described, within the given geographical zone.
13 The authors' identification of domestic and/or international factors as critical for the given type of regime's creation, development, and deterioration.
14 The other six possible results put forward by Claus Offe were (1) a distortion of privatisation and marketisation by democratic politics; (2) the failure of a graduation from privatisation to marketisation due to cartels and monopolistic structures; (3) the obstruction of democratic politics by privatisation; (4) the undermining of democratic politics by non-democratic social relations, i.e., ethnic, territorial, or minority conflicts; (5) uneven marketisation; and (6) demands for marketisation *without* private property, or a regression to state ownership due to frustrations from the abovementioned potentialities.
15 In an earlier work, the same authors attributed this label to the V4 countries (Bohle & Greskovits, 2007).
16 This table produces an overview of the unique features, application, and origin of structural support of these two classical approaches, similar to Table 1.1.
17 This column refers to the entity or trend for which the authors' works are designed to account.
18 This has international features because it may not be limited to one ethnicity, e.g., the charismatic authority of Napoleon and his foreign ventures, and if it is, those populations may reside outside a given state's borders.
19 To highlight this, Dale (2015) gives the example of the 2013 Gezi Park protests in Istanbul where demonstrators' objection to the park's proposed demolition is one form of counter movement (anti-market movement), but so too was the reaction of the incumbent Justice and Development Party, who crushed the protest. In this sense, the Polanyian theorisation may be overly parsimonious for the fast-paced virtual and non-virtual organisational structures that are rapidly assembled and liquidated.
20 The bulk of the research conducted for this book happened prior to the conflict in Ukraine.
21 This table follows from Table 1.1 to highlight the key components of AP.
22 These cover Thatcherite policies in a broad sense. In the British case, these policies were mostly continued by Thatcher's successors (Major (1990–1997); Blair (1997–2007), etc.), notwithstanding the change in governing party. In other cases where AP may be in operation, policy content will be variegated to suit local conditions. For example, in the Hungarian case, one of the first post-2010 policy strategies was to nationalise swathes of specific sectors with the objective of forming a government-loyal national bourgeoisie. This is discussed in more detail in Chapter 3.
23 Another dimension where Fidesz has developed its ideology is in gender relations. For an account of this regarding Hungary and Poland, see Grzebalska and Pető (2018).
24 Particularly this refers to the lost lands and population following the Treaty of Trianon (1920) after Hungary's defeat in WWI, a national trauma that remains prominent in the Hungarian national psyche. See Feischmidt (2020).
25 Turanism identifies Hungary as an Asian culture rather than occidental and is widely supported by Rightist and extreme Rightist factions.
26 This list could include homosexuals, ideologically opposed actors, e.g., the MSzP, Roma, etc. and therefore is not exhaustive.
27 The seventh such initiative since 2010 where every Hungarian household receives a letter from the government asking questions on a given topic. Previous examples of 'national consultations' include questions posed on terrorism and immigration. At the time of writing (June 2023), there have been 12 such national consultations.
28 For an analysis of Hungary and the wider CEE region at the socialist semi-periphery, see Böröcz (1992).
29 This table follows Tables 1.1 and 1.3 to highlight the key components of HAP.

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2 Capitalists without the right kind of capital

Identifying new inflows

In this chapter, I build on the Hungarian authoritarian populism (HAP) approach I developed in the outgoing chapter. In so doing, I conceptualise what I could broadly label, the ‘economic state of affairs’ in post-2010 Hungary, which significantly characterise the changing dimensions of the post-2010 Hungarian political economy. As such, I ask: what is the (changing) economic content of HAP? While the previous chapter dealt with the cultural and political substance of HAP, this chapter travels deeper into the realms of the post-2010 Hungarian political economy through an analysis of the country’s capitalist development. The following three chapters will examine three empirical ‘legs’ of Hungarian capitalism so it is therefore necessary to create a solid understanding of what motivates the Hungarian government to pursue these development choices.

To do this I return to an earlier publication that conceptualised and theorised how capitalism was under development in 1990s Czech Republic, Hungary, and Poland: Eyal et al.’s (1998) *Making Capitalism without Capitalists*. I argue that the post-2010 Hungarian political economy as driven by the ideology of HAP has inverted that book’s title. The situation is now one of *capitalists without the right kind of capital*. Capitalism has been made and capitalists have emerged, but their ‘preferred’ capital is under (constant) negotiation. The three countries studied in the 1998 publication as well as many others from post-socialist Europe have become varied though predominantly full market economies. Simultaneously, the capitalists (agents) who operate within and between these states are typically experienced and globally embedded, transnational actors. I argue what they are seeking are alternative accumulation pathways to those extant, post-1989/1990 streams developed after the Foreign Direct Investment (FDI) inflow ‘revolution’ detailed in the introductory chapter. We are now witnessing a scenario where Hungarian political elites (the core Fidesz membership and associated actors within the its loyal business network; Rogers, 2020; Szelényi, 2016) have become competent capitalists in tandem with a market economy that has integrated Hungary into European Union (EU) value chains (Gerőcs, 2021). What is under negotiation is the actors’ preferred kind(s) of capital. While this claim may not be altogether surprising, it is crucial to explore in order to better understand the content and trajectories of Hungarian capitalism.

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What is the current situation? Inward transfers from the EU Structural and Investment Fund totalled €55.2bn for the period 2004–2020 with additional EU investment at €2.5bn (European Commission, 2020). For the 2021–2027 Cohesion Fund tranche, Hungary has been allocated €38bn (Financial Times, 2021). Concomitantly, Western firm ownership of the Hungarian economy has kept Hungary dependent on inward transfers from the 'core' Western 'developed' countries: even after the 2008 Global Financial Crisis the objective of attracting FDI was paramount (Bohle & Regan, 2021). To help meet this expansion, the Hungarian government (Fidesz) introduced the EU's lowest corporate tax rate (9%) to encourage decisionmakers to opt for Hungary as a location, which has helped lead to a situation whereby German FDI far outweighs its Chinese, Russian, or US counterparts. These data reveal the continued importance of EU-sourced capital and dominance of western European (particularly German) firms within the Hungarian political economy.

These transnational capital flows dominate alternatives, but Fidesz and its politically loyal business networks are not wholly satisfied. To maintain its hegemony, Fidesz is in a continuous search for varied kinds of capital. Under the auspices of the Eastern Opening (KN) – a policy to establish stronger economic relations with countries located to the geographical east of Hungary – the Fidesz government has rather successfully enabled sizeable capital inflows, particularly for the realisation of largescale infrastructure projects. For example, in August 2022 Hungary's biggest investment to-date was signed: a €7.4bn deal to establish a battery-making factory on a greenfield site in the east of the country. The Chinese investor –Contemporary Amperex Technology Co. Limited (CATL) – is the world's largest battery manufacturer and will supply batteries to European firms eager to upscale electric vehicle production (Czirfusz, 2023; Hungary Today, 2022). This arrangement reveals three immediate aspects of the Hungarian political economy: (1) a continued privileging of the automotive sector, (2) a willingness and ability to attract largescale Chinese-sourced investment, particularly as Chinese-associated frameworks such as the 16 + 1 grouping continue to see members exit,[1] and (3) the Fidesz government's objective to maintain Hungary's position as an assembly platform, extending aspects of its post-1989 institutional arrangements (Nölke & Vliegenthart, 2009) to this time act as the geographical meeting point between German and Chinese capital.

As this chapter argues, this example is one of many that reveals the Fidesz government actively seeks to (partially) diversify the nature of inward capital streams (further explored in Chapters 4 and 5) to marry with the extant (mostly) private (and mostly) 'western' FDI. Such ventures are designed to reproduce Fidesz I argue, and its evermore entrenched prebendal network, a situation where 'the staff appropriates the means of administration of material property only partially [and] [t]he staff (vassals) receive benefices' (Szelényi, 2016, p. 14 discussed in the following chapter). By diversifying the origin and type of capital, the Hungarian government with its HAP ideology is looking for alternative accumulation pathways.

This chapter proceeds by examining the varieties of capitalism (VoC) framework and its application to Hungary. I then discuss the convergence of two ideal types within the tradition, consider the theoretical implications that may result from their connection, outline resultant impacts, the context of their harnessing, and some limitations to the VoC. I then discuss how connecting (Hungarian) authoritarian populism and the VoC approach can help – at least partially – explain outcomes in Hungarian economic development, with particular attention paid to potential tensions and fusions from their coupling. I then revisit the 1998 *Making Capitalism without Capitalists* publication to underscore the lineages and subsequent dislocations between the 1990s and post-2010 Hungarian political economy, before outlining what the *right kind of capital* is. The penultimate section concludes, and the final part constitutes a discussion of the methodological approach I took to collect primary data for this research.

The Hungarian political economy: the Varieties of Capitalism perspective

The VoC approach emerged from a long lineage of approaches that sought to explain contemporary capitalism through the recognition and study of shifting institutional terrains across capitalist states (e.g., Schonfield, 1965). The creators of the VoC approach (Hall & Soskice, 2001) posited that capitalism not only varies over time and institutional make-up, but also in terms of how capitalist states' institutions intersect, a phenomenon they termed institutional complementarities. Further, the VoC – as the name clearly suggests – sees capitalism as split into different forms; a logic underpinning the wider comparative capitalisms (CC) approach (see Blyth & Schwartz, 2022) and has been and continues to be influential in comparative political economy. Simultaneously, it remains controversial insofar that its many detractors see it as either unworkable due to, for example, its overfocus on supply side macroeconomics (Baccaro & Pontusson, 2016), view it as containing an inherent built-in fault regarding the reification of typicity (Hay, 2020), or even that it may have been killed off altogether through the emergence of more demand-side-sensitive models (Streeck, 2016). These criticisms are each valid. Simultaneously, they typically focus on the original two ideal types proposed by Hall and Soskice (2001): the Coordinated Market Economy (CME) and Liberal Market Economy (LME).[2] Resultingly, latter additions to the VoC framework, which I discuss in this chapter – the Dependent Market Economy (DME) and the State-permeated Market Economy (SME) models – have mostly eluded the same critical attention.

The DME model was designed to account for the emergence of a deep dependency that developed in the Visegrád Four (V4) region after 1989/1990 and contains institutional complementarities that came to form this dependent form of capitalism (Nölke & Vliegenthart, 2009). The SME model in contrast developed to capture the institutional complementarities in Brazilian, Chinese, and Indian capitalisms (Nölke et al., 2015, 2020). Given the significant changes to the Hungarian political economy after 2010 and thus since the publication of the DME model, what follows is a discussion of a potential for DME-SME convergence, and its potential impact. This is important to better understand the interactions between Hungarian and Chinese capitalisms in the first instance – if that is indeed that right terminology – and how the VoC might be harnessed to the HAP approach.

The DME and SME models: a convergence of ideal types

As part of the empirical focus of this research I investigate the increased economic interaction between Hungary (an example of the DME model) and China (an example of the SME model) (Chapter 5). Therefore, by discussing the impacts of what might occur when DME and SME cases economically interact, the trajectory of Hungarian economic development and the type of capitalism which is developing in Hungary may be more thoroughly understood, particularly in reference to the efficiency of the capitalist institutions that typically concern the VoC tradition. Moreover, it is a useful pursuit to study potential outcomes of the DME-SME interaction for at least three reasons. First, it extends previous research I have conducted (Rogers, 2019), which focused on the potential realignment of a case from one model to another. Second, while DME-SME interaction is negligible relative to CME-LME – or more relevant to this research – LME/CME-DME economic engagement, interactions between countries and firms within them described as close to ideal types by these models persist and are increasing with continued tangible outcomes, which have the potential to alter the political economy of some of the (DME) cases due to the sizes of the agreements across the dimensions of capital (loan or grant), infrastructure procurement, and labour relations amongst other aspects. Third, research conducted in the present book may act as a springboard for future investigations of the political economies of the DME and/or SME cases as well as those working with the VoC or wider CC traditions, more broadly. The CATL investment illustrates this point well, for example. Here, a Chinese state-owned firm (SME) interacts with German private capital (CME) on Hungarian territory (DME). What this means for Hungarian economic development therefore may be illuminated through employment of the VoC framework and the models that constitute it. Concomitantly, investigations into these arrangements may further undermine the coherence of the wider VoC framework by, for example, finding it to be incapable of informing research into these activities.

External dimensions play a crucial role in Hungary and the importance of the EU is fundamental in understanding outcomes in Hungarian capitalism. Largescale FDI from Western firms remains and has proliferated in the post-2010 period (Éltető & Antalóczy, 2017), encouraged in (at least) three ways: (1) cash grants, (2) low corporate tax rates, and (3) additional tax incentives (Bohle & Greskovits, 2019, pp. 8–9). Continued dependency on financial inflows points to Hungary retaining some of the features that signify its status as a DME case but with changes to the underlying political structures that operate to maintain this description and simultaneously slowly alter the internal (domestic) capitalist institutions, which may denote a turn away from the DME ideal type to one closer to the SME variant. More prosaically perhaps, the Hungarian government is both (a) maintaining Hungary's dependent status but with different characteristics and (b) morphing the institutional complementarities – particularly 'coordination mechanism' and 'corporate governance' (see Table 2.1) – which more closely align with the SME ideal type.

Why might increased DME-SME interaction occur?

In the first instance, this is characterised by bilateral agreements. Infrastructure agreements provide a helpful example to 'see' such interaction particularly because much of the infrastructure of the V4 group of countries – also the four DIME cases – requires upgrading across a range of areas (e.g., transport). With EU Cohesion Fund streams reduced, rational economic actors will turn to alternative sources, particularly given that infrastructure upgrades have been targeted by China as a key area of focus most famously through the country's Belt and Road Initiative (BRI), its lack of stringent coherence notwithstanding (Jones & Hameiri, 2021). Indeed, of all the SME cases (Brazil China, India), China has the most grandiose and advanced ambitions to enter the Central and Eastern Europe (CEE) region, penetrating the DME cases' economies with demonstrable if very uneven success.

I have identified two areas that may be appealing to Hungary regarding increased interaction with SMEs. First, China has the stated ambition to initiate advanced financial flows into Hungary via FDI and fixed interest loans, in the first instance. This becomes more attractive given the post-2010 emergence of HAP, which has established a national bourgeoisie (discussed in Chapter 3) because any contracts between Hungary and China will likely be given to Hungarian-based firms loyal to the government to keep any capital inflows under Fidesz control: a combination of state-subsumption of domestic business and state-influenced changes to the externalities of the Hungarian political economy. Second, SME cases are considerably less likely to call for the upholding of democratic and social norms that typically characterise EU-V4 dialogue.This creates increased space for the incumbent political elites to operate in Hungary – and internationally – with accelerated impunity, increasing the potential for a prolonged period in government.

Impact of DME-SME interaction

This potential convergence may reflect Fidesz's increased capacity and will to take important economic decisions, which after the cessation of state-socialism 'were effectively removed from the arena of electoral politics' (Krastev, 2016, p. 94). Indeed, the Hungarian government emboldened by continued electoral successes, a loyal (business) network, and a largely impotent domestic political opposition takes decisions on economic development that may be warping the institutional complementarities that constitute the DME model, rendering it a less effective approach to accurately capture the complexities of Hungarian capitalism, as a result. This means within the theoretical purview of the VoC approach, Hungary may be moving away from being close to an ideal type of the DME model to more closely resemble an SME case.

Table 2.1 isolates four of the six SME capitalist institutions that offer a 'good fit' and potentially sound basis for successful interaction. Cases identified by the relevant authors, which resemble these ideal types are given at the bottom of the table.

While dependence on CME/LME-based firms remains in Hungary, local political elites are repositioning the economic institutional set-up to attract SME

Table 2.1 Capitalist institutions of the DME and SME models

Variety of capitalism/ institutions	*Dependent market economy (DME)*	*State-permeated market economy (SME)*
Coordination mechanism	Dependent on intra-firm hierarchies in multinational corporations	Interpersonal reciprocity, loyalty, and private–public alliances
Corporate governance	Control by headquarters of multinational corporations	Control by national capital, not by transnational investors
Corporate finance	Foreign Direct Investments (FDIs) and foreign-owned banks	Family capital and state-owned banks, low foreign finance
Domestic market and international integration	Very open for imports, dependent on external actors	Large domestic markets, selective internationalisation

Source: Adapted from Nölke et al. (2015, p. 546). DME example cases: Czech Republic, Hungary, Poland, and Slovakia. SME example cases: Brazil, China, and India.

cases. The extent to which this may be successful from their perspective remains unknown, however. I now elaborate on the four areas of cooperation listed in Table 2.1.

First, while this may be offset via the continued presence of CME/LME-based MNCs that espouse the hierarchical intra-firm organisational structure captured by the DME model, Hungary may be moving towards a closer fit to the SME model's coordination mechanism, highlighted by the emphasis on loyalty and interpersonal alliances. Second, the nationalisation programme in Hungary with the stated targets of the banking, energy, retail, and utilities sectors explicitly reneges on the institutional area of corporate governance as captured by the DME model. This is more accurately reflected in the SME model because, as according to Nölke et al. (2015, p. 544), in the SME cases, 'most major companies … are usually controlled by well-connected families or the state'. Fidesz may be operationalising a similar variation of corporate governance, creating space for easier access to financial inflows from alternative sources to the Western MNCs (e.g., Chinese state entities), which would offer a potentially attractive fit given the ostensible ideological similarities between the two countries (Csillag & Szelényi, 2015). Third, the reduction in foreign ownership of banks in Hungary since 2010 creates symmetries with the SME model. While high levels of FDI continue to arrive from CME/LME-based entities, this shift in institutional arrangement allows more leverage to create domestic financial agreements and downgrades the high level of externally sourced capital flows, at least from 'Western' firms. This may create space for an even more prolonged period in government due to a proliferation of 'crony capitalism',[3] should this materialise. Fourth, Hungary remains open to imports, and its consistently pro-Chinese position at the state level (discussed in more detail in Chapter 5) may complement China's 'selective internationalisation' as the Chinese state views Hungary as a reliable partner with which to strengthen ties. Indeed, this relationship has seemingly gone from strength to strength in investment terms, evidenced by the 2022 CATL agreement.

While 'DMEs have almost no potential to challenge existing global institutions and … SMEs are the only candidates to put liberal hegemony into question' (Nölke et al., 2015, p. 545), an alliance between cases that are considered close to ideal types may accelerate detrimental outcomes for the liberal hegemony, while altering the political economy of the DME cases. Moreover, should Hungary's economy be changing from resembling a DME case to an institutional arrangement that increasingly fits the SME ideal type, then this will not be an alliance but rather a subsumption of one model into another. Significantly, these potential changes graduate from the status quo of the 1989–2010 period when MNCs successfully penetrated the markets of the V4 countries,[4] creating dependency and extending the liberal, 'Western' global order to the region.

DME-SME interaction in context

DME-SME convergence and interaction can (partially) explain the changes invoked in the Hungarian political economy by political actors. In this regard, it points to the fertilisation of the capitalist institutions of the SME model from within Hungary, principally 'coordination mechanism' and 'corporate governance', noted above. In non-technical terms, the increased significance of loyalty within the prebendal network in Hungary speaks to a shift in the former institution. In terms of the latter, the emergence of a national bourgeoisie that has come to increasingly dominate national capital has necessitated a reduction in the control of governance by MNC headquarters and a subsequent increase in domestic business subsumption. Further, for HAP to continue, a rigid and unerring discipline is paramount (i.e., a collective will to execute such potential strategies where individuals do not deviate from their designated roles). This speaks to the ousting of formerly loyal/potentially rogue actors within the wider Fidesz/Fidesz-loyal networks who pose threats to it and therefore HAP as a method of governance, discussed in more detail below.

While this section has briefly analysed what might happen when DME-SME cases intersect, it will not be a sufficient approach on its own to account for the Hungarian political economy. It is critical to focus more on national characteristics that affect capitalist development. That is, as a complex system of stakeholding social actors with different interests and requirements, perched on the foundations of a myriad of intricately interwoven descriptive memories and experiences; something '*historical* rather than *functionalist*' (Streeck, 2010, p. 19 italics in original). For this reason, as I argued in the previous chapter, the application of (H)AP to understanding the nature of Hungarian development is relevant as it situates Fideszwithin its historical moment; its (Gramscian) conjunctural terrain. Simultaneously, the VoC approach is also relevant for the reasons detailed thus far in the present chapter. I now consider some limitations of the latter before identifying some of the tensions and fusions that may result from harmonising these two models.

Limitations of the Varieties of Capitalism approach

Any theoretical approach that attempts to account for a phenomenon as complex as capitalism will always contain limitations. Bohle and Greskovits (2012, p. 15) argue each capitalist economy faces a threefold challenge: (1) the balancing of markets, (2) management of social cohesion, and (3) the issue of political legitimacy. Such tasks, however, cannot be addressed let alone overcome via a theoretical approach that emphasises a predominantly static, business-induced institutional apparatus to help explain the principal drivers of development. Such capitalist arrangements overlook the importance of historical backgrounds, broadly defined, which are unique to any given state and (sub-state) regions. In terms of the CEE region, this is compounded by an unprecedented and unexpected set of policy choices which necessitated delivery after 1989, hampered further still due to the unstable institutional terrain of the day (Feldmann, 2019, p. 179). Further, across the post-socialist European region, the successes and stabilities of post-1989 capitalist institutions vary considerably.

The DME model emphasises FDI as a critical factor for the emergence and maintenance of external dependency in the V4 region. However, CEE – like all global regions – contains a highly complex set of historically rooted characteristics, which are overly challenging to capture within one model, a factor compounded when certain social institutions are typically underrepresented in the VoC approach. Indeed, the original literature (Hall & Soskice, 2001) largely overlooks (at least) two key societal dynamics, namely labour and the state. Furthermore, within the DME model there is an even more restricted space for such agency to play a role in capitalist development, compounded by the cases' dependent status.

The efficacy of the DME model may continue to dissolve during the 2020s. That said, Hungary remains highly dependent on the model's identified externalities specifically FDI and the decisions that govern it taken in the boardrooms of ('Western') MNCs, and Fidesz is keen to maintain positive relations with 'Western' businesses to continue these trends. This institutional approach, however, is undermined by less positivist approaches (e.g., authoritarian populism (AP)), as this is more capable of creating space for an approach to incorporate more focus on political agency. Simultaneously, as I wrote in the previous chapter, Stuart Hall's work (1988, 1978) contains analysis of both formal (e.g., the police) and informal (e.g., 'moral panics') institutions, which speaks to an approach with an institutionalist radar that at the same time demonstrates the limitations of the VoC tradition and justifies its theoretical harnessing to better understand Hungarian capitalist development.

Harmonisation of the authoritarian populism and variety of capitalism approaches

I claim by combining the AP and VoC approaches, enhanced understanding of Hungarian capitalist development results because it places observers in a stronger position from which to view both increasingly important political elements and extant institutional arrangements, the latter of which are under duress from political actors. Nonetheless, challenges for theoretical harmonisation remain and this sub-section identifies both tensions and potential areas of fusion between the two approaches.

Tensions

In the first instance, AP and VoC originate from different starting points, drawn from variegated philosophical traditions. The core differences here are that Stuart Hall's *Authoritarian Populism* is a post-structural approach (though differentiations between this theoretical strain, structuralism, and cultural studies – where Stuart Hall was most prominent – are challenging to navigate; (Barker, 2010)) whereas the VoC is institutional. At its most basic level, post-structuralism is a tradition that 'questions the key underlying notion of any postulation of "progress" and "optimism": the assertion of stability embodied in the concept of structure' (Strohmayer, 2005, p. 7). Perhaps it is unsurprising that the core writers on post-structuralism were most prominent in the twentieth century; a time of pessimism vis-a-vis the optimism of the nineteenth century at least in the ('Western') Eurocentric world of political science. Derrida, Foucault, and Lacan were amongst the key thinkers of this epoch, though later writers expanded the post-structural tradition, for example, into discursive practice (Doel, 1999) and critical geographies (Thrift & Williams, 1987).

The VoC tradition as an institutional approach seeks to analyse its objects through an onus on structure and the visible, 'categorisable' world.[5] Proponents of an institutional approach to politics and (comparative) political economy see such structures as influencing policy-making, policy outcomes, and interests (Hall, 1986) with attention paid to mapping institutional change over time (North, 1990); a clear divergence from any post-structural approach. The tradition has longevity and has been invigorated through the development of nuanced formats such as 'new institutionalism' (Powell & DiMaggio, 1991) and 'historical institutionalism' (Steinmo et al., 1992). Indeed, there have been a plethora of descriptive variants within institutional theory (Hay, 2006), which denotes not only a lively active debate within the tradition but also the presence of tensions amongst proponents and detractors and subsequently, how any such variant may be conjoined with other traditions within the broader fields of political science.

Criticisms of each approach as isolates are forthcoming. For example, institutional approaches, in general, have been critiqued by scholars for their overemphasis on 'self-reinforcing historical paths, promoting deterministic explanations' (Larsson, 2015, p. 184; Schmidt, 2008). Post-structuralism more broadly suffers from itself in some sense, as it can become attacked through its own logic from within a cognitive apparatus whereby the very theoretical approaches it endeavours to critique, perform an about-turn and charge it with being aloof, and subsequently force upon it a demand to conform to the 'implicit authoritarianism of Western "logocentric" thinking' (White, 1988, p. 186), thus evoking an imperialist tendency. In other words, it can be attacked by the object of its own subjective choosing.

More widely, recent discussions have engaged with the problem of how actors might understand the structures around them within a given social reality and what this means for discourse and ideas (Hay, 2017; Schmidt, 2017). Here the central claim of post-structuralism has been defined as the necessity for 'social inquiry [to] recognise the causal power of both observable and unobservable entities' (Larsson, 2019, p. 328). On the surface, this appears an unworkable approach for any institutional '-ism', but I claim there are areas of harmony, which I now outline.

Fusions

As CEE capitalist institutions are typically weaker vis-à-vis variants in Western Europe, how durable are the nascent institutional changes affected by HAP? How might these changes deliver tangible alterations to the external orientations of the Hungarian political economy? As above, the VoC approach can provide a focus as to which institutions may be more susceptible to politically induced modifications and concomitantly, allow observers a position from which to analyse how far such a government may be working towards institutional harmonisation with states within the KN's purview (though this is not a fixed grouping) and subsequently, what impact(s) this will have on the trajectory of Hungarian economic development.

From a broader theoretical perspective, Authoritarian Populism and the VoC approach – specifically for the purposes of this research, the DME model – both place emphasis on the importance of external dimensions. This relates to external capital and 'moral panics' in the case of AP, and the function of external dependency in the VoC/DME constructs. Therefore, while this research does not add to the DME model, e.g., by attributing a further institutional complementarity or more widely by forging a new 'variety', it stresses the significance of external features in Hungarian development; a dimension for which both theoretical strains can account.

I claim that theoretical harnessing on this occasion opens avenues for future research to graduate from analyses within the field of CC, which have hitherto commonly placed their focus on Eurozone members and/or the so-called 'advanced' economies of 'Western' Europe (e.g., Baccaro & Pontusson, 2016; Nölke, 2016) and subsequently to engage with investigations that centre more on emerging markets. While studies have ventured in this direction (e.g., Bohle, 2017; Bohle & Jacoby, 2017; Nölke, 2018; Rogers, 2019; Schedelik et al., 2021), such an initiative would allow those concerned with these trends, opportunities to analyse capitalist development in populist and/or illiberal settings (e.g., Rogers, 2022). Continued studies of Hungary are important because of the apparent contradictions in nationalist ideology and continued dependence on exterior (Western) markets (Johnson & Barnes, 2015), which leads the nationalist elites who espouse anti-dependency rhetoric to 'walk a thin line, as dependency is also the resource on which their economy survives' (Bohle, 2017, p. 249).

Further, a harnessing of these approaches augments comprehension of both political and economic steering.[6] This is because Stuart Hall's AP approach places stronger emphasis on politics *per se* while the VoC approach has traditionally been one that analyses economic (institutional) actors in terms of affecting political change, e.g., firms. A combination of such elements, then, necessarily broadens the scope of analysis, advancing both post-structural and institutional approaches to understanding capitalist development.

More specifically, this theoretical coupling offers a method to investigate CC more closely at the political level. By focussing on politico-economic elites in Hungary (in Chapter 3), this book adheres to calls to place increased emphasis on political agency and graduate away from privileging firm-firm interactions and subsequent outcomes within a given polity to understand capitalism (Streeck, 2010). This is important because earlier work noted how Hungarian capitalism may have been destined for a form of authoritarianism from its earliest post-socialist beginnings (Greskovits, 1998; Przeworski, 1991) and therefore this may not be wholly surprising particularly given that, according to the latter author, while Kissinger's 'domino theory' was successful, 'all he missed was the direction the dominoes would fall' (Przeworski, 1991, p. 3). Despite this, Hungarian capitalism is not necessarily naturally malevolent; authoritarianism not inevitable and it remains perhaps one-dimensional to assume that had Fidesz not developed as it has since 2002, another entity would have taken the lead in stimulating these outcomes.

I now turn back the clock to the first years after the monumental changes of 1989/1990. The 1990s were a truly historic period within and across what came to labelled 'post-socialist Europe'. A historical understanding of this epoch is essential to any formulation of the contemporary Hungarian political economy because it helps us understand and put into context some of the experiences that have come to shape the region, and thus more sensitively informs research and the theoretical constructions I propose therein.

Making capitalism without capitalists: the 1990s

Let us return to the Eyal et al.'s (1998) book. The immediate years after the end of communism were unique. At no other time in global history had a group of historically diverse countries embarked on pathways towards what became categorised 'transition', an apparently collective movement from planned to market economy, from one-party state to representative democracy. Advice and decision-making were piecemeal, choice of pathway varied (Stark & Bruszt, 1998). Crucially, despite a broadly shared experience of state-socialism, 1989 was not a singular starting point for these countries but an unequal terrain from which diverse actors (individuals and organisations) both internal and external led their countries away from their command economies.

In Hungary, the process appeared to be relatively smooth. The first elections occurred in the spring of 1990 when the Hungarian Democratic Forum (MDF), formed only in 1987, won 24.7% of the vote using a mixed electoral process of PR and single member plurality (see Hibbing & Patterson, 1992). Importantly, the MDF was not principally populated by technocrats from the outgoing socialist period as the Communist Party successor MSzP was. Rather, it was founded by a collective of historians, poets, journalists, and writers, who began a political period led by people with – according to Eyal et al. (1998) – significant Bourdieuian 'cultural capital', a form of capital that 'is convertible, in certain conditions, into economic capital and may be institutionalized in the form of educational qualifications' (Bourdieu, 1997, p. 16). Eyal et al.'s (1998) book captured the role of this dynamic in Hungary – as well as the Czech Republic and Poland – identifying the leading members of the 'transition' as cultural in tendency and experience, rather than political or economic. This spurred them to define the early years of the post-1989/1990 period *Making Capitalism without Capitalists*. Let us take a closer look at this thesis.

A slow start for the propertied bourgeoisie

One of the key contributions the book made was the conceptualisation and theorisation of the 'second *Bildungsbürgertum*'. The authors used this abstraction to capture the cultural capital-led development of civil society,[7] echoing the original *Bildungsbürgertum*, which had occurred in the eighteenth and early nineteenth centuries in central Europe, driven by Germanic cultural 'elites' in the first instance (see Szelényi, 2011 for an overview of the *Bildungsbürgertum*). In the authors' own words:

> Since state socialism constrained the development of a class of private proprietors in Central Europe, it is a cultural bourgeoisie (the 'second *Bildungsbürgertum*') which has assumed the historic mission of creating bourgeois society and a capitalist economic order.
>
> (Eyal et al., 1998, p. 9 italics adjusted)

In the authors' view, '[p]olitical capital [had] been de-institutionalised and devalued' (Eyal et al., 1998, p. 24) allowing an unpropertied bourgeoisie – those in possession of 'cultural capital' – to lead the way in terms of development. What is a 'cultural bourgeoise'? The authors explain:

> a historical coalition of groups and class fractions, whose power and privilege are based on the possession of cultural capital and whose project is to foster the transition from rank order to a system of class stratification.
>
> (Eyal et al., 1998, p. 47)

In essence this class was dissatisfied with the status quo. In the Hungarian case, this was of course the state-socialist model that had developed in that country from the 1940s, altered slightly after the 1956 Hungarian (counter-)Revolution and the introduction of the New Economic Mechanism in 1968 (Balassa, 1983 see also the introductory chapter in the present book). An earlier pathbreaking work had seen factions within the state-socialist model begin to emerge (Konrád & Szelényi, 1979), which became evermore antagonistic to one another especially during the latter half of the 1980s, stimulating stirrings of discontent that began to be institutionalised before 1989. Even as early as the 1970s CEE intellectuals 'once again assumed their historic role as leaders of a bourgeois transformation' (Eyal et al., 1998, p. 82; see also Konrád & Szelényi, 1979), and this despite a clique of

US-educated Hungarian economists returning to the country in the mid-1980s to influence economic education (Bockman & Eyal, 2002; Rogers, 2022).

The sheer exceptionality of 1989 offered these actors in possession of 'cultural capital' an opportunity to lead their countries away from a planned economy and into the 'transitory' phase. Any leadership requires a vision, however, so what was theirs? According to the authors it was a combination of (1) doing away with socialism and (2) being 'anti-politics'. In their own words:

> It was rationalistic, even procedurally rational, to the extent that it represented a demand for separating spheres of society from one another as a way of putting the political "back in its place". In a sense, it was an attempt to carve out a realm of freedom, where intellectuals would be left to their own devices, and could practice [sic] art and science without political interference. All they wanted was to be allowed to live their 'civil' lives without interference; to write their novels or essays, without being worried that domestic intelligence would confiscate their manuscripts or put them in jail for their work as intellectuals. Socialism was identified as a form of 'hyperrationality', a world not yet rationalized.
>
> (Eyal et al., 1998, p. 92)

One of the core dimensions of the Second *Bildungsbürgertum*, then, was to radically redraw the boundaries of society, attempting to elevate cultural freedom to a hegemonic position from which society would (hopefully) be influenced to follow, itself free to pursue these lofty ideals. What further defined the Second *Bildungsbürgertum* was the core actors' need 'to create an economic bourgeoisie and other classes before civil society [could] be developed' (Eyal et al., 1998, p. 99).

One of the most important recognitions the authors made was that, after 1989, 'capitalism [was] being made by a coalition of propertyless agents, who only yesterday outbid each other in their anticapitalism' (Eyal et al., 1998, p. 113). Consequently, for desires to be realised the question of property needed to be addressed and closed. Ultimately however it never was, at least not within this particular group of actors and schisms began to emerge. Was the lure of the ideology of the free market too potent to resist? The authors note how within the post-socialist governing elites, 'different fractions eye[d] one another with skepticism and suspicion … however, there [were] strong existential and ideological forces which [still bound] them together' (Eyal et al., 1998, p. 151). Almost half a century of state-socialism, set against the backdrop of a unique historical development pathway (Szűcs & Parti, 1983), Central Europe had an altogether incomparable set of property relations compared with its 'Eastern' or 'Western' European counterpart. Indeed, the authors saw the CEE region as far behind the 'Western' European countries if one does consider these developments within the cocoon of 'transition'. They noted how the 'propertied bourgeoisie [was] rather embryonic, [i]ts wealth [was] modest, if not trivial, and its political power [was] virtually symbolic' (Eyal et al., 1998, p. 164). As a result, it was unable to 'develop capitalism' in the 'Western' understanding of the word. This speaks to a certain degree of naivety within these elites vis-à-vis capitalist development. Indeed, it was during this period (1990s) that the bulk of the formerly state-run enterprises were sold to predatory foreign investors, often (considerably) below market rates.

In sum, Eyal et al.'s (1998) publication was astute in recognising the class formations of the immediate years after 1989/1990. The authors' invocation of Bourdieu's *habitus* and the conceptualisation of the Second *Bildungsbürgertum* applied to the development of a group of actors in possession of 'cultural capital' successfully demonstrated that 'culture' was in command in the 1990s. Additionally, the authors theorised this cultural bourgeoisie as in possession of an ideology they termed 'managerialism': 'a vision of how society, markets, firms and individuals can be led, coordinated and monitored' (Keune, 2000, p. 532); a form of inter-elite reconciliation with the day-to-day challenges and opportunities of the early to mid-1990s.

Since that unprecedented period of history in CEE, the situation has inverted itself. The leaders of the second *Bildungsbürgertum* have vacated the scene, either voluntarily, democratically, or by force. Today, politics is back in command. To recall the title of the present book: capitalism has been made, but so have capitalists. Elites are now experienced capitalists, with the prominence of 1990s cultural capital long expired. In its place, we can see a network of *capitalists without the right kind of capital*. This is not merely a heuristic device: just as *Making Capitalism without Capitalists* showed that to understand post-socialist capitalism, we must understand the pre-1989 period, such attention should be paid to better comprehend the relationships that form Hungarian capitalism, the make-up of contemporary domestic Hungarian capital, and the development of HAP. From the Hungarian political incumbents' perspective, the recalibration of the political economy to what has been described as the illiberal political economy (Scheiring, 2020) has been essential for government (self-)reproduction.

Capitalists without the right kind of capital

Dissatisfied with the Hungarian development trajectory and disillusioned with the failed promises and imaginaries of a 'new' capitalist and democratic world, the post-2010 Fidesz-led governments and their loyal business networks moved to partially reject the dominant post-1989/1990 development pathways. A core method of achieving this has been to attract wealthier Hungarian capitalists to their cause (Scheiring, 2020) in an effort to maintain their hegemonic position through the stimulation of 'new' accumulation pathways. This activity was the result of a fatal error made by Fidesz, and realised on electoral defeat in 2002: the party had failed to co-opt 'big' capital and develop its own bourgeoisie, 'a mistake one does not make twice' (Szelényi, 2016, p. 22). Thus, the post-2002 period became an epoch of preparation for a long-term era of Fidesz-dominated government (Greskovits, 2020). Four consecutive electoral victories (2010, 2014, 2018, 2022) provide the conclusion this period of foundation-laying was highly successful, even if assisted by the then-governing MSzP governments' (2002–2010) self-destruction after 2006. Scheiring (2020) focused his analysis of Hungarian capitalist development in what he calls the 'accumulative state': 'a new political solution to manage the tensions of dependent capitalism' (Scheiring, 2020, p. 26). His book outlines how Fidesz successfully brought into its fold domestic (Hungarian) billionaires to avoid a repeat of its 2002 mistake. In essence, during its period in opposition, Fidesz was looking for the right kind of capitalists, those who would support the Fidesz ideology and become nodal points within the business networks designed to maintain Fidesz hegemony. With these actors (capitalists) loyal to the Fidesz cause, a next phase in development became realisable: seeking diversification in the capitalist make-up of the economy, specifically partially reneging on the German-dominated value chains that had come to dwarf other forms of foreign and domestic capital.

What is important to understand is the kind of capital sought by the HAP project. Indeed, it is not so much a particular kind of capitalism that is pursued but rather the right kind of capital; the latter will take care of the former. As early as the first years of the new millennium, Hungarian political elites realised the locked-in subordinate nature of the capitalism that had developed after 1989 was unsustainable. After all, who wanted Hungary to be simply a conveyer belt assembly platform for much wealthier German capitalists? It should not come as a surprise that such thinking is bipartisan. Indeed, it was the MSzP Prime Minister Péter Medgyessy[8] who visited China in 2003 to reanimate and repurpose Hungary's hitherto long-standing bilateral relationship. What sets the post-2010 period aside is the emergence and consolidation of HAP. It is the HAP project that seeks *the right kind of capital* to deepen legitimacy, expand and entrench loyal cross-country and transnational business networks, and self-reproduce. Getting the right balance of capital has been a pathway successive Fidesz governments have traversed with – from their perspective – highly positive results.

What is 'the right kind of' capital?

The short answer is that which complements the HAP project. Specifically, the *right kind of capital* comes in two broad formats. First, internal/domestic. This operates on a *quid pro quo* basis: property is guaranteed to politically loyal actors who do not have the will or the capacity to effectively defect. This organisation has become extremely stable in post-2010 Hungary with few if any (big) capitalists able to successfully decamp or efficiently operate their business/accumulation networks after becoming unfavoured by the government. The well-known case of Lajos Simicska provides an example. One of the most powerful capitalists after 2010, Simicska experienced a spectacular fall from grace. In February 2015, he became frozen out of the picture by Fidesz, when editors of his pro-Fidesz media outlets resigned *en masse*. Simicska felt they were forced to vacate their positions by Fidesz and as a result has subsequently attempted to work against the government in various ways since. But Fidesz is too powerful. One of the principal results was a dramatic reduction in revenue for his construction company, from HUF129.8bn in 2014 to HUF4.9bn in 2017 (HVG, 2018). Why did Fidesz operate in this way? Szelényi and Mihályi (2019, p. 197) speculate that 'Simicska had become too powerful (politically) for Orbán', so Fidesz acted to remove a potential threat to its hegemonic position. This example demonstrates even some of the wealthiest actors within the Fidesz business network are unable to effectively counter the government. This capacity and propensity of the government to remove any 'big' capitalist anti-Fidesz voice, even if it is identified as merely potential shows how strong the government's position has become. The domestic side of *the right kind of capital* is one that is tightly and ruthlessly managed. It is not footloose and free-moving (discussed below) but moves within a politically malleable top-down territory of accumulation; one that undermines (potential) threats to the HAP project while simultaneously strengthening its hegemonic position through continued capital accrual.

Second, external/international. This is a combination of (1) continued inward EU transfers; (2) maintenance (albeit with reductions since 2010) of the post-1989/1990 German-dominated value chains; and (3) nascent inflows of state and state-influenced/owned capital from 'the East', particularly from Russia and China, discussed in Chapters 4 and 5, respectively. Here I argue that while the EU transfers and Western firms still constitute the bulk of inward capital flows, Fidesz' preferred 'variety of capital' (Lee, 2014, 2017) is state-sourced capital – or state-influenced capital – from 'the East'. The Fidesz government's 2012 launch of the KN foreign policy, designed to stimulate business relations with countries located geographically to the East of Hungary has borne results in this regard. While Western capital continues to dominate the Hungarian investment landscape, the KN has generated traction. According to the pro-Fidesz daily newspaper *Magyar Nemzet* (2022), between 2015 and 2017, China, Japan, and South Korea constituted a collective 19% of investment, which rose sharply to 55% in the 2019–2020 period. Further, as noted above, in August 2022 Hungary's second largest city Debrecen was chosen as the site for a €7.4bn investment by privately owned CATL, the world's largest battery manufacturer (Hungary Today, 2022). Despite CATL's ostensible private ownership, large private firms in China are intimately linked to the state. Typically, 'party-building instructors' are 'sent down' to these firms and 'adopt a business-friendly approach and seek to facilitate and promote party building' (Yan & Huang, 2017, p. 50). As a result, it remains unclear where the boundary between private and state capital is with CATL. In any case, such tightly politicised capital is highly attractive to Fidesz and the HAP project, which has a qualitatively different imperative of accumulation.

From theory to empiricism

This chapter has melded the theoretical construct developed in the outgoing chapter – Hungarian authoritarian populism – to the VoC tradition and a specific model within it designed to account for Hungarian capitalism, the DME model. This was not a procedure without pitfalls. Indeed, the core characteristics of each approach at first sight appear incompatible. However, as I identified in this chapter while there are indubitable tensions that accompany any harnessing of post-structural and institutionalist approaches, there are also fusions. It is these latter attributes that inspired me to generate this synthesis. This theoretical production is critical for this research.

The much-maligned VoC framework maintains efficacy, I claim. Emerging from the original parsimonious approach (Hall & Soskice, 2001), the potential convergence of two models – the DME and SME – offer snapshots of realistic outcomes generated by the trajectory of Hungarian economic development, as led by the HAP ideology in the post-2010 period. How far this might materialise is a separate question. What this chapter has done is inquire how far Hungary might be gravitating away from resembling the DME ideal type, towards exhibiting features (institutional complementarities) that come closer to the SME variant. Additionally, this chapter has identified further use for the VoC tradition which may be taken up by future research. While the present book does not explicitly concern itself with the 2022 CATL investment to develop a battery production facility in Hungary, it may be of particular value to proponents of the VoC approach that an example of a DME (Hungary) has elected to host capitalist interaction between an example of a CME[9] (Germany) and an SME (China). This provides another reason for the continued, if changing efficacy of the VoC tradition. I discuss this further in Chapters 5 and 6.

Eyal et al.'s (1998) publication *Making Capitalism without Capitalists* has been inspirational for this research. Revisiting the book was an extremely useful way to better understand the lineages and dimensions of post-2010 Hungarian capitalist development. Its examination of how capitalism emerged, developed, and by whom these processes were led during the immediate years after the systemic changes after 1989/1991 in central Europe continues to be highly relevant for understanding contemporary capitalism across the region. Related to the present chapter, it was instructive to review the authors' analysis of property relations and the development of a propertied bourgeoisie in the 1990s. Property remains a crucial aspect of any capitalist society. In post-2010 Hungary, the emergence and consolidation of a Fidesz-loyal network of actors who have manoeuvred to subsume domestic business, operate within a highly specific web of property relations I term prebendalism (discussed further in Chapter 3). In essence, property is provided in return for political fealty and may be withdrawn even from the wealthiest owner, should they become unreliable, too powerful, or defect, thus invoking Albert Hirschman's famous trichotomy.

Part II, which contains the following three chapters provides the empirical dimensions of this research. It is divided into two main parts: Chapter 3 concentrates on the internal 'leg' of HAP, i.e., how Fidesz has subsumed domestic business, while Chapters 4 and 5 focus on the external 'leg', i.e., the stimulation of capital inflows from external actors. Together, these chapters illustrate through observation and qualitative data collected over a six-year period that the protagonists of the HAP project are *capitalists without the right kind of capital.*

Before then, the following section details the methodological approach I took during the data-collection phase of this research.

Methodological approach

During a four month stay at the Central European University in Budapest[10] in 2015 as a Visiting Researcher, I laid the groundwork for a sustained period of fieldwork conducted in January and February 2017. In 2022 and 2023, I returned to Budapest six times to undertake further fieldwork and collect data, which supports the arguments made in this book. In total, I have conducted 45 interviews across eight separate visits to Hungary over a six-year period. This timeframe enriches the research because it presents data from contributors who have been able to 'see' the development of Hungarian politics and the political economy over this timeframe.

This research uses a Qualitative Case Study Approach (QCSA) to data analysis (Baxter & Jack, 2008; Stake, 1995; Yin, 2018), and specifically semi structured elite interviews (Aberbach & Rockman, 2002). The primary influence for using a QCSA is simple, perhaps obvious, yet important: humans are 'conversational creatures who live a dialogical life' (Brinkmann, 2014, p. 278). The transactional element of any interview is language, and within this sociological reality are actors' views on individuals, events, the subsequent effort to create meaning, identity, and recognition (Schostak, 2006, pp. 26–48). This acknowledgement is helpful because many variants within language can be captured in interview format, analysed, and subsequently presented within the research, e.g., anecdotes, facts, opinions, etc.

I have chosen to chiefly interview professionals who work within different spheres of Hungarian public life because I consider their viewpoints able to offer improved empirical evidence due to their privileged access to personnel (e.g., government) and operating experience in certain areas (e.g., business, foreign policy, etc.). Indeed, one of the principal functions of an 'elite' interview is 'to provide … insight into the mind-set of the actors who have played a role in shaping the society in which we live' (Richards, 1996, p. 200). Because of Hungary's unique development trajectory in the 2010s vis-à-vis other CEE states, the key mehodological objective of this research was to capture data from individuals with deeper access to knowledge and machinations at the political and economic levels. This is a sharp distinction from conducting non-elite interviews, which differ from 'regular' interviews quite considerably (see Kezar, 2003). At the same time, as time progressed access to 'elites' in Hungary became more challenging to achieve. Rejections to requests became more frequent and I was forced to adapt my approach accordingly. As a result, I sought to meet contributors who worked at 'lower' levels, particularly those involved in the infrastructure developments the present book studies.

I have tailored the semi-structured (elite) interview approach to consist of actors with expertise on the core components of this research. To gain access to interviewees, I followed a sensitive, iterative approach (Thomas, 2006) and the research design drew from previous studies on post-socialist European elites (Köker, 2014; Mikecz, 2012). As noted above, while I did not intend to necessarily privilege non-governmental or anti-Fidesz actors, Fidesz and/or Fidesz-related personnel did not respond to the invitation to contribute to the data-collection phase of this analysis, which influenced the direction the interview phase took. Therefore, pro-Fidesz perspectives are not given emphasis. While this may not be altogether surprising given elites are able to shield themselves from researchers (Hunter, 1995; Mikecz, 2012), it nonetheless undermines the reliability of the data captured during the research and influences the 'micro geographies' (Elwood & Martin, 2000; Liu, 2018) of the study. Despite the methodological limitations, however, this book maintains the potential to ground and influence future research that investigates capitalist

Table 2.2 List of interviewees

I1	Former Deputy State Secretary of the Ministry of Finance
I2	Executive Board member, Business and Industry Advisory Committee, OECD
I3	Senior employee at Transparency International Hungary
I4	Former Hungarian Minister of Culture
I5	Former Deputy Head, Financial Stability Department, Hungarian National Bank
I6	Investigative journalist
I7	Managing Director at GKI Economic Research and Consulting
I8	Professor of International Political Economy, Central European University
I9	Senior MP for Jobbik
I10	Former Minister of Education
I11	Senior Advisor, Hungarian National Bank
I12	Senior MP Lehet Más a Politika
I13	Member of the Board, GKI Economic Research Company
I14	Senior staff member, Oriens, private equity firm with focus on CEE
I15	MP for MSzP
I16	Senior Researcher, Hungarian Academy of Sciences
I17	Director, Deloitte Hungary
I18	Former Minister of Foreign Affairs
I19	Senior Researcher, the Budapest Institute
I20	Former Minister of Industry and Trade
I21	Fellow, Hungarian Academy of Sciences
I22	Member of the Hungarian Institute of International Affairs
I23	Former Minister of Economic Affairs
I24	Vice President of the Association of Hungarian Economists
I25	Fellow, Hungarian Academy of Sciences
I26	Former Prime Minister of Hungary
I27	Professor, College of Europe
I28	Translator Hungarian/Mandarin, BBRU project
I29	Research Director, Hungarian Institute of Foreign Affairs and Trade
I30	Engineer, BBRU project
I31	Former Hungarian Ambassador to China
I32	Budapest-based journalist
I33	Hungarian MEP for MSzP
I34	Senior Analyst, Hungarian Institute of Foreign Affairs and Trade
I35	Professor, Eötvös Loránd Tudományos Egyetem
I36	Former engineer, Huawei Hungary
I37	Junior Professor, Corvinus University
I38	Senior Management, Huawei Hungary
I39	Senior engineer and track designer, BBRU project
I40	Telecommunications specialist
I41	Senior staff, Szeged Confucious Institute
I42	Investigative journalist
I43	Senior staff, Hungarian Trade Union Confederation
I44	Railway development specialist, World Economic Research Institute
I45	Railway planning specialist

Source: Author's own compilation.

development in populist or 'illiberal' settings in Hungary, the wider CEE region, and beyond.

I have anonymised all interviews, which has resulted in the reduced risk of participant identification. Table 2.2 identifies participants via their principal professional role with an 'I' to represent 'interview' and a number that corresponds with their indexed categorisation.

Notes

1 Inaugurated in 2012 ostensibly to increase economic cooperation between China and 16 post-socialist European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. In 2019, this number rose to 17 with the inclusion of Greece, a country with no history of state-socialism. However, in 2021, Lithuania exited the format while in August 2022, Estonia and Latvia followed suit meaning at the time of writing, (November 2023) the group now has 15 members (including China): 14 + 1.

2 The Coordinated Market Economy model, typically ascribed to countries such as Germany and the Liberal Market Economy model, commonly applied to countries such as the United States. These models constituted the original VoC framework (Hall & Soskice, 2001).

3 There has been an explosion of terminologies designed to capture apparently pernicious (corrupt) dynamics that constitute contemporary capitalism. I use 'crony capitalism' here as a broad term rather than any specific description.

4 This happened much later for Slovakia, however (see Bohle & Greskovits, 2012, pp. 179–181).

5 Jacques Derrida, however, emphasised the post-structuralist tradition was also able to categorise both the present (positive) and the absent (negative) world, and therefore forge full understanding between them. For a discussion on this, see Strohmayer (2005).

6 I owe this point to Noémi Lendvai-Bainton (University of Bristol).

7 The English language term 'civil society' is an inaccurate translation of the German language term *Bildungsbürgertum* because it does not fully capture its educational and urban components, though it is the closest attempt.

8 Prime Minister (2002–2004).

9 Coordinated Market Economy, one of the two ideal types set out in the original VoC literature (Hall & Soskice, 2001). See footnote 2

10 The university relocated to Vienna in 2018.

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Part II

Hungarian authoritarian populism at work

Internal and external considerations

3 Fidesz and national capital

The government subsumes domestic business

How can we understand business subsumption?

This chapter investigates the domestic, politically loyal bourgeoisie of tightly connected actors who operate as guardians of national capital in Hungary and who have made significant inroads into dominating national business. In doing so, I claim domestic business has been subsumed by the Hungarian coalition government – Fidesz-KDNP (hereinafter, Fidesz) – with the principal objective of self-reproduction. Since 2010, the year the coalition was first elected – and Fidesz's second electoral victory – the impact of this phenomenon on the trajectory of the Hungarian political economy has deepened, resulting in wholesale changes to sectoral ownership and the stimulation of new transnational capital inflows from non-EU state actors from the 'East', particularly Russia and China (discussed in the following two chapters). While the economic structures developed after 1989/1990 remain dominated by Western multinational companies (MNCs) principally German firms (e.g., Audi and Daimler) – but also *Mittelstand*[1] businesses (e.g., Kovács et al., 2016) – post-2010 politically induced changes to the Hungarian political economy have seen significant shifts away from foreign ownership towards a business landscape populated by Fidesz-loyal actors.

To categorise this trend, I borrow the term 'prebendalism' from an earlier work (Szelényi, 2016(see also Rogers, 2020)) because it succinctly captures the nature of this post-2010 collective. Originally used by Max Weber (1978) and more recently applied to sub-Saharan Africa – especially Nigeria (Adebanwi & Obadare, 2013; Joseph, 1988) – with an onus on understanding the relationship between ruler and staff, prebendalism describes a situation where 'the staff has only rather limited claims to appropriate the means of administration (and property) [and] are at the discretion of the ruler' (Szelényi, 2016, p. 4). Further, prebendalism 'is not a form of rule, but rather a form of maintenance to ensure the loyalty of the administrative staff' (Treiber, 2022, p. 129). Finally, prebendalism is a 'sub-type' form of patrimonialism, and therefore contains its own specific characteristics meaning it is applicable to a limited number of cases.

In Hungary, the government-loyal prebendal network has burgeoned as a result of (at least) two dimensions. First, country-wide business deals; second, significant

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agreements with Chinese and Russian state-owned entities to finance large-scale infrastructure projects, specifically the extension to the Paks II nuclear power plant (Romhányi, 2014) and the upgrade to the Belgrade-Budapest railway line (Rogers, 2019; Szabó & Jelinek, 2023). Business activity within these agreements assists with Fidesz' reproductionas large portions of capital are captured or are at risk of capture by the nationwide prebendal network.

The focus of this chapter is twofold. First, I briefly demonstrate how the post-2010 Hungarian government has subsumed domestic business. I do this through a qualitative empirical analysis of methods the incumbent political elites have developed to operationalise this practice. This contribution is significant, not least given the potential that Fidesz and Prime Minister Viktor Orbán will remain in power perhaps until their desired target of 2030, constituting a total of two decades in power. Second, I add to recent studies of comparative capitalism in Central and Eastern Europe (CEE) (Ban & Bohle, 2021; Bohle, 2018; Bohle & Jacoby, 2017), which build on other works that place increased emphasis on political agency but does not have any particular focus on the region (Baccaro & Pontusson, 2016; Nölke, 2016). By doing so, this chapter opens avenues for research to develop further insight into Fidesz strategy such as extended, embedded cronyism, and/or a harmonisation of capitalist institutions with considerably larger economies, such as Brazil, China, and India (Nölke et al., 2015, 2020; Rogers, 2019 see also Chapter 5 in the present book), which could serve to further entrench such actors and subsequently strengthen and embolden the Hungarian government.

While some analyses identified Hungary as the most likely CEE state to regress to authoritarianism (Bohle & Greskovits, 2012), other accounts of Hungarian capitalism place more focus on exogenous economic structures rather than political agents as determinants of economic outcomes, e.g., the Dependent Market Economy (DME) model discussed in previous chapters (Nölke & Vliegenthart, 2009). The present chapter offers an analysis, which fuses these positions, graduating away from narratives that (over)emphasise the role of Western MNCs in determining economic outcomes in Hungary, enhancing the capacity to acknowledge the agency of a domestic prebendal network that affects development trajectories and increasingly, the external dimensions of the Hungarian political economy.

The qualitative data presented in this chapter underscore the importance members of the prebendal network have in influencing outcomes that shape Hungarian development and can act as a pathway for future study investigating capitalist development in illiberal settings, as has begun elsewhere (Rogers, 2022; Scheiring, 2020).

In what follows, I provide an overview of Fidesz' development since its foundation in 1988to 2010 with an emphasis on the internal changes within the party following loss of government in 2002. I then analyse the government's subsumption of domestic business before providing a discussion on prebendalism and its application to Hungarian capitalism. Next, I provide an overview of Hungarian capitalist development in context before concluding the chapter.

Fidesz 1988–2010

How is it that one political party has become realistically the only likely winner at national elections in Hungary? After all, the country is a (liberal) democracy andholds nominally open and free elections every four years with results returned having adhered to international electoral standards.[2] According to one contributor to this research, politics has retaken precedence in decision-making power vis-à-vis economics. It is this recalibration of power broadly defined, that has mobilised critical segments of society, emboldened Fidesz, and helped it achieve unprecedented success. Indeed, Orbán's power has become so dominant that

> Since 2010, politics is regaining lost territory, not that it was completely lost because Hungary was never really a liberal democratic capitalist country, and the government played a larger role in the distribution of public goods. It was however drifting towards a liberal, capitalist mode; that is to say economics would have been in command. Now, nothing important can happen in Hungary unless Orbán wills it.
>
> (I25)

This insight signifies an important divergence from the political culture that emerged after 1989/1990 as captured by Eyal et al. (1998) and discussed in the previous chapter where 'cultural capital' formed a dominant position in Hungary's post-1989 development. However, despite securing four consecutive so-called supermajorities (66% of parliamentary seats) since 2010, country-wide support does not reflect these outcomes.[3] Politically engineered changes aimed at privileging the incumbent is certainly not anything new, nor is it a Hungarian phenomenon. What the supermajorities do is permit the government to reduce and nullify political alternatives. Indeed, the April 2022 national election was the opposition's worst result since the introduction of elections in 1990. Resultingly, Fidesz has achieved a hegemonic position so domestically untouchable, it is able to operate on multiple flanks, offering something to everyone. Whom does it target for popularity?

> Fidesz is able to mobilise its own voters and demobilise the opposition voters. Orbán being paternalist to pensioners helps Fidesz's cause because it helps to keep pensions at a good level. Flat taxes also help to raise the middle classes. For the lower classes it [Fidesz] offered a reduction in utility bills. For the rest: very strong nationalistic propaganda. Always finding an enemy has helped the Fidesz cause, for example the vilification of migrants and Brussels. Brussels is the real enemy, driven by 1968 liberal causes.
>
> (I4)

This reflects not only Fidesz's political skill but also its ruthlessness of power maintenance; no other CEE government has achieved such sustained electoral success. How did this happen?

Orbán himself has morphed from *primus inter pares* to the informal centre of power, where loyal cronies blindly approve the leader's decisions often designed to curtail the efficacy of democratic mechanisms. Essentially, a 'pyramid-like hierarchy has emerged and solidified, with Orbán at its summit' (Kornai, 2015, p. 36) within which the Prime Minister 'has no other project than to maximise his own power, whatever it requires' (Wittenberg, 2017, p. 543). Such sentiment from academic quarters is legion. To be sure, there are many reasons to analyse the post-2010 period in Hungarian development. However, it is naïve to consider that Fidesz dominance of the Hungarian political landscape began in 2010 (Greskovits, 2020; Rogers, 2020). Any government's development has multiple layers of roots upon which the 'politics of the day' is situated. Therefore, to understand the post-2010 subsumption of domestic business, it is critical to uncover the pre-2010 changes within the Fidesz party.

Historical accounts of Fidesz are well known (e.g., Fowler, 2004; Janke, 2013; Lendvai, 2017; Oltay, 2013). After coming close to victory in 1994, Orbán became Prime Minister in 1998 at the age of 34. It was under his premiership that Hungary joined NATO in 1999 and signed the bulk of the agreements that formed the necessary frameworks for EU accession in 2004. Throughout the 1990s and during Fidesz's first term in government (1998–2002), the party's ideology was mixed (Bozóki, 2008) and less traditionalist/conservative compared with what has emerged in the post-2010 period (Csillag & Szelényi, 2015). Since its foundation in 1988, Fidesz has never been a fringe party simply keeping the extremities of the political spectrum at bay, but rather a consistent player in mainstream Hungarian politics. In the wider CEE region, Fidesz is unique in that it is the oldest centre-right party and contrary to its Polish counterpart, remained intact following loss of office in 2002. Indeed, 2002 was a major turning point in Fidesz's history; it was at that moment, the party effectively decided electoral defeat would never happen again.

> Defeat in 2002 taught them [Fidesz] the wrong lesson; rather than be better prepared for next time, they decided there would be no next time. Orbán has very close allies a bit like the Bullingdon Club,[4] though it is a cultural thing to integrate and assimilate effectively within a new institution such as the EU. That is to say, Western states had many decades of practice and experience whereas the new CEE/Baltic states have undergone a shock. Therefore, it is easy for Orbán to criticise the EU and its bureaucracy – and he may have good reason to do so – but he is not necessarily culturally assimilated to it and Western institutions as much as the EU15 are, for example.
>
> (I20)

This assertion however accurate, reveals something important: there are distinct cultural aspects borne from previous political experiences which should not be overlooked. Indubitably, there are and will continues to be political leaders from the so-called Western liberal heartlands who also wish to be in power for many years, some of whom achieve it. However, in Hungary, electoral defeat after one term in office was an outcome that Orbán simply could not accept. Fidesz began to prepare for what it hoped would be an extended period in power.

To help operationalise this ambition, after 2002, Fidesz initiated a broad movement to consolidate conservative media to counter what it viewed as a liberal media bias, which had emerged during the 1990s. This was wrapped into primarily one bundle of TV stations and radio outlets, handled by Orbán's university friend-turned-billionaire Lajos Simicska (discussed in the previous chapter) and complemented by other allied takeovers conducted during the 2000s, meaning that there were now no remaining conservative media institutions critical of Fidesz (Heinrich Böll Stiftung, 2017). Becoming a dominant force in media ownership formed one of the three instrumental pillars which has supported Fidesz's hegemonic position.

A second pillar was a well-planned thorough domination of civil society via a grassroots movement. Béla Greskovits analysed the increase in Fidesz's civil society activity, which began in the early 2000s. He identified the Civic Circles Movement as 'the right-wing conquest of civil society well before the [2010] landslide victory of Fidesz-MPSZ' (Greskovits, 2020, p. 249) and thus the key movement, which helped establish Fidesz as the countrywide political force it became and continues to be. The movement organised thousands of meetings during Fidesz's period in opposition (2002–2010) both within Hungary and abroad, many of which were intrinsically related to the church. While it no longer exists in its original forms, its legacy is strong and remains prominent. As Greskovits (2020, p. 262) asserts 'the "original accumulation" of social and cultural capital in and by the circles has had a lasting impact on the associational life, public discourse, and political fortunes of the right'.

A third pillar was Fidesz' realisation that one of its principal areas of failure was its incapacity to develop its own government-loyal national bourgeoisie, which remains devoted to the government; a factor that had not been achieved in its first government (Szelényi, 2016). Gábor Scheiring's (2020) book details how the Fidesz government set about to achieve this after its 2002 defeat. He identifies five groups of capitalists that constituted the bulk of Fidesz's domestic capitalist support: (1) political capitalists (13 people), (2) committed conservatives (11 people), (3) emerging capitalists (20 people), (4) co-opted capitalists (10 people), and (5) passive capitalists (140 people) (Scheiring, 2020, pp. 223–225). The author continues:

> [i]t is crucial to recognise that a large number of billionaires embraced economic nationalism and started to support Fidesz in the 2000s … when Fidesz was in opposition. Most members of the right-leaning national bourgeoisie were not 'created' by Fidesz following the 2010 change of government, nor during the party's rule between 1998 and 2002 … The overwhelming majority of the billionaires that aligned with Fidesz before 2010 … already had considerable wealth … while some others replaced their left-wing or binary affiliations with sympathy for Fidesz.
>
> (Scheiring, 2020, p. 225)

During its period in opposition, then, Fidesz brought 'Right-leaning' billionaires into its orbit and thus developed a domestic capital bedrock upon which the government has been able to develop and proliferate its prebendal network (discussed below).

Taken together, these pillars – as I have categorised them – have performed a remarkable successful stabilising apparatus upon which Fidesz hegemony has been assured for over a decade. They also demonstrate 'background aspects' Fidesz identified to embark on a sustained period in government. As discussed in the previous chapter, the *capitalists without the right kind of capital* thesis advanced by the present book rests on two broad elements: domestic and external capital. I now develop an analysis of the former to show how Fidesz has operated to mould national capital to achieve its principal objective of return to (perennial) power set out after 2002.

The subsumption of domestic business

For Fidesz, the 'Western' development model introduced after 1989/1990 did not allow it to have long-term control and consolidate the work done in opposition in the 2000s, noted above. By partially (re-)nationalising strategic sectors in the Hungarian economy, local actors have retrieved industries from foreign hands, expanding this national bourgeoisie. According to one contributor to this research:

> Maybe there were too many illusions regarding FDI and this is a legacy of the Kádár regime. In other words, there was so much national debt that Hungary had to sell it to investors. This is a policy of the Orbán regime: retrieve the industry from the foreigners and put it in the hands of Hungarians thereby creating a national bourgeoisie, which contradicts the neo-liberal 'borderless economy' thinking.
>
> (I4)

While it is rational to offset exposure to the same markets that stimulated the effects of the 2008 Global Financial Crisis on Hungary – which resulted in a €20bn international bailout – by placing more ownership into Hungarian hands, a culture of cronyism has emerged as a core component of this economic arrangement. A tight clique of loyal yes-men and yes-women in and around the party has become a critical component of Fidesz's continued political domination in Hungary and continued electoral successes since 2010 have become possible thanks to an enriched group of actors. According to one interviewee:

> After 2010, the Hungarian government began to change regulations not to attract foreign capital but to push it out of the country. For example, they wanted half the banking sector to be in Hungarian hands. After the end of state-socialism, foreign ownership was approximately 80%, now it is 50%, so it was government policy to promote Hungarian ownership of banks. The Hungarian government has developed a system of crony

> capitalism and so many of the cronies have been handed assets to manage. It is not about attracting foreign capital but giving opportunities to Hungarian cronies. Therefore, regulatory changes have been designed to favour Hungarians. Once they own them, even competitive negotiations favour the cronies.
>
> (I5)

By recalibrating the Hungarian political economy, Fidesz has become strengthened as it is abler to proliferate its success on a nationwide level through a network of steadfast guardians of capital who are rewarded with contracts in return for political devotion. Such ownership readjustment to national capital is in harmony with the post-2010 importance Fidesz has placed on national sovereignty. These developments have stimulated a productive environment for a period of business capture by the governing elites and their dedicated networks.

How can we understand these developments? To be sure, there have been numerous attempts to explain them. Convincing theses include Dorothee Bohle and Béla Greskovits' (2012) use of Polanyi's double movement in their book *Capitalist Diversity on Europe's Periphery*. The authors' analysis helps us understand how capitalism(s) in post-socialist Europe has/have not emerged and developed from any hybridisation of capitalist 'ideal types' that attempt to account for 'Western' European variants. In other words, they view the Varieties of Capitalism framework's theoretical extension into central Europe as flawed in the sense that its attempts to account for CEE capitalist development cannot be elided from its earlier foci on the original parsimonious ideal typicity. As a result, the approach is destined to overfocus on a narrow set of institutional complementarities, a construction that overlooks multiple dimensions of capitalism unique to the region. Gábor Scheiring's (2020) contribution *The Retreat of Liberal Democracy* analysed a class compromise that emerged between domestic politicians, the national bourgeoisie, and MNCs. This study is extremely helpful for understanding capitalist development under authoritarian or illiberal conditions, in perhaps Europe's most 'advanced' example. Indeed, it helped push forward thinking on the political economy of authoritarian/illiberal development, which hitherto had been largely overlooked. Bálint Magyar's (2016) book by contrast developed the *Mafia State* thesis: a sociological work that sees Fidesz's hegemony as an organisational structure dominated by what the author terms a 'poligarch'. In essence, a rather rigid hierarchical structure has emerged that has co-opted economic and legal state apparatuses for its own benefit. Of course, the loaded word 'mafia' has extremely negative connotations, but it is also courageous to be a rather well-known figure in Hungary and publish a book that carries this title.

What I want to do at this juncture is use these contributions as a springboard, to move forwards by focussing more fully on the subsumption of domestic business. Doing so will illuminate some of the sociological specificities involved and allow observers of Hungary to better understand the distinctive organisational structures the Hungarian government has developed over time to self-reproduce, and which make it an unusual political economy in the region.

The present book positions Max Weber's use of prebendalism to a privileged position of analysis. The term prebendalism as defined by Szelényi (2016, p. 14) denotes a system – as distinct from patrimonialism – where 'the staff appropriates the means of administration of material property only partially'. I agree with Magyar (2016) that in Hungary, Fidesz has created a top-down hierarchical arrangement, but one which diverges from despotic regime types (Szelenyi & Mihályi, 2021). I now take a closer look at its structure.

Prebendalism

Let us recall Fidesz's ability and willingness to rid themselves of (formerly) pro-government actors at will. The previous chapter briefly outlined the case of Lajos Simicska, also detailed elsewhere (e.g., Szelényi, 2015). The former Fidesz-aligned media mogul was a key player in the management of media that was uncritical of Fidesz, as noted above. The important aspect to be aware of in this acrimonious split was the government's removal of Simicska via an attack on his property. Of course, Simicska the man remains a wealthy individual. Simultaneously, however, after his removal his power has radically reduced, his (potential) threat to Fidesz removed. In a prebendal system it is property and its potential to be removed, which constitutes one of its core characteristics. This detail separates it from the other two systems shown in Figure 3.1. This difference is important because it is subtle and unusual. There are not many contemporary examples of prebendal structures in effect. However, there is one example, which has received important scholarly attention.

In recent scholarship, the term prebendalism has mostly been applied to Nigeria for the period before and after the brief Second Republic (1979–1983) (see for example Joseph, 1988). In the Nigerian context, Uwazurike (1996, pp. 3–4) describes prebendalism as 'the parcelling out of national resources to leading elites in different regions beholden to the ruler at the center' which has the effect of engendering a culture of state office misuse (Agbaje, 2017; Ayogu, 1999). Indeed, the Nigerian political economy became a unique entity amongst its West African peers because of this form of organisation (Lewis, 1996).

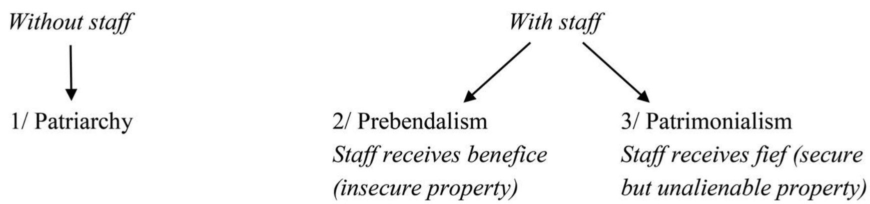

Figure 3.1 The importance of property relations under prebendal conditions as compared with other organisational structures

Source: Adapted from Szelényi (2016, p. 8) and Treiber (2022, p. 125)

The Nigerian prebendal system, however, has evolved around 'sectional (local, ethnic, subethnic, regional, and religious) lines' (Suberu, 2013, p. 80), which together forms a highly unique socio-economic arrangement, buttressed by intermittent military rule via coups and countercoups since the mid-1960s (Momah, 2013, pp. 66–79). While ethnic, religious, and military factors limit the possibility of comparison with post-2010 Hungary, the core shared feature is the misuse of public office. Therefore, the Nigerian example can help us understand how prebendalism has developed over a few decades, providing us a window through which to view economic development under such conditions, albeit highly unique ones.

In Hungary, prebendalism describes the relationship between ruler (Orbán) and staff (Fidesz and Fidesz-loyal actors) and importantly how 'rogue' or anti-Fidesz capitalists cannot effectively operate their businesses or work towards their interests of accumulation because it has become antithesis to the interests of the top levels of the Fidesz hierarchy, similar to influential non-political actors considered reprobate in post-2000 Russia. However, in this chapter I refrain from aligning the Hungarian phenomenon to a form of 'Putinist oligarchy' because the characteristics of contemporary Hungarian and Russian national capital relations differ significantly in their size and structure and any comparison is beyond the scope of this analysis.

As above, Hungarian development under prebendal conditions has unquestionably led to widespread misuse of public office. In fact, corruption, broadly defined, has become such an issue in post-2010 Hungary that it outranks each of the other Visegrád Four (V4) countries in terms of people who think corruption is on the rise (40%) compared with 37% in Poland, 29% in Czech Republic and 19% in Slovakia (Transparency International Hungary, 2021). This culture of corrupt practice has the potential for continued longevity as it has become more challenging to reverse due to the dilution of the weak civil society institutions that characterise the CEE states, described above. In Hungary,

> The controlling stakes and checks and balances have been largely eliminated. This is not possible in Western countries but has been prevalent in Hungary since 2010. An important exception is the Law Courts (judges) which are independent. Prosecution is totally subordinate to the government and judiciary is partially captured. It is important to note that the institutions are not captured entirely (50% or more, apart from the judges). This is significant as there is no control of the executive power. The State Audit Office, National Bank, State Competition Office, and the judiciary were established to control the government but here they don't control the government but are instruments of the government. Corruption cannot be tackled because the controlling institutions don't work, and the judiciary cannot/does not fulfil the role of combatting corruption.
>
> (I3)

While this evaluation may seem far-fetched, continued erosion of certain post-1989/1990 institutions designed to provide checks-and-balances has indeed taken place (Ágh, 2016; Greskovits, 2020; Kornai, 2015; Rogers, 2020). More succinctly:

> Orbán and his cronies have developed a technique on how to steal money. It is hard to prove because these techniques are extremely opaque so the public and even politicians within the Fidesz club are unaware of the true extent of these dealings. But this is not just a domestic phenomenon. Clearly there is an affinity between Orbán and authoritarian leaders, so it seems to me that there are networks that go far beyond Hungary's borders.
>
> (I21)

International factors are of course critical for understanding the contemporary Hungarian political economy. However, I want to stay with the domestic issues at this juncture. One interviewee informed me that

> today there is a political network, which dominates the whole country including rural areas. Orbán's network has become able to generate wealth for itself from all corners of the country and this is not what we had before 2010. That is to say, sudden increased wealth is expropriated by the state.
>
> (I23)

These qualitative data reveal the post-2010 emergence of a nationwide network of actors who appear to be operating in the name of wealth accumulation. While these actors' property is alienable, incentives are nonetheless significant enough to attract and maintain government loyalty. During the first years of the 2010s, Fidesz learnt to avoid threats from 'big capitalists' as exemplified by the Simicska affair. Instead, Hungary has become populated by a dotted mesh of Fidesz-loyal individuals and organisations who patiently wait their turn for windfalls in return for fidelity. The immediate repercussion of the emergence and consolidation of prebendalism is that

> this new type of corruption very much puts constraints to the development of Hungary; it is an impediment to Hungarian development. It is hard to project or anticipate any positive results coming from this business model, if I can call it that. Well, of course there are some helpful developments but mostly what we see is simply theft.
>
> (I35)

Capital that has been siphoned off for the enrichment of loyal cronies within the prebendal network, while not feasible to accurately calculate, had principally been allocated for development purposes via the first two tranches of the EU Cohesion Fund (2006–2013 and 2014–2020). These pockets of capital were earmarked for pan European transport upgrades and energy-related projects with an environmental focus (European Commission, 2021, 2022) and will not be repeated. Significantly, EU budgeting for the 2021–2027 Cohesion Fund tranche has enacted a drawdown in allocated funds for CEE states, including Hungary, with a 24% reduction in funding vis-à-vis the previous tranche of the Cohesion Fund stream (European Commission, 2021). This is detrimental for Hungary's development because

> There is also a heavy dependency on EU transfers. €23bn in a three-year period, which would mean €3bn+ on average or approximately 1.7% of Hungarian GDP. What happens to this money? If the Hungarian economy does not grow at all (0%), then logically there should be a 1.7% increase in growth. Where is the growth, in fact? Particularly when we know annual distribution is very uneven. In 2014/5 €5-6bn entered Hungary annually; what has happened to this money? This dependency was stopped in 2020 because the EU budget was reduced. Budget negotiations began in 2017 but the structure of it will be completely different. For example, much less money for cohesion and regional funds and much more for competitiveness. The form of the transfers will not be unilateral and one-way cash payments to beneficiary countries but will be transferred into long-term credits, which will require repayments. Between 2006-2020, two seven-year financial framework programmes were in operation and the historical opportunity to modernise the country was not taken. Most of the money has not been used for this priority and this will never again happen.
>
> (I27)

These statistics provide some perspective on the impact prebendalism has had on the Hungarian economy. By disseminating funds to a loyal staff for the purposes of Fidesz-reproduction, prebendalism has stifled the potential for Hungary to graduate from status as an assembly platform of medium-quality goods (Nölke & Vliegenthart, 2009).

As one interviewee told me:

> 2010 is a turning point in Hungarian economic policy. The government is complicit in what is happening and in what they are doing. The use of the European fund was impractical and this is because the neighbouring states, who receive a similar level of EU capital inflow are performing better than Hungary on macroeconomic gauges. Comparisons are interesting to form with the surrounding countries to Hungary, in terms of development. When big money is involved in any deal there is always the temptation for corruption, though the level in Hungary does not differ significantly than in other states – it is about the same. Therefore, it is not strong enough to disadvantage the economy. The government has a clear and well-expressed policy of restructuring Hungarian society, at least the mid and higher echelons of it and to create a new national aristocracy. It uses the EU funds to a great extent for this purpose. More correctly would be to say it provides an opportunity to help this plan.
>
> (I24)

This is an important point. Too easily is the label 'corruption' attributed to politics, politicians, and/or systems within. But as the above excerpt details, Hungary is not a regional outlier against this metric. Rather, Fidesz has set about carefully and skilfully planning and implementing what has become a system of nationwide management of the national political economy. Of the three types presented in Figure 3.1, the Hungarian case most closely resembles prebendalism. Following the discussion in the previous chapter, the prebendal model and its emphasis on insecure property helps us better see how Fidesz has (at least partially) overcome its own conundrum of being *capitalists without the right kind of capital*. Moreover, these qualitative data suggest Fidesz has used incoming EU capital to bolster its own political ambitions though as above, it remains unclear – and perhaps unidentifiable – how much of this money may have been captured for these purposes. Despite the reduction in EU funding and ongoing EU rhetoric (though with minimal action) on the 'rule-of-law' saga (Politico, 2022), there is no signal that Fidesz will reverse of recalibrate this organisational method of accumulation.

One significant practice to help achieve such a plan is to obfuscate the financial flows that run between the new (post-2010) owners or guardians of domestic capital and political actors; though the borders between these groupings are opaque. As one contributor illustrated,

> Government publication of investment incomes used to be regular and therefore open to scrutiny. However, this seems to have changed and there don't appear to be any particular rules governing that.
>
> (I9)

It is therefore ever more challenging to locate capital flows from investments and their destination and pricing breakdown. This lack of clarity helps to service Fidesz's success in maintaining power because

> Fidesz has organised a series of oligarchs who dominate capital and obscure its property. We simply do not know how much capital has been withdrawn nor where exactly it is.
>
> (I5)

How far we might describe these actors as oligarchic is a different question, though I will refrain from doing so. In any case, this is an important distinction vis-à-vis other politics that operate with cognate networks: the prebendal system is state-induced and state-managed and actors must remain politically loyal.

Corruption, therefore, differs from pre-2010 Hungary as it has now become institutionalised and dominant within domestic business. By orchestrating a network of prebends (fiefs) – where staff receive benefice but property is insecure – successive Fidesz-led governments have developed a highly managed and tightly controlled system designed to consolidate national capital through the subsumption of domestic business. The prebendal network in contemporary Hungary clearly has significant ramifications for the country's political economy. How far might its emergence and the misuse of public office influence Hungarian development?

Hungarian development in context

The subsumption of domestic business in the Hungarian case may not be altogether surprising given forecasts on global capitalist development have suggested patrimonial capitalism is an anticipated outcome in the twenty-first century (Piketty, 2014) and more recently, that 'a new stage of organised capitalism' (Nölke & May, 2019, p. 21) may be emerging, with CEE a component of a global Polanyian pendulum.

Despite the reduction in foreign ownership of key sectors of the Hungarian economy (Isaacs & Molnar, 2017; Voszka, 2018), MNC presence remains dominant and capital inflows continue to enter Hungary with investment deals sought and signed. Indeed,

> MNCs are not fearful of political relations. As long as Orbán keeps them happy and interested in operating in Hungary through certain incentives, it is highly unlikely there will be any significant exodus. Hungary continues to work in firms' interests.
>
> (I17)

Further, to counterbalance criticism of domestic Hungarian issues such as the 2016 referendum on migrant quotas, regulatory frameworks have been modified to maintain Hungary's attractiveness for Western business.

> This is done on a case-by-case basis. A case in point being the "tax credit for growth" meaning those companies that can generate huge growth in revenues will have huge tax credits from Hungary. The very next day [after implementation, US firm] General Electric chose to relocate a significant part of their operations to Hungary. It was one of only a few firms, which received this credit.
>
> (I14)

Fidesz-induced reconfigurations to the Hungarian political economy therefore do not necessarily discriminate on an East/West axis when it comes to securing inward capital flows; the government is prepared to create flexible regulatory structures for larger portions of Western inward FDI streams.

Externally, post-2010 developments in Hungary's global outreach – as demonstrated by the establishment of the Eastern Opening (KN) foreign policy drive, created to forge stronger ties with countries geographically located to 'the East' – offer a partial divergence from pre-2010 Hungarian relations with international business. The Hungarian political economy is experiencing changing external dynamics (e.g., through large-scale agreements to extend and upgrade infrastructure facilities from Russian and Chinese capital) on the back of a radically altered domestic economic arrangement, namely the reduction in foreign ownership and subsequent development of a politically loyal national (prebendal) network.

Internally, the Fidesz subsumption of domestic business has been significantly advanced by the development of this prebendal system of capital guardianship. Through careful management and the post-2010 nationalisation programme, a new dominant national bourgeoisie has emerged which is dedicated to Fidesz' reproduction. Foreign MNC presence persists in certain sectors like automobiles (Túry, 2014), components (Rugraff & Sass, 2016), and electronics (Szalavetz, 2014), and has been extended to incorporate so-called 'green technologies' such as battery production, a segment of the Hungarian political economy that has come to be more privileged recently, as exemplified by the €7.4bn 2022 agreement with Chinese state-owned firm CATL, discussed in Chapters 2 and 6.

These developments have created an organisational situation where Fidesz has become the principal (visible) actor in national capital management, and this has consequently increased its political longevity. The subsumption of domestic business has become a countrywide phenomenon and reversing these advances is unlikely in the near future (i.e., during the remainder of the 2020s) given the forecast for a longer-term period of Fidesz government and indeed the government's own stated ambitions to remain in office until 2030, envisioning the period 2010–2030 as a 'unified era' (Euractiv, 2018). Fidesz will very likely continue in its position in government because of its seemingly unabating domestic support, continued fragmentation of the Hungarian Left, and its ability to develop and sustain political capital. In this regard, international actors can rely on an anticipated projection of Fidesz and 'Orbánite' power. From a domestic political perspective, it remains unclear which groups can successfully challenge Fidesz. As one contributor to this research reflected:

> What is the strategy of Hungary? There was a good start until accession to the EU [in 2004]. Then the strategy ceased. The strategy was the objective itself. It was big mistake believing that the EU brings the objectives and the money. The EU is an externalia, adds some reasonable objectives: good model regulations and additional sources of financing. But Hungary itself should discover its path, there is no blueprint. Estonia – even Slovakia – had better ideas than Hungary. What Hungary do we envisage? Where should we put the emphasis in the production of goods? In the service sector? Then how can we maintain the traditions of Hungarian education? The excellent healthcare system, agriculture, machinery production, pharmaceuticals – where has this tradition gone? Hungarian opposition parties are still diverging rather than converging, like the effects of the Big Bang. They commonly find arguments to avoid cooperation rather than work together to defeat Orbán.
>
> (I18)

What of the Prime Minister himself? Because Orbán has been so successful in his time in power, exit from office seems a distant eventuality.

> As long as Orbán doesn't have proper opposition, there is little that will change the political landscape in Hungary. As time goes on, he is increasingly able to put his stamp on the country, for example, through the control of institutions, such as media. Therefore, it will become harder and harder to rid Hungary of him.
>
> (I20)

Indeed, the development of a prebendal network, designed to reproduce the Fidesz party and the materialisation of a tight network of political-economic actors has the prospect of creating a longstanding legacy in twenty-first-century Hungarian politics. Perhaps there is no better demonstration of this than Fidesz' fourth consecutive electoral victory in April 2022, the party's largest vote share to-date.

At the same time, nothing lasts forever. At the time of writing (October 2023), the Hungarian government is coming under increasing pressure to conform to the US-led drive to further militarise the Russo-Ukrainian war. How far this situation comes to unsettle the Fidesz government remains to be seen and may come to be directed by outcomes in domestic US politics. Such international pressures may become so intense that, for example, the Western capital dominated value chains could become incentivised to downgrade and/or (partially) relocate to other sites. It is telling, too, that the seemingly unbreakable Polish-Hungarian relations have significantly weakened since February 2022, ostensibly eliminating a key conservative (illiberal) ally from Hungary's post-socialist European orbit. Obviously, from a political economy perspective, the internal and the external are inter-connected in myriad ways. The Hungarian government will therefore need to keep adjusting to both centripetal and centrifugal forces to maintain hegemony, something it has deftly managed to do for over a decade. As much as there are 'negative' pressures, there are also 'positive' dimensions of support, however. Given there is essentially no domestic opposition with enough political potency to challenge Fidesz, the prebendal network will likely remain, proliferate, and strengthen as global value chains are recalibrated in response to pressures such as 'green' targets. Ultimately, the Hungarian prebendal network has become the dominant organisational structure for Fidesz-led and loyal *capitalists without the right kind of capital* to overcome the pre-2010 structures in the Hungarian political economy Fidesz saw as detrimental to both Hungarian development and their chances of building a hegemonic force capable of sustained political success.

Prospects for proliferating prebendalism

The emergence of prebendalism as a critical feature of the post-2010 Hungarian political economy has seen Fidesz generate a considerable economic underpinning via the establishment of a clique of loyal networks, favoured with contracts in return for political support. The successful formation of a national bourgeoisie, stemming from the post-2010 nationalisation processes has partially diluted the Western FDI-led development model and the foreign ownership of Hungarian assets that dominated the economic landscape during the first two decades of the post-socialist period.

This chapter has demonstrated the subsumption of domestic business has been competently managed by the core political actors. Moreover, and critical to this argument, higher level political actors' positions are unlikely to be effectively challenged by domestic owners of Hungarian assets who have come to prominence since 2010 due to the latter's' government-loyalty, and because the tangible threat to their property offsets and undermines such potential challenges. This negates the prospect of a Russian-style oligarchy that emerged in the 1990s despite ostensible similarities.

Importantly, Fidesz has become a symbol for analogous CEE politics that advocate traditionalist/conservative values and its political and economic successes may spill over into the remaining three V4 countries – also DME cases – due in part to cognate capitalist institutional arrangements (Nölke & Vliegenthart, 2009). At the same time, the ongoing Russian invasion of Ukraine has shaken informal ideological relationships to the core. Most significantly a divergence between Hungary and Poland has emerged borne from the countries' opposed views on the conflict, particularly regarding relations with Russia. These developments along with Fidesz's ejection from the European People's Party,[5] has influenced – perhaps forced – the Hungarian government to seek allies from pastures new, and Hungary remains an attractive place for both international traditionalism/conservatism and global capital.

Regarding the former, Fidesz has set out to be the *de facto* vanguard of such thinking and continues to attract sympathisers and supporters on a global – and particularly transatlantic – scale. The May 2023 CPAC[6] meeting hosted in Budapest offers a case in point. While not physically present, former US President Trump delivered a speech via video to attendees. Regarding the latter, both 'Western' and 'Eastern' private and public capital continues to be transferred to Hungarian sites. The CATL deal and the ongoing presence of German capital particularly in the automobile sector offer a snapshot of the Hungarian investment terrain in the 2020s (I discuss this further in Chapters 5 and 6).

At once, these connections reveal how the HAP project remains a hegemonic system of political organisation and ideology, and the Fidesz government and its loyalists as *capitalists without the right kind of capital* are continually seeking 'new' pathways of accumulation to meet their requirements. As a united force, these dimensions dovetail to animate, reinforce, and reproduce Hungarian prebendal networks. Given the international attraction of Hungary's domestic capitalist organisation (prebendalism), it is realistic this sociological mode of accumulation will proliferate beyond its borders to become an international force.

This chapter constitutes the internal 'leg' of Fidesz' capitalist relations. The next chapter is the first of two that deliver analysis on its external counterpart.

Notes

1 For an insightful discussion on what does and does not constitute a *Mittelstand* firm, see Pahnke et al. (2023).
2 Analysis has identified eight reasons to challenge this assumption, however (Heinrich Böll Stiftung, 2018).
3 The voting system that Fidesz introduced in 2011, strongly favours the victor in terms of representation in parliament. For example, at the 2018 election, Fidesz received 49% of the vote and 67% of the seats. At the 2022 election, the party also won 49% of the votes and 67% of the seats. This imbalance is compounded by the enfranchisement of ethnic Hungarians living in bordering countries, 90% of whom vote for Fidesz (Ośrodek Studiów Wschodnich, 2018).
4 A highly exclusive, all-male social club for undergraduates at Oxford University. Alumni are numerous and often enter British politics and business at influential levels. Other notable attendees include members of the Royal Family and nobility.
5 A conservative, Christian right-wing collective of European (i.e., EU) political parties, which has been the largest party in the European Parliament since 1999.
6 The Conservative Political Action Conference was founded in the United States in 1974 and has proliferated internationally since the mid-2010s, including to Hungary.

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4 Fidesz and Russian capital

The Paks II extension

In context: the Paks II extension

This chapter focuses on the agreement between the Russian and Hungarian states to extend Hungary's only nuclear power plant (NPP) close to the central Hungarian town of Paks. The project known as Paks II is estimated to have a final cost of €12.5bn (Euractiv, 2022), with an agreement in place for state-owned Russian bank *Vnesheconombank* (since renamed VEB.RF) to loan the Hungarian state €10bn for a 30 year-period, with the latter accounting for the remaining €2.5bn.[1]

I investigate this extension because it is an example of Fidesz's Eastern Opening (KN) foreign policy, ostensibly designed to attract inward capital flows, which run concomitantly to extant economic arrangements between Hungary and 'Western' multinational companies (MNCs), and the post-2010 state-subsumption of domestic business, discussed in the previous chapter. This research claims that Hungary's turn to the 'East' is aimed at reproducing the Fidesz project as capital channelled from deals agreed with 'Eastern' entities can be efficiently captured by Fidesz-loyal prebendal actors and consequently strengthen Hungarian Authoritarian Populism (HAP). I argue these capital inflows constitute what Fidesz and Fidesz-loyal actors perceive as *the right kind of capital*: transactional capital that services the HAP ideology, as discussed in Chapter 2. Such agreements may be even more attractive given that stipulations differ from those promulgated by 'Western' institutions, such as the EU's emphasis on Rule of Law and competition, etc.[2] At this point, I would like to make clear the bulk of this research was conducted before Russia's 2022 (re)invasion of Ukraine. At the time of writing (October 2023), the conflict is ongoing and therefore up-to-date statistical information on, for example, trade flows, investment data, etc., has been challenging to acquire. As a result, this chapter deals with the relationship between Fidesz and Russian capital in a pre-war (i.e., pre-2022) setting.

Paks II is not a typical case of Russo-Hungarian capitalist interaction. Most financial inflows into Hungary originate from 'Western' Europe, particularly Germany[3] and this trend has not altered since 2010. By contrast, Russian interaction with the Hungarian economy is negligible, making this project the standout case of Russian involvement in Hungary principally because of its cost, and construction and repayment timeframes (Figure 4.1). The Paks II agreement demonstrates how

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Figure 4.1 The exterior of the Paks nuclear power plant in central Hungary

Source: Photographed by the author, October 2022

Russo-Hungarian relations have become more important since Fidesz was elected in 2010. For example, Fidesz has the possibility to further entrench its position with the emergence of deeper informal networks that have the prospect of siphoning off significant portions of capital from Paks II.[4] Fazekas et al. (2014) list ten specific risks regarding corrupt practice from Paks II: (1) asymmetrical relationships between constructor and customer (the Hungarian government); (2) budget overruns; (3) contractual shortcomings (e.g., lack of additional work clauses and the question of penalties); (4) environmental concerns; (5) legal disputes; (6) licensing scandals; (7) new technology implementation; (8) poor project management; (9) reduced security; and (10) social losses – estimated to be in the hundreds of billions of Hungarian Forints (HUF) in gross terms. However, the Paks II agreement is not an entirely pernicious affair and should not be seen as such. For example, a closer relationship with Russia may secure cheaper energy deliverables, as has been achieved elsewhere, such as across the former Soviet Union (Nygren, 2008), creating country-wide political capital due to a reduction in household utility bills, discussed in more detail below.

The chapter proceeds by providing a historical overview of Hungarian relations with Russia. Next, I look at Fidesz's reversal in its attitude towards the world's largest country. Third, a section on the KN discusses Russo-Hungarian politico-economic relations, underscoring the negligible Russian investment levels in Hungary and the areas targeted for investment. A fourth section is dedicated to the Paks II project and analyses (1) its potential structural impacts, (2) the reasons behind the agreement, (3) issues and costs at the onset of the project, (4) issues and costs during the project, and (5) issues and costs at the end of the project. I then identify nine potential benefits to Hungary from the agreement. The penultimate section provides a brief analysis of the power of the (Russian) nuclear lobby in Hungary and the final section concludes.

Russo-Hungarian relations before 1989

Hungarian relations with Russia before 1989 were multifaceted and complex. Relations were both economic and political, which aggregated to deeply impact Hungarian culture and society, so much so that a clear economic and political dependence emerged and characterised the partnership. Devastated by a second military defeat in under 30 years, in 1945 Hungary became once more an occupied territory. During the first years of Soviet occupation, radical land redistributions led to the loss of position of up to 400,000 families (Berend & Ránki, 1974). More positive changes also occurred, however. For example, large-scale social mobility and proliferation of high-quality education combined to fundamentally alter Hungarian society (Berend, 2011). These post-war examples came as a result of Hungary's adoption of state-socialism under the Soviet-backed Hungarian Workers Peoples Party[5] and reflect the radical nature of the transition to planned economy and socialist republic.

A non-Soviet republic, in the later state-socialist period, Hungary had relatively freer choice over its domestic politics, described in the West as Goulash Communism (e.g., Kornai, 1996). Despite politics being dominated by Soviet influence and instruction, Bunce (1985, p. 5) argued an interdependence emerged between the USSR and Eastern Europe covering 'political fortunes and economic performance, and between control over political power and control over economic resources'. By the late 1970s, dependence on the USSR from the Eastern Bloc was lessening as the former was essentially paying a high price for isolating the region from the global capitalist system (Zimmerman, 1978); a development which ultimately contributed to the Central and Eastern Europe (CEE) states – including Hungary – looking to the then-West for economic assistance (Berend, 1986).[6]

Economic relations centred around importation of raw materials from the USSR, particularly energy, under the auspices of the Council for Mutual Economic Assistance (CMEA). The CMEA pipeline network constructed during the Cold War across CEE is still used today as the primary means of delivering oil and gas from Russia. The standout example of this is the *Druzhba* pipeline – the world's longest – inaugurated in 1959 to service the Eastern Bloc countries. This network initiated an energy dependence in CEE that continues today, and which has – since early 2022 – been the source of significant politico-economic frictions amongst net recipients. Dependence on Soviet energy importation became skewed around 1980, however, as reliance on Soviet-style industrialisation and its energy-hungry sectors (e.g., metallurgy), had exhausted the natural reserves in Hungary[7] and beyond – particularly coal – and in effect generated an illogical dependence on the importation of Soviet energy to maintain production levels (Gustafson, 1981).

Until 1989, Russo-Hungarian relations had been historically strained and this was compounded by dependence on Soviet energy, which can be characterised in two distinct ways. First, economic growth in Hungary was contingent on oil supplies from the USSR. Second, there was no alternative to Soviet extractive or nuclear energy. This contrasts most Western states[8] and some European socialist countries (e.g., Albania), which obtained their energy from other sources. Hungary was therefore locked-in by the USSR and had it been desired, there was limited potential to break this monopoly.

Regarding nuclear energy, Hungary's sole NPP consists of four reactors that came online between 1982 and 1987.[9] It was designed and constructed by Soviet technology and was the largest investment in Hungary in the twentieth century underscoring the significance of the project. By generating almost half of Hungary's electricity needs, the importation of this technology has been a noteworthy development in Hungary's contemporary energy portfolio make-up and demonstrates an ideologically committed development to nuclear energy (Valentine & Sovacool, 2010). Together, the trends outlined in this section became the pretext for the political and economic conditions that emerged at the end of the 1980s with the collapse of state-socialism.

Turnaround in Russo-Hungarian relations

Throughout the 1990s and 2000s there was consistent, cross-party consensus towards moving away from dependence on Russian energy. Regarding extractive energy, attempts were made by the MSzP governments (2002–2010) to diversify in three areas. First, by establishing an alternative route such as the South Stream pipeline, designed to transit energy through the Balkans to Hungary.[10] Second, from alternative sources such as Azerbaijan. Third, a combination of the two. For example, through high-level meetings aimed at establishing a Liquefied Natural Gas terminal in Croatia with the objective of servicing Hungary and the wider region.[11] Diversifying energy importation was a key economic and political aim of these governments and reflects the ideology of the 1989–2010 period: liberal, free market capitalism with emphasis on European markets. High levels of energy inflows from Russia remain, however. Hungary imports approximately 70% of its natural gas from the principal Soviet successor state, though ministers have recently indicated a plan to eliminate this dependency by 2050 (Reuters, 2022).

The abovementioned options were not controversial, not least because there had been consistent political capital in Russia-sceptic or even anti-Russian policy and rhetoric in Hungary after 1989/1990. Before 2010, this occurred across the political spectrum against the backdrop of economic and political (re)integration to the West, highlighted through the influx of Western Foreign Direct Investment (FDI), accession to international institutions, and compounded by each country's adoption of contrasting development paths after 1989.

While relations were never hostile, the Hungarian electorate – particularly those from the centre-right – often welcomed actions and policies that did not necessarily favour Russia. For example, it was common for Fidesz to chastise the MSzP governments in the 2000s for their supposed pro-Russian energy policies such as the signing the South Stream deal, which would have established an alternative route for Russian gas into Hungary and the wider CEE region, meaning Russia would have remained the dominant supplier of extractive energy. Fidesz voiced concerns over Russo-Hungarian relations, raising the matter of Hungary potentially becoming dominated by Russia through a 'stronghold of economic positions' (Orbán, 2007). This may have been a way to lure voters during the opposition years as MSzP supporters were typically more loyal, which meant the Rightist parties had to rely on populist economic positions to attract backing (Tavits & Letki, 2009).

Fidesz had always been sceptical of Russian influence, dating back to the late 1980s when Orbán was a dissident student protesting Soviet occupation of Hungary. After 1989/1990, Fidesz's anti-Russian sentiment was typical of many CEE countries, characterised by reservations rather than hostility. When Fidesz won a two-thirds majority in parliament at the 2010 national election, an unprecedented change of ideology occurred vis-à-vis Russia: Fidesz began to view Russia as a strategic partner; a surprising change in outlook given that

> during the 1998–2002 Orbán government, the vast bulk of EU accession stipulations were created. Since 2010 he has made a clear break from the EU. However, it is unclear the extent to which this is a strategic plan with an end goal. Perhaps he sees the EU as a hindrance to his desired type of governance; I mean less democratic/more autocratic. He's clearly made a strategic decision to find other options – a plan B – for Hungary. This is the rationale for the KN and the rapprochement with Russia, which electorally costs him; cosying-up to Russia is not a popular thing for a Hungarian right-wing voter at all. Russia can also be counted on to support all kinds of domestic goals, which may be more challenging to support with EU funds. This could realistically include secret service support and monetary support that is siphoned into irregular activities. It is not clear how this will play out. There are even rumours that Putin promised a section of the Ukraine to Orbán, but this remains folklore.
>
> (I19)

This creates a paradox whereby the scepticism of the Hungarian electorate – particularly those who have traditionally voted for Fidesz[12] since the cessation of state-socialism – is quite suddenly not reflected by the political party that has consistently been the voice inside parliament for those viewpoints. Why then is the post-2010 turnaround in Russo-Hungarian relations politically viable despite Russia-sceptic public opinion? Why have the traditionalist and conservative incumbent government in Hungary risked potential loss of political capital in favour of closer relations with Russia?

The immediate answer is it has become immaterial as Fidesz keeps winning elections, reflected by four consecutive supermajorities. Further, because of similar ideologies in the two countries (Csillag & Szelényi, 2015), the development of HAP and the execution of 'moral panics' (Hall et al., 1978), 'common sense' reactions have framed increased economic engagement with Russia as less threatening even for the typical conservative/traditionalist Hungarian voter. This creates a subsequent change in the 'balance of forces', positioning Fidesz and Hungary closer to Russia. Fidesz's search for capital flows from Russia complements the governments' cognate ideologies, a phenomenon not limited to Hungary.

> Undoubtedly Vladimir Putin has a dream to rebuild the Russian empire. Putin's dream is not to rebuild the Soviet Union, but a great Russia like during the times of Tsar Nicholas I. He does a lot to distance himself from his former KGB role such as fraternising with Orthodox priests. For him, a weak EU is important though building bridges with Europe is also important. There is a zone in post-socialist countries who are also ideological traditionalists and are looking to Putin as a big brother. These include: Bulgaria, Czech Republic, Hungary, Serbia, Slovakia.
>
> (I24)

Ideology forms part of the underlying rationale for Fidesz to engage with Russia more closely. The Hungarian government is unable to survive or maintain itself without some form of exterior ideological alliance, however, under-developed. What makes a relationship with Russia more attractive to Orbán and Fidesz, however, is its financial component.

> [Before 2010] Hungary's development depended too much on imported capital and FDI, it was overly dependent on EU/Western Europe, leaving it more exposed to certain shocks to the economy. Orbán's courting of Putin is not a Hungarian issue but one for the political elite. There are two drivers for this. From Putin's standpoint, it is not just about retaining sovereignty from the 1990s chaotic Yeltsin years, but also taking back power from oligarchs. Orbán knows he needs oligarchical support but also that they must be kept at bay. Putin is so central that no oligarch can influence politics. There is probably a personal (perhaps financial) deal between Orbán and Putin, which I think is a corruption case. The Soviet secret service has always been very active in Hungary so there may be some blackmail issue.
>
> (I20)

This excerpt reflects the Fidesz' perceived importance of advancing relations with Russia: it generates an external component that is key to the continued success of HAP, i.e., an external 'leg' of economic support.

Eastern Opening (*Keleti Nyitás*): Russo-Hungarian connections

As I have outlined in previous chapters, Fidesz has initiated and promoted the KN programme ostensibly to generate increased flows of capital and goods between Hungary and 'Eastern', non-EU countries. Outcomes of this programme have been mixed in terms of results, and the original rationale of the project has been compromised in favour of developing an ideology, in line with so-called illiberal democracies to the 'East'. The KN is part of the wider post-2010 Fidesz ideology and forms one of the principal exterior dimensions of HAP and one of the methods through which Hungary's experienced capitalists (attempt to) stimulate new accumulation pathways. The Paks II agreement is designed to generate financial inflows to Hungary segments of which subsequently enter the hands of domestic Fidesz-loyal actors who populate the prebendal network as discussed in the previous chapter.

The KN has graduated from the diplomatic and rhetorical levels and has begun to create tangible outcomes, perhaps most strikingly – with regard to Russian capital – Paks II. While Hungary was the largest recipient of Western FDI in the 1990s of all the CEE countries,[13] Fidesz has attempted to reduce these capital flows in certain sectors – such as utilities and energy – through a programme of nationalisation, which has the potential to create 'space' for Hungarian entities to emerge as more dominant forces within these sectors or for alternative non-'Western' actors to enter the Hungarian market. For example, in 2014 the Municipality of Budapest and the Hungarian State jointly repurchased German-owned shares of the Budapest Gas Works (Orbán, 2014).

In terms of alternative exterior actors, possibilities to enter the Hungarian market are limited because financial inflows into Hungary remain dominated by 'Western'-based firms with Russian FDI negligible by comparison. For example, at 2016 levels, Germany's FDI inflow constituted 26.7% of total stock, with Russia's contribution a miniscule 0.06% (Santandertrade, 2018). Further, Russia's inward FDI flows are typically 'paved with failures' (Weiner, 2018, p. 42), which contributes to its indiscernible level. Furthermore, imports and exports between Hungary and Russia dropped significantly after Russia annexed Crimea in 2014 (Deák & Weiner, 2016), connectivity that has been further affected by the post-2022 conflict in Ukraine.

Despite these recent trends in Russo-Hungarian economic relations, Russian economic presence in Hungary persists.[14] To demonstrate Russian presence in Hungary, which is typically opaque and challenging to measure accurately, Deák et al. (2017, pp. 69–70) detail how ownership is structured within the principal Russian investments in Hungary. Examples listed here include cases where an external firm with a Hungarian subsidiary was acquired by a Russian owner; 'cascading investments' that can potentially disguise the nationality of owners, and joint-stock companies in Hungary that are not legally obliged to declare their ownership structure (see also Weiner, 2015).

These obscurities mean it is challenging to precisely determine the extent of Russian economic presence in Hungary and the capital flows that may result from FDI or alternative forms of transnational capital transfer. More broadly, this opacity

Table 4.1 Russian inward and outward FDI stock in V4 countries (2013) (Liuhto & Majuri, 2014, pp. 223–224)

	Total inward FDI stock of host country (million)	*Total Russian FDI stock in host country (million)*	*Russia's share (%)*	*Russia's outward FDI stock (USD mns, 2012)*
Czech Republic	103,455 (EUR)	311 (EUR)	0.3	1,585
Hungary (2012)	78,488 (EUR)	27 (EUR)	0.06 (2016)	106
Poland (2012)	728,749 (PLN)[15]	2,092 (PLN)	0.3	596
Slovakia	42,660 (EUR)	Data unavailable	–	78

Source: Adapted from Liuhto and Majuri (2014, pp. 223–224).

means determining the impact of the KN (in relation to Russia) on the Hungarian political economy and what this might signify for Hungarian capitalist development is challenging. In the wider region (at 2017 levels), Russian FDI accounted for under 1% of the total of the V4 countries' received FDI, with the Czech Republic the standout recipient (Andreff & Andreff, 2017) and in fact, Hungary is in 11th position of 16 CEE countries. Given the data in Table 4.1, the Paks II agreement with its projected €10bn Russian bank loan is set to substantially increase the figures in the final three columns, regarding Hungary.

The closer relationship between Hungary and Russia since 2010, and the frequent reciprocal visits by the main two political actors – Orbán and Vladimir Putin – reflect the emergence of something deeper than a pragmatic relationship between two states. Simultaneously, reductions to the EU's Cohesion Fund influences Fidesz to determine alternative sources of capital to sustain its project, which means Russo-Hungarian relations cannot be fully understood without acknowledging these other externalities. However, as one contributor to this research asserted:

> Orbán wants to pull Hungary away from the Western hemisphere because Western normative values include human rights, checks and balances, constitutionalism. Western control comes with an ideological, political expectation. Whereas he believes relationships with Eastern countries will only be profit-based. In other words, the politics is somehow removed from the relationships. He knows that he cannot let lose all his ideas until he has secured alternative financial streams. A deeper strategic opinion is that he has visions of Europe becoming some sort of Mad Max-style environment. He thinks the new emerging powers in the East will outgrow EU's share and be more dominant.
>
> (I26)

As above, while the growth of deeper economic links is the ostensible rationale of the KN project, this research claims the establishment of new transnational capital dimensions with common ideological characteristics is a key goal. This justifies the KN remaining a viable vehicle for managing foreign relations from the Fidesz perspective. The KN as an exploratory force is the conduit for capital flows from

'Eastern' origins that Fidesz envisages will offer it the opportunities to embed itself as the long-term governors of Hungary principally through increased prospects for self-enrichment and subsequent proliferation of HAP.

Russia cannot offer goods and services that match the quality of those that originate in the 'West', it cannot inject FDI to rival MNCs already present in Hungary, nor can it hope to achieve parity with 'Western' firms in terms of import and export levels. Since February 2022 and the onset of the war in Ukraine, Russian goods (including raw materials) have become essentially permanently blacklisted. The most important commodity Russia possesses, and which is typically politicised in terms of delivery and pricing is extractive energy on which Hungary remains dependent, as outlined above. Working together with Russia to negotiate pricing for energy deliverables and subsequently a reduction in Hungarian household utility bills has become a Fidesz strategy since the 2022 invasion. This stimulates political capital, particularly given the high portion of household expenditure energy liabilities constitute. For example, one quarter of household expenditure in 2011 was spent on housing and household energy (Ministry for National Economy, 2015). Reduction in utility bills for Hungarian households has been a government energy strategy since Fidesz's election in 2010, and thus Fidesz' post-2022 stance on the matter does not represent any policy change.

Concomitantly, the Hungarian government's energy policy may contain Russophile characteristics. In 2013, there were allegations that Orbán's policy of utility bill cuts for households was supported by Russia through a large discount on gas pricing (Deák, 2017). Russian discounts of energy pricing make it an attractive go-to partner for advocates of populist energy policies and following Fidesz's purchase of the wholesaler company, which held the long-term contracts for Russian energy deliverables from E.ON in 2013, pricing concessions from Gazprom immediately followed (Ámon & Deák, 2015).

Additionally, Fidesz reduced gas costs to Hungarian households and industry as Figure 4.2 illustrates. The partial nationalisation of the utilities sector – a reversal of the privatisation drive of the 1990s – helped lower energy costs for households and industry, altering the pre-2010 price structuring. This became a central pillar for Fidesz campaigning for the 2014 national election, assisted by reduced rates from the Russian parties, as outlined above, without which this proposed policy would have been unsustainable (Ámon & Deák, 2015).

Fidesz has been able to negotiate reduced rate energy deliverables with Russian suppliers for political gain, which demonstrates that under the auspices of the KN, the government has achieved a comparative advantage vis-à-vis what opposition parties might be able to offer, namely a reduction in household expenditure; the polar opposite of the austerity programme introduced by the MSzP government following the Global Financial Crisis in 2008 and understandably very favourable to those households with high expenditure on utility bills.

This also shows that stronger political relations with an ideologically similar state actor had helped to maintain the HAP ideology's hegemonic position before the Paks II agreement was signed in January 2014. This means post-2010 Russo-Hungarian relations may be better understood predicated on political arrangements

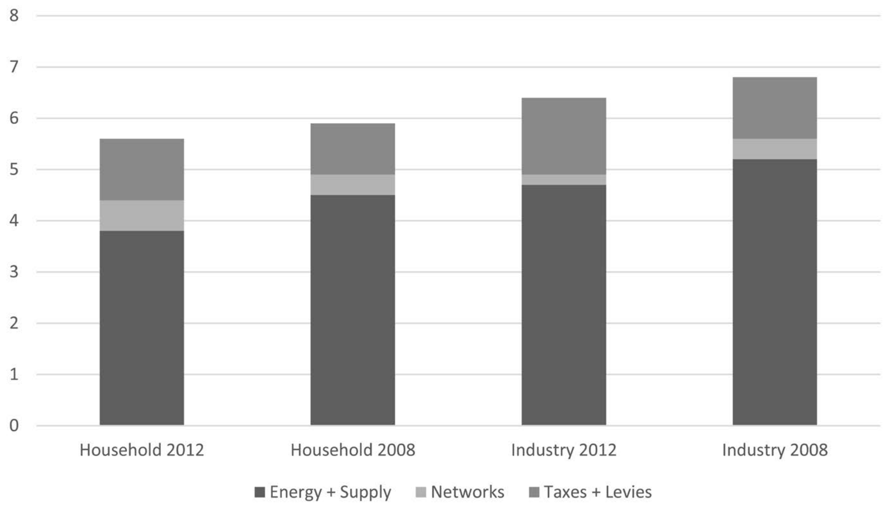

Figure 4.2 Changes in energy rates to households and industry (2008 and 2012) in c€/kwh

Source: Adapted from European Commission (2014)

rather than those more strongly based on economic structures, most notably 'Western' MNC relations with Hungary.

Much like the Russian class formation since Putin assumed power in 1999 and consolidated it from 2000, in Hungary since 2010 the Orbán government has been 'trying to establish a new rank order based purely on political loyalty' (Szelényi, 2016, p. 22), theorised by this research through its two core contributions: (1) HAP, a form of populism with specific components and (2) the *capitalists without the right kind of capital* approach, which accounts for a globally embedded cohort of experienced capitalists on the lookout for alternative accumulation pathways. In relation to Russia, the Paks II deal has allowed state-owned Rosatom to increase its presence externally to Russia for the second time in the EU.[16] This creates large revenues for the Russian state in relation to the payment structure, outlined above potentially delaying Russia's need to diversify its own economy away from energy exports.

I now begin analysis of the Paks II NPP extension, investigating its rationale, the content of the agreement, the issues associated with it across its lifecycle, and finally some benefits it has been projected to deliver to Hungary.

Paks II: potential structural impacts

Due to the high financial figures involved in Paks II, I have identified five ways in which the Hungarian political economy is exposed to structural change. Specific to the key arguments in the present book, this means ways in which the agreement might assist the HAP project.

First, related to analysis conducted in previous chapters is the issue of an extended Fidesz reign. It seems inconceivable that Fidesz will lose power this decade.

The government's continued successes in achieving so-called supermajorities means there is effectively no domestic opposition in the country. It should not be seen as surprising therefore, that the Hungarian government has been able to construct and develop its tightly controlled network of loyal capitalists – what I advanced as prebendalism in the previous chapter – for the purposes of obtaining what they view as *the right kind of capital*. Moreover, it should also come as little surprise this trend is set to continue. Fidesz has had the capacity to decide who gets rich in Hungary since 2010 and recipients of financial benefits are expected to remain loyal to Orbán. This may see a continuation of pro-market and anti-market policy (Lendvai & Stubbs, 2015; Toplišek, 2020) in connection with Paks II given Fidesz's pragmatism in seeking political capital opportunities. For example, deeper nationalisation could occur in the energy sector, or sectors related to Paks II such as construction, to strengthen the Fidesz-loyal prebendal network.

Second, the debt levels accrued, and repayment timetable create a disproportionate amount of risk for the taxpayer. At 2021 levels, central government debt totalled 86.9% of GDP– the highest in the Visegrád region (World Bank, 2023a) – while 2022 saw the HUF depreciate significantly against the Euro, falling from 352 in February to a low of 430 in October (European Central Bank, 2022). Despite the HUF strengthening against the single currency in 2023, these aspects render the project riskier over time. Additionally, the physical infrastructure of pipelines required for energy delivery contain their own path dependencies that essentially determine a menu of variables upon which the Hungarian energy mix depends. One contributor to this research told me:

> Hungary as well as other countries in the region have been historically attached to the COMECON network of pipelines and it is expensive to construct any alternative to the pre-existing structure. While there have been some ideas on how to do this, none of them reached a phase of construction, such as the South Stream; Nabucco etc. The only thing to have changed were the interconnectors and these are with Romania, Slovakia, and partly with Croatia, which is a good start in terms of reaching various seaports, mainly the Adriatic Sea, importing liquefied gas; Świnoujście in Poland; and eventually the Black Sea. However, transporting liquefied gas these short distances is not good business because transforming gas into liquid consumes 10% of the price (dependent on price), then there are the facilities required on two fronts (1) to liquefy the gas and (2) to revert it back to gas (the second would be cheaper) and then put into pipelines. For a landlocked country like Hungary, these interconnectors are of importance, which alone do not constitute any alternative to Russian-based pipelines. The big strategic mistake of Orbán was to add to the high degree of dependency, namely Paks II. This occurred without any political consideration, and it is therefore quite simply, not reasonable to duplicate the same kind of dependency; any other source would have been more advantageous to Hungary, to balance this situation.
>
> (I18)

This research understands ‘political consideration’ to be public debate and the production of detailed accounts of the financial and environmental ramifications of Paks II. Such opaqueness is much more difficult to achieve with ‘Western’ firms and helps to obscure the actual financial stipulations of the agreement, for example, to where capital is ultimately transferred.

To present an overview of the risk to the taxpayer, immediately after the deal was agreed Romhányi (2014, p. 20) showed the project’s impact on public debt. This data demonstrates that the debt ratio continues to increase even after the final repayment instalment due in 2046. It also shows that an approximate return of 0.5% of GDP will have accumulated by the anticipated lifecycle end date of 2086. This accruement can be used until the decommissioning date to reduce gross public debt though by this time it must be paid and therefore cannot be considered for any return on investment (ROI) figure, rendering the impact negligible.

Third, energy is a bedrock sector on which others rely. Without the electricity generation from the NPP, factories and transport systems would experience reductions in power or perhaps fail to function unless an alternative source was established. High-impacting energy loss has historical precedent in the region, highlighted by the gas disputes between Russia and Ukraine in 2006 and 2009 when Russian exporters dramatically reduced deliveries. These incidents pale in comparison with the ongoing energy crisis wrought by the post-2022 Russian invasion of Ukraine, with economies across the globe, but particularly in Europe developing new energy strategies.[17] While Paks II operates in the nuclear sector, Hungary remains disproportionately dependent on Russian extractive energy as noted above. The continuing war heightens risk to energy imports further, though any predictions regarding supply variations are impossible to make.

Fourth, Paks II has the prospect of transforming Hungary into a net exporter of electricity for the period when the new blocks’ life cycles coincide with those of the existing blocks for up to 12 years from 2024 (all six blocks are expected to function together between 2026 and 2032) according to forecasts. This could eventually have the capacity to create and expand markets, particularly in the Western Balkans creating competition with Slovakia, which also has the facilities to export electricity from its two NPPs. However, Hungary is unlikely to be able to sustain itself as an energy exporter because of domestic demand, in the first instance and the two blocks scheduled for construction will not have the capacity to generate electricity surplus to Hungary’s domestic requirements. This will lead to a reversal of fortunes and a return to net energy importer status. This said, exporter opportunities will be more realistic following the extension’s completion.

Fifth, the Paks II agreement may be a strategic plan and potentially part of a wider approach to manage Hungary’s dependence on ‘Western’ entities. It is not just Fidesz who may be in favour of these outcomes. Certain business interests centre on the continuation of nuclear energy use in Hungary because it is the choice of a model. As one interviewee informed me:

> Paks II has strong justification in the business elite. Dependency on Russia is not simply a geopolitical choice, it is a choice of model, that is to say, for the

> nuclear industry, it is a matter of survival. If you want to conduct individual tests in Hungary after 2013, then you must build nuclear reactors – the only choice is the Russian choice; a rational and reasonable choice. The same is true for the gas industry. MVM [the state-owned electricity operator and owner of the Paks NPP] has a huge portfolio in the country, which is also part of the vision. Orbán wants one national champion selling gas to everyone. What is the alternative to the Russians? The main one is the European, liberalised, fragmented market where anyone can import gas from the pump. This would lead MVM to lose its market share, and in turn in order to retain its market share, it will have to deal with Russia and keep long-term contracts intact. Russia's conservative vision is very popular for contractors in the energy sector. This is a matter of reform and adaptation. For corporate actors this is understandable. This is not geopolitical but economic rationality. Therefore, this type of dependency is not exclusively from Russia nor is it political. This has to be a descriptive, analytical story rather than a methodological one based on statistics because there do not exist, single figures or charts for this.
>
> (I22)

One investigation uncovered a web of payments from the Magyar Villamos Művek Zártkörűen működő Részvénytársasá (Hungarian Electrical Works Private Limited Company) (MVM) to beneficiaries (prebendal actors) to 'expand communication and monitor its social acceptance in the 2014–2016 period' (Átlátszó, 2017b). Tellingly, the largest portion of the HUF1bn (approximately €2.6mn) payout went to a media firm owned by Lajos Simicska –discussed in the previous chapter – a funding stream terminated on almost the same day as his public spat with Orbán. These developments show the Paks II project, even in its earliest stages has begun to benefit firms with positive government connections and simultaneously discriminate against those who do not.

The push for Paks II suggests an approach that privileges statism for selected sectors like energy, but not others such as automobiles. This indicates the government has aimed to monopolise sectors, where 'Eastern' entities have a higher potential to become significant components in stimulating capital inflows and where Hungary could foster export markets for energy deliverables, principally in the Western Balkans due to transmission rights (Isaacs & Molnar, 2017). Concurrently, it could mean Fidesz is wary of entering certain sectors too deeply, potentially based on risk calculations that could undermine its anticipated longevity in power due to firm-withdrawal and a subsequent reduction in revenues.

A more general rationale to yield closer economic relations with Russia and reduce dependency on 'Western' entities is the pre-2010 exposure to clustered market forces that affected Hungary significantly after the 2008 Global Financial Crisis (GFC). What is not evident is why the energy sector has been identified as a target for nationalisation because effects of the GFC on energy pricing structures was negligible, with deliveries largely unaffected. Because the Hungarian government has chosen to nationalise segments of the energy sector, opportunities have arisen to politicise pricing for advantageous results such as utility bill reduction, which became a key part of Fidesz's campaign for the 2014 national election, noted above. Based on a shared ideology, the Hungarian government has developed closer relations with its Russian counterpart, from which Paks II has been sanctioned. This agreement will further permit politicisation of energy pricing because of the levels of electricity that will be generated by the NPP (approximately 40% of Hungary's domestic demand), with the aim of creating further political capital. Let us now take a closer look at the agreement and the issues associated with it.

Paks II: the agreement

Just how important is Paks II to the Hungarian energy mix? According to Deák et al. (2017, p. 65), 'the crown jewel of Russian energy influence in Hungary is the Paks nuclear deal'. This statement is supported by the two most important statistics accompanying the deal. First, the size of the loan[18]: €10bn, approximately 8% of Hungary's GDP[19]; second the estimated timescale: construction on the extension began in autumn 2022 (Euractiv, 2022), though exact future development dates remain undetermined, with the two new blocks due to come online in the mid-2020s and commence commercial operation in 2025 or 2026 reaching life-cycle end in the mid-2080s. These data are only applicable as a forecast as many NPP projects overrun in both time and cost variables. The decommissioning and deconstruction of the current four blocks is also part of the deal and is expected to be accomplished by 2037. The agreement will see approximately 80% of the project financed by a €10bn loan from the Russian state-owned VEB. RF, with the remaining (approximate) 20% borne by the Hungarian state.

This research claims Paks II is the standout achievement of the KN.[20] To extend or withdraw from nuclear energy in Hungary is broader than simply choosing which development path the state wishes to travel. Rather, it is a watershed moment in which to become less dependent on Russian energy resources. Fidesz has disregarded a list of factors, described above, to sign a deal with the Russian state-owned nuclear energy agency, declined to offer public tenders on the project, and nor did it host a public debate on the issue. Ignoring the possibilities of using other sources has created domestic political tension in Hungary. As one opposition MP asserted:

> Russian influence is very dangerous. It is in the media and is used as information, which is misleading and has the potential to undermine democracy. It is very dangerous that this information goes to the public. TV channels, which are dominated by Fidesz, use this misinformation as genuine information, which is fully unacceptable. We can see this problematic plan at Paks. There were no other considerations of using other firms or countries other than the Russians. Our party says nuclear energy is very dangerous even when it works properly. [This is because of the] nuclear waste coming out of the big power stations, and we can't do anything with that. They, [Fidesz] insist on having nuclear energy and to have it from the Russians. This was clearly

> a politically managed barter between Putin and Orbán. Orbán even went to Moscow, and they signed the contract. Since that, the EU will not show the red light to this project either. We can see that business interests are involved in this project. We can see that if Western companies can be part of this project, then the whole project becomes more acceptable to the Western world. We counted on that because we know this is how business works. One of my first statements was that the Hungarian people need to elect a different PM. We know we won't receive any external help on this.
>
> (I12)

Despite these concerns, with Fidesz firmly in control of many institutions and much of the media, there is little that has occurred in terms of popular protests. Indeed,

> People understand it's a crime, but with a two-thirds majority, the government is hard to challenge, if not impossible. It's also not really in the popular imagination much. It is an out-of-sight project, and people don't often see many alternatives very clearly. It's very hard to take people to the street to demonstrate for windmills.
>
> (I20)

This comes despite the paradox between support for Fidesz – a conservative political party, which espouses traditional values such as anti-Russian sentiment – and the party's closer relations with Russia and its pursuit of Russian credit lines and technology to extend the Paks NPP. The previous section acknowledged the importance of Paks II for enriching prebendal actors close to the deal, though according to one expert, there is something more personal involved.

> Orbán is doing this because he is also anti-Europe. Putin is his mentor. What happened at the 2010 election is a carbon copy of Putin; he is playing from the script of Putin. This is much more of an ideological political development: Putin is an ally in his fight against EU and for Putin, Orbán is an ally to weaken the EU.
>
> (I25)

These claims of course would be hard to prove. Nevertheless, Putin's ideology, longevity, and own sycophantic network is something Orbán is striving towards, and to a large extent has achieved, albeit with obvious national differences in the first instance. Let us now take a more detailed look at some of the issues and costs across the lifespan of the development.

Issues and costs at the onset of the project

Since the deal was signed between the Hungarian and Russian states in January 2014, criticisms have been consistent from a variety of origins. Most notably from

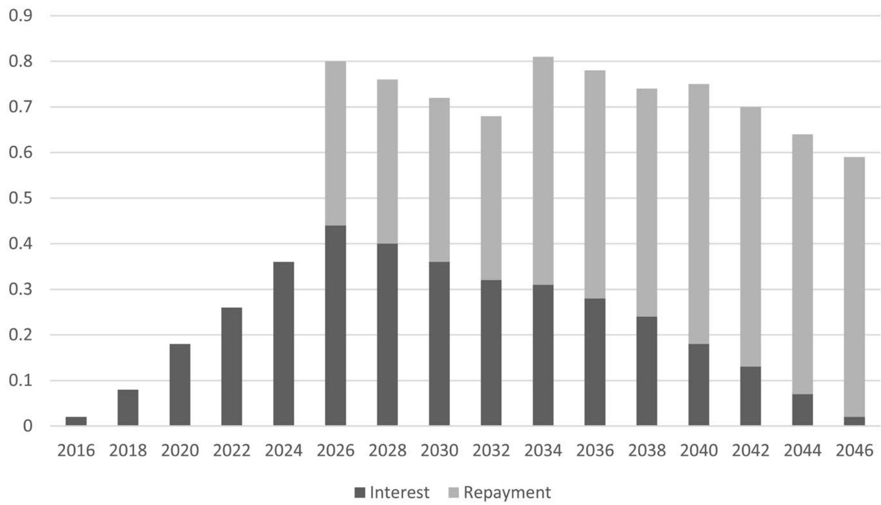

Figure 4.3 Paks II loan and interest repayment schedule (billions/€)

Source: Adapted from Romhányi (2014, p. 16)

Hungarian domestic opposition political parties, academics, proponents of alternative energy supplies, ecologists, economic experts, and the European Union.[21] The widespread scepticism to the deal broadly centres around six issues.

First, the interest and repayment costs of the project, outlined in Figure 4.3 (Romhányi, 2014, p. 16). For its part, the Russian state will finance approximately 80% of the €12.5bn project with the Hungarian government accounting for the remainder, noted above. The Russian side is prepared to finance the whole deal should it be required, however (Tass, 2017), which would increase repayments and perhaps extend the timeframe of repayment. To be sure, the current repayment schedule creates an asymmetrical relationship between the Russian supplier and Hungary as recipient as a 'sectoral influence' (Deák et al., 2017, p. 72) may be established because of the increase in the capacity to coerce the recipient. This leads to the capability of Russian parties exercising an undue advantage over Hungary, underscored by the current 30-year repayment timeframe (2016–2046). Further, the energy relationship between Hungary and Russia is uneven, primarily because of the restrained capacity for bargaining power on the part of the Hungarian side. Again, how far the ongoing Russian invasion of Ukraine will affect Russo-Hungarian energy relations remains unknown.

Second, some have criticised the project from the perspective of energy alternatives for Hungary. Expert, specialist publications have argued that Paks II is unnecessary in terms of meeting Hungary's energy requirements for the period envisaged (Romhányi, 2014; Sáfián, 2015). Potential alternatives include rationalising energy consumption through development of energy efficiency, decentralising the energy system, and increasing the capacity of renewable energy. However, for these alternatives to be realised, investment, increases in R+D, the raising of public awareness, and political commitment would be required (Energiaklub, 2022), creating additional challenges for the energy sector.

Third, potential for ROI remains unclear. Indeed, four separate publications have created different conclusions. One study claimed 'the power plant faces a cumulative discounted cashflow loss of around HUF110bn (approximately €290mn)' (REKK, 2013). A government-backed investigation surmised the period of repayment of the Russian loan will entail large cost pressures on the NPP (Aszódi et al., 2014). A third study found that power prices will be required to increase dramatically for the project to pay off from an investors' perspective (Romhányi, 2014). Finally, a fourth investigation detailed that for the agreement to be profitable, 'wholesale power prices should undergo a stable increase of 75% at constant prices' (Felsmann, 2015, p. 8), which the study's author notes, is considerably more than the European Commission's forecast of a 25% increase in real value by 2026. These conclusions produced by analysts that range from critical to pro Paks II (pro government) positions reflect the uncertainty of the project in terms of ROI forecasting. Indeed, such unknowns stimulate some pressing questions. As one interviewee informed me:

> The life cycle of the plant has been known for a time. A strategy has to develop to guarantee Hungary's energy sources and determine the percentage make-up of energy types. A study into this has never been published, however. Alternative energy solutions are developing fast. There is also a lot of room for gasification. What is the strategy for distribution of the 40% of electricity produced by Paks II? Perhaps an extension of three decades isn't necessary to do due to upgrades in technology. There is no competition, no political debate, very little transparency, public consultation. [The deal] doubles the nuclear capacity of Paks and therefore, of electrical output, which assumes Hungary will be able to sell the excess energy. This is a very questionable forecast. Even if this is true, it should be done through correct channels, such as strict tenders because there are rumours of massive corruption.
> (I27)

Fourth, a result of the deal is the drawdown of investment into the Hungarian energy sector from major Western firms, which has the potential to create an atmosphere of implicit hostility felt by such companies leading to a reluctance to engage in business operations in Hungary in the future (Ámon & Deák, 2015). The withdrawal of 'Western' firms operating in the energy sector in Hungary due to cost pressures, means investment in the electricity and gas sectors dropped substantially from 0.9% of GDP in 2010 to 0.44% of GDP in 2014 (Deák et al., 2017), paving the way for Paks II to not only fill this gap left vacant by 'Western' investments but to more than double Hungary's electricity generation capacity by 2026, the year the first new block is scheduled to become commercially operable.

Fifth, according to one report, there are significant possibilities for endemic corruption during the construction period. One publication claims at least 5% of the project value (€600mn) carries an exposure to corruption risks (Fazekas et al., 2014).

This money would be a loss for the taxpayer in the first instance and has the potential to flow into the pockets of Fidesz-loyal actors or small and medium enterprises involved in the project. This potential outcome would be highly favourable to the proponents of the prebendal network in Hungary. It also reflects the kind of capital in-system Hungarian actors seek and would serve to reinforce the hegemonic status of HAP. The stimulation of transfers of 'easy money' in this regard would be less likely from 'Western' operators (though still likely) and therefore (partially) points to the reason for selecting Russian bodies to execute the Paks II project.[22]

Finally – though by no means least important – there are serious concerns surrounding potential ecological dangers. All NPP projects carry the heavy burden of environmental issues with the potential to induce massive catastrophes, perhaps most famously highlighted by the 1986 Chernobyl disaster, approximately 600 kilometres from Hungary's North-Eastern borders. One report (Átlátszó, 2017a) states the Paks site is situated on a geological fault-line, contravening the International Atomic Energy Agency's recommendations that no NPP should be constructed on a tectonic fault-line that has generated surface movement in the last 100,000 years. However, a geological report claimed that there has been tectonic activity at the site in the last 10,000 years (Budapest Beacon, 2017). It has therefore been recommended the site be relocated 100 metres to the north to avert catastrophe from tectonic activity, however, remote the possibility (Átlátszó, 2017a). More recently, following the 2022 national election, Minister of Foreign Affairs and Trade, Péter Szijjártó assumed responsibility for the delivery of the project because of its significant delays stating to a parliamentary committee, stating: 'our goal is to speed up the Paks project' (Direkt365, 2022). Perhaps this is due at least in part because friction has emerged between this objective and the Hungarian Atomic Energy Authority (HAEA), which has a prominent role in licensing of the project. The HAEA is principally concerned with possible disparities around sinking ground under the proposed blocks, which would be detrimental to security of the development. In July 2022, despite the prospect of the forced relocation of the site, Szijjártó promised construction would begin in September of that year (Euractiv, 2022).[23]

Despite these concerns, the Fidesz position is that Paks II is justified on the grounds of the energy situation, supply security, and considerations of national security. This may appear paradoxical given the NPP extension will create increased dependency on Russian energy suppliers, thus potentially undermining national security despite the ownership of Paks remaining in Hungarian hands. Support of this position, however, is demonstrated by the country's need to import 58% of its energy for household deliveries (World Bank, 2022), exacerbated during extreme temperatures in winter. I discuss the Hungarian energy gap in more detail below.

Issues and costs during the project

Construction of the two new blocks is scheduled to be completed between 2025 and 2026. The four existing blocks have been granted a lifecycle extension, due to be decommissioned between 2034 and 2036. These details assume no delays in the project. This means the existing blocks and the new blocks' operation will coincide for up to 11 years, creating excess electricity supply and adding to the issues of waste management (Romhányi, 2014). Additionally, 'substantial fiscal adjustments will be required in the investment period covering the first 10 years, irrespective of electricity prices, to compensate for the increase in the debt ratio' (Romhányi, 2014, p. 23). From beginning to end of the repayment schedule, the risk burden lies squarely with the Hungarian taxpayer. This contrasts with other NPP schemes where the risk is outsourced to the private firms conducting the construction and running of the projects, for example at Hinkley Point in the United Kingdom.[24]

Another variable that Paks II affects is employment as NPP projects typically employ fewer workers than other energy initiatives – particularly renewable energies – though this in turn relies on other factors such as labour intensity, cost increases, availability of investments, skills, etc. (Lambert & Silva, 2012; see also Rogers, 2022).

At its peak in 2033, the combined total of Hungary's repayments and interest will be equivalent to approximately 10% of Hungary's GDP, at 2018 levels. A significant impact of this financing structure is the increase in public debt, which will be borne by the owner of the plant (the Hungarian state), and in turn this will likely mean an increase in the tax burden for Hungarian citizens. Figure 4.3 charts the loan and interest repayment schedule for the 30-year liability period.

For two decades from 2026, the sum of repayments and interest will fluctuate between 6% and 9% of Hungarian GDP, creating enormous exposure to the Hungarian state. This is compounded by the issues surrounding management and risk-share burdens between parties, as well as delays, which regularly accompany NPP projects undertaken by Rosatom (Deák et al., 2017). Taken together, these financial stipulations produce a staggering amount of risk for the Hungarian taxpayer.[25] While the interest rate is fixed, which negates any volatility in markets (e.g., currency exchange), the repayment programme will last for over a generation, a time-period that may see energy technology enter the market that is yet to be conceived and political parties enter and leave power.

Issues and costs at the end of the project

Decommissioning costs create a further drain on the taxpayer. While the forecast is for a final figure of HUF288bn (approximately €757mn) per reactor at 2014 prices, it is unrealistic to accurately gauge a projected cost over 60 years ahead. Further, final costs are dependent on the nominal interest rate,[26] which could vary significantly in the period until the forecasted decommissioning dates. Table 4.2 illustrates the required level of provisioning for decommissioning costs

Table 4.2 Paks II real interest rate and decommissioning costs

Real interest rate (%)	0	1	2	3	4	5	6	7	8	9	10
Decommissioning costs (HUF/kWh)	0.588	0.427	0.302	0.208	0.140	0.091	0.059	0.037	0.023	0.014	0.009

Source: Adapted from Romhányi (2014, p. 12).

at 2014 prices as a function of the real interest rate, revealing the wide margins into which the final costs will occur and again reflecting the cost-volatile nature of this project that is planned to stretch almost until the twenty-second century. Analysis reveals, however, that by the time the last plant is to be decommissioned in 2086, the project for the state will break even though the ROI will be negative (Romhányi, 2014).

With such a low potential for ROI from Paks II, together with the lack of necessity to extend the lifecycle of the project by constructing new blocks and the enormous costs involved – which are likely to increase as the project develops – it is logical to further question why this deal has been sanctioned by the Hungarian government. This is compounded by the lack of public debate on the deal before it was signed and as with all NPP projects, there is the potential for environmental disaster however many risk assessments have been conducted. From this evidence, it is unsurprising there has been widespread indignation, stretching from expert NGOs to cross-party domestic politics, and international institutions.

Why would the Hungarian government decide to implement the project, particularly when there is so much risk to the Hungarian state? Deák et al. (2017, p. 70) claim 'Orbán's turn to Russia must have a strong economic justification' but what might that be if statistical data point to an unprofitable result for the owner (the Hungarian state) after a 70-year period, a heavy burden for the taxpayer, a lack of employment opportunities vis-à-vis other energy sources, the withdrawal of 'Western' energy MNCs from Hungary, the potential for ecological disaster, and, the likelihood of cost-project overruns?

The evidence I have presented in this chapter thus far demonstrates the explanatory power of the theoretical frameworks I developed in Chapters 1 and 2. First, Fidesz' ideological development since electoral defeat in 2002 – what I have termed Hungarian Authoritarian Populism – has stimulated ideological affinities with cognate expressions of politics external to Hungary, in this case Russia. Second, Hungarian capitalists loyal to Fidesz and the HAP project have embarked on a well-planned and institutionalised method to generate alternative income streams, which in turn, complement HAP. The Paks II agreement, therefore, is a real-world example of Fidesz and Fidesz-loyal actors' successful pursuit of *the right kind of capital*. Be that as it may, there remain advantages to Hungary from the NPP extension, which I now outline.

Benefits from Paks II to Hungary

I have identified nine areas where the Paks NPP extension may bring advantages to Hungary.

First, the possibility that Hungary could become a net-exporter of electricity during the period when the six blocks are online together (2026–2032) has the prospect of being an income-generating sector despite the accumulation of outgoing costs during the project's lifecycle. This remains dependent on European market developments, however. Eventually, this creates the potential for contracts with buyers of Hungary's surplus production and could alter the political economy of energy in the region and particularly the Western Balkans, Hungary's target recipient of electricity exports.[27]

To help prepare for such an eventuality, Hungary has consistently blocked construction of cross-border high-voltage transmission lines from Slovakia, which could transport electricity generated from its Mochovce NPP, into the Western Balkans (Slovak Spectator, 2016). This may be an attempt to obstruct competition and dominate the future market. However, for this outcome to be realised, it will be essential to increase transition capacities into the region as continuing imports at current levels will not shift Hungary's CEE price zone status.

EU Commission rules state that for the project to go ahead, Hungary is obliged to sell a minimum 30% of the plant's electricity output on the open market (Financial Times, 2017a). However, it is not clear how this might be achieved in terms of strategy. Questions arise over the potential for increased electricity generation from Paks II. For example, does Hungary have a long-term strategy to sell electricity in the region? How will Hungary compete with the four reactors in neighbouring Slovakia in terms of electricity sales within the CEE region? How much capital will be recouped? Where will capital accrued from sales be deposited or distributed? Will Hungary aim to become a dominant force in energy supply in a regional (CEE, V4, Western Balkan) framework? Little is clear in this regard. Because the Hungarian government offered no public debate before signing agreement, little is known about (projected) strategies. Should Hungarian governmental decisionmakers seek to export electricity generated by the infrastructure's extension, economic risks will require forecasting. They include: the volatility of electricity price over time, loan repayments (the ability to pay is important to consider here as the interest rate is fixed), attraction to investors, cost and time overruns, environmental safety, waste management, low employment vis-à-vis other forms of energy production, and decommissioning costs (Romhányi, 2014).

Second, despite the potential loss of political capital from striking a deal with Russian state agencies, the risk generated by Fidesz's decision may be offset by the lower utility prices that will emerge from Paks II.[28] According to Former State Secretary, Attila Aszódi, the government minister formerly responsible for Paks II, the extension is crucial because without it, the only option for Hungary to satisfy its energy demand would be to increase gas imports once the existing four blocks come offline in the 2030s (Politico, 2016). This is a dubious prediction, however, given the continued reduction in cost and improvement in quality in the renewable sector (Sáfián, 2015).

Third, the EU has backed the deal despite initial scepticism amid allegations that it did not adhere to EU competition rules. Originally, the European Commission had raised concerns that illegal state aid may have been part of the loan agreement, though these were later rescinded. This decision provides institutional legitimacy, allowing Hungary and Russia to continue with the project. This assessment was reinforced by an influential report (Rothschild, 2015) strengthening the Hungarian government's claim that Paks II is economically viable, lending increased international (i.e., 'Western') justification for the project to proceed. Doubtless, this acceptance was assisted by the entrance to the development of various conglomerates including Franco-US firm GE-Alstom and Franco-German company Framatome-Siemens (Interfax, 2022).

Fourth, in terms of risk to Hungary's energy portfolio, nuclear energy has the capacity to reduce the dependence on 'more expensive and price-volatile energy sources' (Rothschild, 2015, p. 5). In the first instance, this relates to Russian supplies of extractive energies (oil and gas), reflecting the broader dimension of the historical dependence, discussed earlier in this chapter. However, the volatility of these types of energy is an international phenomenon and not restricted to country-of-origin status, meaning it would be offset by the extension of the Paks NPP. In other words, if the Hungarian state was to continue partial ownership of its own means of energy production, it would be less susceptible to the shocks that international extractive energy markets can experience, which affect pricing and subsequently imports and exports from the source country. Furthermore, this may to some extent mitigate against any future energy transit disputes, which have affected the Russian energy export sector, most notably the 2006 and 2009 Ukrainian Gas Crises mentioned above, and the ongoing energy crisis borne from the post-2022 conflict in Ukraine.

Fifth, a 2014 study by MAVIR a subsidiary of MVM found that by 2030 – a year when the four existing blocks and the two planned blocks will coincide in their operational roles – Hungary will have an energy capacity gap that can only be overcome by the extension of the Paks NPP. There are set to be drawdowns in six other energy sources, too: coal, gas, oil, small biomass, small gas, and small renewables (Rothschild, 2015, p. 34). These forecasts calculate these six energy types coupled with increased demand will create a capacity gap of 7.3 gigawatts (GW)[29] by 2030. While Paks II will be able to account for much of this shortfall in electricity due to the higher quality of output vis-à-vis existing blocks' archaic technology, even these additions may struggle to fulfil the requirements by 2030. Further, it is not clear from this report what might happen in relation to the forecasted growth in demand and the drawdown of the abovementioned energy types when the current blocks are decommissioned in the 2030s and the two planned blocks become the sole blocks at Paks.

Sixth, despite the relatively large construction costs that any NPP entails, operating costs are typically negligible. If the initial forecasted costs of €12.5bn are divided by the projected lifecycle of the two new blocks (60 years per reactor), a crude average sum of €100mn per reactor per year results. Once the timetabled repayment and interest payments have been settled on the part of the Hungarian state in 2046, the NPP will operate for four decades with no external payments due. Furthermore, there is the possibility for the new blocks to be granted a lifetime extension of 20 years each, should there be sufficient safety and economic rationale at that time (Rothschild, 2015). An additional factor to consider here are the levels of operation and maintenance (O&M) costs, which include those costs required for the daily running of the NPP, excluding fuel. O&M outgoings for Paks II are forecasted to be significantly lower than those NPPs in 'Western' Europe and similar to the Slovak NPPs' O&M. Figure 4.4 illustrates the projected O&M at €7.8 per MWh, over 20% less than the next most expensive, with the United Kingdom an

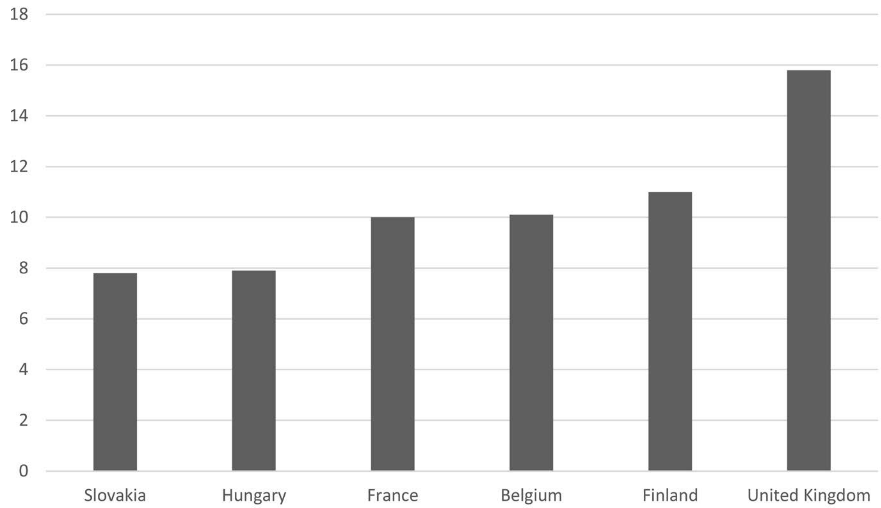

Figure 4.4 Paks II projected electricity generation costs €/MWh

Source: Adapted from Rothschild (2015, p. 48)

outlier. Again, this may be complemented financially through the Hungary becoming a net exporter of electricity – though substantial grid upgrading is required across the region including in Hungary – especially as it is legally obliged to sell 30% of the electricity output on the open market, as outlined above.

Seventh, in terms of environmental concerns, which regularly accompany NPP plant construction and operation, nuclear energy is carbon-free vis-à-vis more 'traditional' forms of energy, such as fossil fuels. Therefore, opposition to so-called 'dirty energy' such as coal can be appeased by nuclear energy, which is clean. Moreover, Hungary has extremely limited coal reserves, noted above, meaning coal importation would be required, creating tensions with the EU over climate and energy policy goals. Resultingly, while other 'clean' energies such as solar and wind are not yet ubiquitous in the European energy markets, the extension of the Paks NPP is a rational choice in this context, given the desire for carbon-free emissions.

Eighth, the original agreement signed between Russia and Hungary in 2014 stipulated that 40% of the project's construction will be undertaken by Hungarian firms. This leads to the potential for the NPP to create employment opportunities for approximately 1,000 employees and stimulate productivity for local small and medium enterprises. Additionally, there is a forecast that local wages are set to increase by approximately 15% on average because of local job procurement connected to the plant, which could become stable because of the long lifecycle. More broadly, the project will likely see supply chain opportunities for local firms, which may allow for knowledge transfers from Russian partners thus potentially upgrading the quality of the local supply chains (Paks2, 2014).

Finally, Paks II does not have the potential to overwhelmingly dominate the Hungarian energy mix. The two planned blocks will continue to generate electricity at similar levels to the existing blocks (approximately 40% of Hungary's requirements), leaving space in the energy portfolio for other energies particularly renewables. The costs of renewable energy types reduced in recent years, and even since the original deal was signed the potential for renewables to enter the Hungarian market more widely has become more feasible. The twin shocks of the COVID-19 pandemic and the 2022 Russian invasion of Ukraine have affected energy pricing including in renewables, however. While costs for solar and wind energies will fall in 2024 and likely beyond, they are forecasted to remain 10%–15% above their 2020 levels (International Energy Agency, 2023).

The benefits that Paks II will and could potentially bring to Hungary are not insignificant, despite widespread domestic and international opposition to the project. The decision by both Hungarian and Russian governments to sign the deal has been reinforced by the EC, after initially opening infringement proceedings against the Hungarian state in 2015. To achieve the EC's consent, the Hungarian government has committed to three stipulations: (1) to avoid overcompensation of the operator of Paks II; (2) to avoid market concentration; and (3) to ensure market liquidity (European Commission, 2017). The EC's acceptance of the deal was an unusual move according to one commentator (EU Observer., 2017a), not least because it allowed a member of the investigated state's government (Hungary) to announce the result of the investigation, instead of an EC representative. Ultimately, the EC – reinforced by the arguments of Former State Secretary Aszódi – cited 'technical exclusivity' as one of the reasons for accepting the deal. In other words, only Rosatom is technologically capable of providing the hardware and expertise to realise the project design. However, given alternative nuclear energy firms also possess technological expertise and the experience of developing and extending NPPs, it is worthwhile briefly evaluating the power of the (Russian) nuclear lobby as this may illuminate why this decision was realised, but also highlight lines of enquiry for cognate research.

The power of the (Russian) nuclear lobby

The wider nuclear lobby remains powerful and has the capacity to embark on new projects despite constraints including enormous project costs and timespans: the nuclear industry typically delivers NPPs that are extremely expensive and often overrun in terms of cost and time schedules. Not only have these factors in part led to the unpopularity of nuclear plants through lack of trust, particularly in Europe but the nuclear sector is threatened by the ever-increasing reliability and cost-effectiveness of renewable energies. Further, more traditional solutions such as coal and gas the COVID-19 pandemic, and Russia's invasion of Ukraine continue to skew pricing.

The holding company Rosatom offers a case in point. Globally, the conglomerate is listed first for uranium enrichment (36% market share), second for uranium reserves, and third for uranium extraction (Rosatom, 2023). The state-owned entity's recent strategy has been to invest in wind energy despite its potential to tap into 'Western' markets (Financial Times, 2017b). This leads to the understanding that Paks II could be to some extent one of the last throws of the dice in terms of NPP construction for Rosatom. On a global scale, NPPs are becoming rapidly less financially viable, putting the nuclear sector itself in increased jeopardy in terms of competition from rival firms in adjacent energy sectors, particularly renewables.

The Russian actors who brokered the Paks II deal with the Hungarian parties had to cooperate with a broad range of state institutions, Rosatom subsidiaries, and a large association of R+D companies to reach an agreement and these were anchored in three specific interests: (1) energy business and associated profits; (2) modernisation of the Russian economy; and (3) foreign policy interests, stymied by (pre-2022) 'Western' sanctions[30] (Aalto et al., 2017, p. 386), though Rosatom itself and the wider Russian nuclear sector were not directly affected by those sanctions (Aalto & Forsberg, 2016). It may be the case that the Russian state has pushed for Paks II because of the wider effects 'Western' sanctions have had on advanced technology transfers, a critical component for accelerating development, which in turn may be contingent on the development of the current conflict in Ukraine, which at this stage is impossible to predict.

Other factors point to a broader and more institutionalised power within the nuclear lobby. The EC performed a volte face on the Paks II agreement and rival firms (to Rosatom) were overlooked, as noted above. Further, Rothschild the powerful financial advisory group produced an influential and strong case for the viability of Paks II despite the project's clear shortcomings (Rothschild, 2015). Additionally, one investigation (EU Observer, 2017b) found that before the contract was signed with Rosatom, Orbán hosted the firm's CEO in Budapest in late 2013; a meeting orchestrated by one of Germany's top business 'fixers', Klaus Mangold. The latter individual has had personal relations with Putin since 1993 and had dealings with the first Fidesz government (1998–2002) where he offered the opportunity to upgrade the Hungarian military's MiG-29 fighter jets to become compatible with NATO requirements before accession in 1999. On that occasion, Hungary opted against Mangold's proposal and relations turned dormant. In 2012, he came to work for the Hungarian government and has been on the payroll since. Mangold has close ties to the Rothschild organisation and travelled with EC member Günter Oettinger to Budapest on the former's private jet (EU Observer, 2016). With Mangold – a member of a broader European business elite – 'a solution satisfying Russian, German, French, EU and Hungarian interests must have been found' claimed Hungarian Green MEP Benedek Jávor (Direkt365, 2017).

Clearly, the origins and negotiations of the agreement have been complex, and solutions have been sought on an international level. While it is also beyond the scope of this book to study the nuclear lobby and its power vis-à-vis the European Commission, investigations into this may yield positive results for those concerned with these institutions and the wider Hungarian energy portfolio. I expand on this in Chapter 6. Even from this brief discussion, it is apparent that the wider nuclear lobby, with specific reference to Russian state interests in this example, maintains globally interconnected and powerful interests. How far the Hungarian government might have been pressured into extending the Paks NPP is an important topic, though it is concomitantly logical to use Russian technology and expertise given the original constructors and technology were Soviet. Whatever the case might be, the Paks II has come to form a significant externality of the Hungarian political economy, one which I argue helps maintain the HAP project.

International interests: Hungary between 'East' and 'West'

Hungarian Authoritarian Populism has become the underlying rationale for Hungary to direct efforts to the 'East' to create positive conditions for self-reproduction. I argue this method of governance has manifested itself within the decision-making processes connected to the Paks II agreement, at least from the Hungarian perspective. The project is not necessary for Hungarian energy needs despite arguments to the contrary from powerful advocates. What the deal does deliver is a cycle of 'easy money' attractive to the nationwide prebendal network of government-loyal actors, which in turn strengthens the HAP ideology. From the earliest moments of the deal such as the meeting between Orbán and the CEO of Rosatom, transparency on the particulars of the agreement has not been forthcoming. At the time of writing, 23 years of repayments to the Russian lender remain[31] and it is therefore too challenging to gauge the extent to which accumulation practices might proliferate, which actors will benefit, which will not, and which sectors may be exposed to these activities. HAP has become dominant enough for Fidesz to perform an unexpected about turn to reanimate and advance economic relations with Russian actors, without significant loss of political capital, an important change to the 'balance of forces'.

It could be argued that the decision to commission the Paks extension may be a conservative approach to energy policy on the part of the Hungarian government with diversification of the energy portfolio a missed opportunity. In other words, decisionmakers have overlooked the decreasing costs and subsequent investment rationale of renewable energy technologies, which have the potential to service Hungary's energy requirements. It is unlikely that such a large-scale deal will be repeated between Russia and Hungary soon, particularly given Russia's lack of presence in other sectors, but also because the Paks II agreement is large enough to service the prebendal network through accrual of *the right kind of capital*.

Russian investment is unable to meaningfully penetrate the Hungarian market due to the extant MNC operations dominant in sectors such as banking and manufacturing and an ostensible dearth of 'Russophilism' in the Hungarian sectoral elites has further prevented deeper Russian influence, which is in general more prevalent in the Western Balkans, for example. This results in a form of semi-cold relations, whereby Orbán can arrange closer relationships with Russia, be openly verbal in his stance against 'Western'-led sanctions, but Putin cannot embed himself or wider Russian economic interests in Hungary. From the Russian perspective, Orbán, Fidesz, and Hungary more broadly are a good fit for a pragmatic strategy with the EU. Whilst other post-socialist EU and non-EU states offer other certain benefits to Russia and are to some extent compliant with Russian institutions (for example, Belarus, Bulgaria, and Serbia), Hungary as a richer country in terms of GDP per capita is an attractive partner. While it is beyond the capacity of this research to undertake a more thorough analysis of Russian perspectives of Russo-Hungarian relations – particularly, as already stressed, regarding their changing dynamics since the 2022 Russian invasion of Ukraine – Paks II and the wider strengthening of bilateral relations with Hungary may be an attempt by Russia to operate at the periphery of the EU and particularly with one country that has been a historical leader in generating change in the region, on which I elaborate in Chapter 6.

Neither Orbán nor the ruling Fidesz party have crossed any so-called 'red lines' set by the EU either formally or informally in relation to Russia. While Paks II was subject to scrutiny and criticism from the EC, it was found ultimately to abide by the institution's rules and was therefore deemed acceptable. Further, while Hungary has criticised the continuation of Western sanctions on Russia, which were first implemented in 2014, this has not graduated from the rhetorical level to become anything practical. Perhaps most importantly, while Hungary continues to accommodate 'Western' – particularly German – industrial presence, Orbán remains a welcomed man in Brussels.

The next chapter extends the empirical investigation into external dynamics of HAP and examples of how *capitalists without the right kind of capital* operate to develop new accumulation pathways with analysis of investment projects between Hungary and China.

Notes

1 Interest rates for the project are staggered in four stages. The first period will be fixed at 3.95% until 2026 – the date the first block is scheduled to be commissioned. Subsequently, the rate will rise to 4.5%, 4.8%, and finally 4.95% at 7-year intervals.

2 This outcome echoes some African countries' preference for Chinese capital over Western institutional sources (e.g., the World Bank), due to the lack of political conditionalities that accompany Chinese investment (Power et al., 2012).

3 Germany has been the dominant importer of FDI stock into Hungary since at least 1998 (KSH, 2018).

4 Nuclear power plant construction projects typically carry a higher risk of capital loss through corrupt practices than other energy projects (Energiaklub, 2017).

5 The Hungarian Workers People's Party was in power from 1948 to 1956. Following the forced resignation of Rákosi, the party was changed to the Hungarian Socialist Workers' Party, which governed Hungary until 1989, with János Kádár as the General Secretary until his retirement in 1988.

6 In Hungary's case, this was primarily in the form of borrowing, as discussed in the introductory chapter.

7 Hungary's natural resources include bauxite, coal, petroleum, natural gas, manganese, uranium, and iron ore. However, these reserves are negligible in comparison to other CEE countries, such as Poland or Romania and the quality is often poor.

8 Finland is a notable exception here. It imported 100% of its oil and gas from the Soviet Union, and today continues to import much of its energy portfolio from Russia.

9 In the 2000s the Hungarian parliament overwhelmingly voted to extend the reactors' lifespan by a further two decades and they are now due to expire in the 2020s. The NPP in its current capacity generates approximately 45% of Hungary's electricity demand.

10 This would have generated more security in delivery following the 2006 and 2009 Ukraine Gas Crises.
11 This information was shared by a political expert during fieldwork for this research.
12 Or other centre-right parties most notably the *Magyar Demokrata Fórum*, which won the first democratic elections in 1990.
13 However, there were brief periods when Poland surpassed Hungary as the largest recipient of FDI in CEE, though Hungary remained the standout case throughout the decade, especially given its population relative to Poland.
14 Another Russo-Hungarian business deal of note is the case of the upgrades to the Russian-made metro cars on one of the Budapest metro lines. Despite its inferior technology and higher cost vis-à-vis at least one rival bidder, the Russian firm *Metrovagonmash* won the tender to modernise the metro cars originally built in 1978, rather than deliver new models (Napi, 2015).
15 EUR 1 = PLN 4.18 (Polish Złoty) at time of article publication (2014).
16 The other case is the planned Hanhikivi NPP in central Finland, which is currently in jeopardy following the May 2022 decision for the project owner to terminate the engineering, procurement, and construction contract (World Nuclear News, 2022).
17 Interestingly, the conflict has provided energy firms with abnormal returns (Nerlinger & Utz, 2022).
18 Total costs are anticipated to amount to €12.5bn, with the Hungarian state providing the remaining €2.5bn.
19 In 2014, the year the deal was signed, Hungarian GDP was approximately $140bn. This had risen to approximately $179bn by 2022 (World Bank, 2023b).
20 As discussed in chapters two and six, in August 2022 the Contemporary Amperex Technology Co. Limited (CATL) announced a €7.4bn agreement to build a battery plant in Debrecen in eastern Hungary. Should this development fully materialise, it will be CEE's largest ever Chinese investment. How far this might constitute the KN's most important achievement is a question for other analysis, however.
21 Opposition to the deal from the EU was later withdrawn after receiving assurances that the project will be part-financed by state aid, which agrees with the stipulations concerning EU competition laws.
22 The principal reason the European Commission finally removed objections to the Paks agreement was the acknowledgement of 'technical exclusivity' (i.e., that only Rosatom could perform the necessary technicalities). Rival US-based firm Westinghouse has disputed this, however, and tabled a bid to handle the project. When the EC permitted Rosatom to construct the NPP extension, Westinghouse VP of Strategy and External Relations stated: 'We never received any questions about technical issues or concerns after 2 years of intense technical exchange' (Politico, 2017).
23 After a visit to the site in October 2022, I can confirm that construction has begun (see Figure 4.1).
24 This is not to say that this example is risk-free. Because the risk is attributed to the constructors in this case, the price burden for household consumers necessarily increases. A governmental equity stake of 50% may have halved the power price, thus limiting utility costs.
25 This is not the first time the Hungarian public have been exposed to high-risk finance. Notably, during the 2000s, Hungarian householders were encouraged to apply for mortgages in foreign currencies, mainly Swiss Francs. This created an extremely risky situation where mortgage-holders were on the receiving end of currency exchange rate fluctuations, which ultimately left them in an unsustainable position almost overnight after the effects of the Global Financial Crisis. For a detailed study on this and its ramifications, see Bohle (2014).
26 The sum of inflation and real interest rates.
27 Hungarian Minister of Foreign Affairs and Trade Péter Szijjártó has consistently called for more integration of the Western Balkans into international organisations such as the EU, ostensibly to assist with migrant issues, which have been politically divisive in the

region since at least 2015. Should the remaining states in the region accede to the bloc, dependent on specific legal aspects, tariffs would be removed and cross-border trade would flow without the requirement for inspection.

28 Households in arrears on utility bill payment dropped from 22.1% in 2010 to 11.1% in 2018 (Weiner & Szép, 2022).

29 10^9 watts.

30 Importantly, Rosatom has not been sanctioned by 'Western' governments even since 2022. According to qualitative data one of the principal reasons is that 'the EU is dependent on Russian conversion and enrichment services', while central European countries (and Ukraine, until 2022) are dependent on 'technologically specific fuel assemblies for VVER reactors that Rosatom fabricates for them' (Open Democracy, 2022). However, a newly established firm tasked to manage the captured Zaporizhzhia NPP in Ukraine – Europe's largest NPP – has been sanctioned (ibid.).

31 The terms of the deal are much less favourable than similar deals made between Rosatom and other countries such as Belarus and Vietnam (Deák, 2014).

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5 Fidesz and Chinese capital

The Belgrade-Budapest railway upgrade

In context: the Belgrade-Budapest railway upgrade

This chapter demonstrates how Fidesz has opened a second dimension of inward transnational capital flows from 'Eastern' sources to maintain the Hungarian authoritarian populism (HAP) project, concomitantly generating opportunities for domestic capitalists to achieve 'new' accumulation pathways. Through the (attempted) stimulation of investment projects with Chinese-sourced capital, which is typically state-owned, Fidesz is targeting finance streams that offer significant potential to strengthen the prebendal network that has subsumed domestic business, discussed in Chapter 3. These finance streams constitute the forms of capital post-2010 Fidesz and Fidesz-loyal capitalists seek to overturn what they view(ed) as the imbalanced situation that characterised the pre-2010 Hungarian political economy, namely the overreliance on 'Western'-dominated/owned value chains and which from their perspective could not provide the prospects for them to accrue capital

Empirically, this chapter focuses on (attempted) Chinese investments in Hungary, demonstrating these deals are executed in a way that strengthens the Hungarian government and subsequently the reproduction of HAP. I pay special attention to the Belgrade-Budapest railway upgrade (BBRU), a planned refurbishment of an existent railway line between the two capitals, financed mostly by a Chinese state loan (85% of a total cost of €3.2bn).[1] Once completed, this project will reduce journey times from 8.5 to 3 hours and form the final segment of the track from the majority Chinese-owned port at Piraeus, in Greece. The ostensible primary function of the BBRU is to transport Chinese-manufactured goods to Hungary with the intention of onward delivery to locations throughout Europe.

The BBRU is not a typical deal between China and Hungary but rather the most important deal to be signed between the two countries[2] because of (1) the costs involved in the project, (2) the anticipation that Hungary becomes a storage and delivery hub for Chinese-made goods, and (3) the expected further enrichment of Fidesz-loyal actors – captured in Chapter 3 by the Weberian term prebendalism – involved in the project, potentially contributing to the longevity of the incumbent Hungarian political elites. These outcomes mean that Sino-Hungarian relations have become more important since the pre-2010 period (Figure 5.1).

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Figure 5.1 A sign outside Kiskunhalas station in southern Hungary announces the development of a segment of the Belgrade-Budapest railway upgrade: Soroksár to Kelebia

Source: Photographed by author, October 2022

Hungary's continued economic engagement with China has the potential to unlock the prospects of Chinese capital affecting the Hungarian economy at a more accelerated rate. The timing of these engagements coincides with the drawdown of the EU Cohesion Fund for the 2021–2027 period, discussed in earlier chapters, which will reduce inflows from the bloc. Chinese investment in the Central and Eastern Europe (CEE) region has stimulated varied and important points of discussion (Jacoby & Korkut, 2016; Krpec & Wise, 2022; Liu et al., 2021; Matura, 2019; Rogers, 2019, 2022, 2023; Szunomár, 2018; Turcsányi & Qiaoan, 2020; Völgyi & Lukács, 2021) and Hungary is at the core of this. The 2010s could be characterised as a critical juncture in post-socialist Hungarian politico-economic history, as the multiple dependencies that emerged in the 1990s and 2000s became diluted or potentially transformed at a sectoral level.

China is a standout country to investigate in relation to Hungary because of its Belt and Road Initiative (BRI) designed to expand Chinese economic flows through the reopening of classical trade routes. Irrespective of project delivery under the auspices of the BRI, CEE has become an increasingly important zone for Chinese capital, and Hungary has a privileged position amongst the CEE states demonstrated by its status as the largest recipient of Chinese FDI in the region. Concomitantly, the extant 'Western' owned value chains that came to dominate the Hungarian economy after 1989/1990 not only maintain a strong presence in the country but are developing emergent business connections with Chinese – and other East Asian – entities. This concerns, in particular, interaction between the automobile and battery sectors. In this chapter, I label this tentatively the China-Germany-Hungary tripartite – an emergent three-way investment relationship where Hungary accommodates Sino-German corporate activity – and stress that these burgeoning connections are becoming more significant and thus warrant sustained scholarly attention.

The chapter proceeds by discussing the historical overview of Sino-Hungarian relations as this provides a historical depth to the analysis. The next section discusses Hungary's attraction of Chinese capital with additional brief discussions on political agency as a driving force behind these relations and Hungary as an FDI destination. Following this, I examine the BBRU agreement and identify three broad advantages of the project for Hungary. Here I also emphasise the importance of understanding the abovementioned China-Germany-Hungary tripartite. The final section concludes.

Sino-Hungarian relations before 2010

Hungary officially recognised the People's Republic of China (PRC) in October 1949 and bilateral political relations remained positive with reciprocal visits between political leaders, commonplace until the early 1960s when relations deteriorated due to increased ideological divergences, mostly related to the Sino-Soviet split. Hungary became an important country for China, particularly after the 1956 Revolution when PRC Premier Zhou Enlai played a critical diplomatic role with visits to Moscow and Budapest throughout late 1956 and early 1957; this had a long-lasting effect on the new General Secretary of the Hungarian Socialist Workers' Party, János Kádár (Vámos, 2006). Later during the Cold War period, the processes of Chinese economic reforms were analogous to those executed in socialist Europe, and as a result similar issues were encountered such as budget and trade deficit, inflation, and unemployment (Vámos, 2017). According to one interviewee:

> China liked Hungary very much as it saw it as a small-scale model for a testing ground for using a market economy under planned economy conditions. That privilege faded away with the systemic change as now Hungary is more or less a real market economy. However, since the 1968 New Economic Mechanism (NEM)[3] reform which was a half-hearted market-based reform and considered a big relief after the 1956 Revolution, Hungary was balancing between the very rigid frameworks of the Soviet type and some market elements, a bit of pluralism. Some early relations with the West entailed and

> this was mainly done by Hungary and Poland. Then a lot of Chinese emigrated to Hungary. China found it to be very inspiring. Then right after the change (in 1989), China decided to reactivate GATT[4] membership in approximately 1990, they then were among the first to enter Hungary to learn more about GATT from authentic sources.
>
> (I18)

This comment attests to the influence Hungarian economic reforms had on Chinese economic reforms from the late 1970s (Árva & Schlett, 2012) and demonstrates at least two things: first, the Eastern Opening (KN) is not a new endeavour, but rather a modernised variant of a previous cognate policy in operation before 1989/1990; second, it points to the possibility that the Chinese attitude towards Hungary as a 'testing ground' may not have diminished and this may be the underlying rationale for recent, post-socialist attempts to stimulate investment in Hungary discussed below. Despite large historical and cultural differences between the two countries and the pre-1989/1990 Soviet dominance in Hungarian domestic affairs, from the earliest socialist beginnings, a certain proximity was established.

In terms of societal connections, Chinese migrants were encouraged to enter Hungary and establish themselves towards the end of the 1980s; a migratory pattern that is considered critical to China's preference towards Hungary in the CEE region, as opposed to the Czech Republic or Poland where this phenomenon is unmatched. During this period, approximately 20,000 Chinese emigrated to Hungary. Whereas in North America, Western Europe, and Southeast Asia, Chinese migrants arrived via family sponsorship or to other wealthy regions as students (such as Australia and Japan), the establishment of Hungary as a destination for Chinese labour was based on a demand for cheap consumer goods and a weak regulatory environment (Nyíri, 2011).

Following the collapse of state-socialism and the accelerated 'Westernisation' of the Hungarian political economy, Sino-Hungarian relations became overlooked in favour of increasing the quality of relations with 'Western' states. In 2003 however, bilateral relations between the two countries were re-emphasised through a visit to China of then-MSzP Prime Minister, Péter Medgyessy[5] who 'created a new special envoy position within the Prime Minister's office for the development of Hungarian-Chinese relations and for the coordination of the China-related work of governmental institutions and the public administration' (Matura, 2015, p. 42). These efforts to engage with China have been instrumental in underpinning contemporary Sino-Hungarian relations and builds on the importance of historical interactions, discussed above. As one contributor to this research told me:

> The rationale for the KN is to lessen dependence on Western European firms. The KN is not completely new, it was begun in 2002/2003 with Medgyessy's visit. He was the first from the CEE to begin the opening. This was highly appreciated by the Chinese side and means Hungary is in a good position with China as the connections are the longest in the region. This means Hungary can be more successful. Orbán has simply rebranded it. Dependency on

Table 5.1 China's FDI into the Visegrád Four countries 2000–2011

Visegrád Four	*Investment value (USD mns)*	*Number of greenfield projects*	*Number of acquisitions*
Hungary	2,085	14	4
Poland	190	15	1
Czech Republic	76	10	1
Slovakia	–	–	–

Source: Adapted from Jacoby (2014, p. 201).

> western firms was only partly successful and was heavily impacted by the Global Financial Crisis. What is new about the KN is that there is a new title and strategy. Exports are growing towards East Asian nations and imports have also grown year-on-year from that region. An effect of this is to generate more pressure on the institutions dealing with these areas and they should in turn work efficiently.
>
> (I21)

The statistical data in Table 5.1 reflect Hungary's favoured position vis-à-vis the remaining three V4 states for FDI during the period 2000–2011 and shows the importance China placed on Hungary as an investment destination during this period.

Hungary is a good fit for China for a list of reasons covering economic, political, and emotional factors and this suggests Hungary may have emerged as the most favoured country within the CEE. The most significant deal between Chinese and Hungarian entities during these years was Chinese chemical firm Wanhua's purchase of BorsodChem, a chemical plant in Northern Hungary from a Dutch subsidiary for $1.5bn in 2010 and 2011. This was the largest Chinese investment in CEE until the Contemporary Amperex Technology Co., Limited (CATL) battery factory agreement in August 2022. Given the BorsodChem deal's size, it skews the results in the data from Table 5.1, making Hungary the largest recipient of Chinese capital in the CEE region.

This statistic notwithstanding, China's attention to Hungary stretches well beyond the boardroom. The country occupies an important place in relation to China's strategic interests in Europe.

> Most deals are greenfield or Merger & Acquisition. There are two major ones. First is from Huawei. They arrived in 2004/2005 and are keen to remain in Hungary. They have a distribution centre in Hungary, which services the MEA markets. Hungary always wanted to be a bridgehead for China. Second is Wanhua (BorsodChem), which was already in foreign investors' hands [mixed foreign and Hungarian], meaning this was not a huge amount of money to the Hungarian state. However, BorsodChem was in a crisis because of the Global Financial Crisis and so Wanhua gave a helping hand. Therefore, perhaps without China, this firm may have gone bankrupt. This

> may have meant a knock-on social impact due to employee figures. An effect of this was to make Hungary the most popular investment location in the region. On the other hand, it helped to save a lot of jobs.
>
> (I34)

Wanhua bought BorsodChem to offset the social risks that can be borne by such plant closures, namely redundancies and the consequent hike in unemployment; significant socio-economic considerations given the region where BorsodChem operates has one of the highest levels of unemployment in Hungary (Nyíri & Xu, 2017). This demonstrates Hungary's importance for China as the latter is willing to limit potential risks through financial intervention. It is unlikely Fidesz played any major instrumental role in the BorsodChem deal as 2009 was the final full year of 8 years of MSzP governance[6] and for most of the 2000–2011 period, Fidesz was in opposition. In this sense, Fidesz has extended Sino-Hungarian relations in the post-2010 period with reference to pre-1989/1990 Sino-Hungarian relations noted above through the 'establishment' of the KN, which has helped to continue positive bilateral relations.

In turn, Sino-Hungarian economic relations, and indeed as I have stressed throughout this book, the broader Hungarian political economy cannot be understood without acknowledging the continued deep presence and significance of German-owned/dominated value chains. The China-Germany-Hungary tripartite strongly characterises decision-making behind inward Chinese capital flows to Hungary, ostensibly taken by the Hungarian government alone. One contributor to this research asserted:

> the Hungarian government wanted to think that they understood one thing: "If we have a good political relationship with China, industry will come." But, we had structural problems despite the government's high hopes that we can attract Chinese investment or boost exports. They did not fully understand the economic situation in Hungary, and it took years to recognise why it was so relevant. Hungary was participating in globalisation via German value chains. This means Hungary has a successful element of its economy and that's very, very successful, but it belongs to the German value chains, and the rest of the economy was [based on] national companies, but they are small and medium sized companies, mostly small sized companies. Many of our exports to Germany go to China. So that's one element of the structural issue. But German value chains are losing competitiveness. Germany has two options; start co-operating with American manufacturers like Tesla, but they cannot give us anything, I mean, they could not give Europe anything, because European manufacturers are already in the American market. But in China, access to the market is still limited, and German car manufacturers are still in the European market. What's their second option? We predicted it: combining Chinese value chains and German value chains; we had access to these, to both markets. So that's something that was really well valued by German manufacturers.

> And the production base for the European market would be mostly in the Central Eastern European region. So, we predicted that in the next generation of vehicles, the production base could be attracted here, because of the cheap labour force.
>
> (I29)

This qualitative data from a Research Director at the Hungarian Institute of Foreign Affairs and Trade is helpful because it reveals the interconnectivity of these three very different political economies, with Hungary as host to economic activity. It also reveals the continued relevance of the Varieties of Capitalism (VoC) approach to understanding Hungarian capitalism, because – as outlined in Chapter 2 with regard to the CATL development – there are three countries that have been identified as resembling three different models within the VoC framework, cooperating. This is discussed in more detail below.

To summarise, from the founding of the PRC until the present day, Sino-Hungarian relations have oscillated in proximity, drifting from ideological alignment in the late 1940s and early 1950s, a distancing during the 1960s, the re-establishment of closer economic relations in the 1980s, and a dilution resulting from the post-1989/1990 importance Hungary paid to opening to the 'West'. Since 2003, high level interactions have re-emerged, leading to the initiation of the KN. Resultingly, Hungary has become an important country for China, much more so than the newer CEE states such as Slovakia or Slovenia[7] who have negligible history of relations with China.

Against the backdrop of the post-2010 upswing in Sino-Hungarian economic and political relations, I have identified four milestones that characterised bilateral relations before this date. This is important as it demonstrates Hungary's unique status for China in the CEE region. First Hungary's recognition of the PRC in 1949, second the establishment of Hungary as a destination for Chinese labour in the late 1980s, third former PM Medgyessy's re-emphasis on Sino-Hungarian relations in 2003, and fourth the acquisition of the BorsodChem plant. Table 5.2 summarises the key milestones in the pre-2010 Sino-Hungarian relationship.

Table 5.2 Milestones in the Sino-Hungarian relationship before 2010

Year	*Action*	*Significance*
1949	Recognition of PRC	First CEE country to do so
1989–1992	Suspension of visa requirements for Chinese citizens	Only case in CEE
2003	PM Medgyessy appoints Special Envoy to China	First in post-1989 period
2010–2011	BorsodChem deal	Largest Chinese investment in Hungary in pre-2010 period

Source: Rogers (2019, p. 89).

Hungarian attraction of Chinese capital

It is important for CEE to receive investment for infrastructure projects, particularly as the region severely lags behind Western Europe in this regard. CEE states therefore require investment from areas exterior to their own geography, exacerbated by the drawdown in the EU Cohesion Fund stream since the beginning of the decade, and this will likely originate in Asia, and especially China.

HAP as a method of governance since 2010 (outlined in Chapter 1) is accompanied by the will and ability of Fidesz to increase the quantity and rapidity of Chinese capital inflows into Hungary. Prime Minister Viktor Orbán and Fidesz have decided that a push in this direction is necessary, not only for the above reasons of infrastructural development and to offset the pending reduction of funding from the EU Cohesion Fund, but because this ultimately serves to strengthen the prebendal network and reproduce the Fidesz project. Fidesz has played on the broader Sino-Hungarian narrative for years, emphasising Hungarian exceptionalism in Chinese engagement. During a 2014 visit to China, Orbán stated:

> the friendship between Hungary and China is not stimulated by the economic success of China, and similarly Hungary did not become China's friend or recognise China when the Asian state turned into a determining state of the world economy, but [their friendship] started decades ago before that. The Hungarian and Chinese relations stem from hearts, build on common sympathy, for the Hungarian people primarily all about historical, spiritual and cultural accomplishments [of the Chinese nation].
>
> (cited in Jacoby & Korkut, 2016, p. 502)

Orbán has developed an extremely pro-Chinese position, coinciding with the timetabled reduction of capital inflows from the EU. Citing low infrastructure quality in CEE, Orbán now famously stated via his Press Secretary that 'Central Europe has serious handicaps to overcome in terms of infrastructure; there is still a lot to be done in this area … If the European Union cannot provide financial support, we will turn to China' (Budapest Business Journal, 2018). Hungary suffers particularly amongst the CEE region from lower quality infrastructure. In terms of transport infrastructure for example, in its regional areas Hungary has the widest gap in GDP per capita between urban centres and rural areas of all EU states. This statistic compounds the typical problematic characteristics of settlements with a population under 1,000 (such as depopulation) that produce detrimental effects such as 'widening territorial disparities' (Péli & Neszmélyi, 2015, p. 70) in turn enhancing wealth inequalities. Cohesion Fund reductions have created a significant shortfall in the financial capacity to prevent further spatial inequalities between Hungary's larger urban centres and the peripheral, more sparsely populated regions. This is compounded by the fact that the difference in population between the largest city (Budapest, approximately 3.3. million) and second largest (Debrecen, approximately 235,000) is the widest gap of any European country.

If the Hungarian government does not see the EU as a continued source of capital for the specific purposes of infrastructural upgrading, why has Hungary chosen Chinese money to help modernise Hungary's infrastructure, particularly when there are other regional actors who have the expertise to undertake these projects (such as German firm Siemens)?[8] This is an important question. As I have argued in the present book, Hungarian decision makers have become more selective and bypass European firms and other forms of national capital in favour of Chinese inflows because the Hungarian government is seeking alternative methods for self-reproduction. Despite these developments, however, long-term replacement of Western-owned entities in operation in Hungary remains unlikely.

Western business interaction with Hungarian entities remains critical to the make-up of the Hungarian economy. Szanyi (2016, pp. 8–9) states that the American, British, and German Chambers of Commerce, the Hungarian-European Business Council, and the Joint Venture Association remain 'the most influential organisations' and this situation is reinforced by foreign embassy diplomats who have created significant lobbying organisations to achieve Hungarian firm integration. It remains to be seen whether there is sufficient space for Chinese entities to establish themselves within this group. This may depend on whether a disposition of *Sinophilism* exists within the Hungarian sectoral elites,[9] or whether there may be nascent trends in this regard. While this research does not concern itself with this avenue of investigation, it may be useful for observers of Hungary, or Chinese presence in the region to engage in an analysis into these developments.

This emerging culture of enticing Chinese capital creates space for an additional form of externally sourced capital inflow, complementing the Western multinational company (MNC)-led FDI trends begun in the 1990s and the Fidesz regime's domination of national business, discussed in Chapter 3. While it is fortuitous that China has the capacity to deliver on investment promises, albeit in a disjointed manner (Jones & Hameiri, 2021), it is attractive to Orbán that China also has a lack of culture for human rights, checks and balances, etc., as this speaks to ideological affinities in a broad sense (Szelényi & Mihályi, 2019).

Increased activity with 'Eastern' entities is therefore highly attractive for Fidesz because HAP has the potential to be reproduced via closer engagement with ideologically analogous regimes. By opening a second external dimension to stimulate inward capital flows, the Hungarian government has identified an additional method to assist self-reproduction. The attraction of this arrangement is compounded by the likelihood that states identified for business and trade agreements under the auspices of the KN overlook Fidesz's domestic politics, which have come to be consistently criticised by some 'Western' media and institutions.

Orbán realises attracting Chinese investments into Hungary is an important step for the Fidesz project to accrue capital and critical financial tools. According to one expert I interviewed for this research:

> there have been lots of attempts to attract Chinese capital. Some of them are of course in the public domain and may play a role in improving the Hungarian economy and even social relations in the country. However, much of it

> is for products that are simply not required, and if they are, may be procured far cheaper elsewhere.
>
> (I26)

In this respect, Orbán is developing a longer-term, we can say visionary strategy, which diverges from the post-EU accession dearth in strategic planning when the Hungarian elites understood joining the EU to be an end in and of itself. The HAP project is not designed to be short-term. The Fidesz leadership recognises the importance of its own historical (organic) moment and therefore has targeted Chinese capital as an important method to achieve its objective of strengthening its power base and proliferating its influence.

Because of the longer history of Sino-Hungarian relations, compared with other CEE states, Hungary may stand in a positive position to assume any (additional) favourability from Chinese entities such as being selected ahead of other V4/CEE states. However, despite Hungary's optimistic outlook, successful deals from China have been few, relative to continued agreements from 'Western' entities. Moreover, any developments along these lines may have the effect of continuing an emergent trend identified in the political economy literature, namely the advent of a new global phase of organised capitalism where national forces are working to counter the liberal capitalism model that suffered from stagnant revenues and austerity following the 2008 Global Financial Crisis (Nölke, 2017).

Whatever the case may be, if the KN is to materialise into a broader and longer-term trade and investment platform, it is critical that Fidesz produces tangible results for the Hungarian economy. The KN cannot be a one-way street; if it is to become a package for future initiatives going beyond the BBRU agreement – and other successful investments detailed below – reciprocal flows of goods and services should be forthcoming. One interviewee provided me a broad overview of the present Sino-Hungarian economic context, echoing the 're-exportation' dimension noted by I29, above:

> The largest Chinese investment in CEE is in Hungary (BorsodChem) and this was business-sense as the Chinese lacked the plant for their chemical industry. There are a number of other smaller Chinese investments in Hungary such as Huawei. Altogether, the picture doesn't not differ from any other new EU member; this is one outstanding investment only. As with Russia, there is a significant trade imbalance with China. Hungarian exports amount to approximately €1.5bn, which has increased slightly, though this can be attributed to the exports of two or three MNCs operating in Hungary. 90% of Hungarian exports to China are represented by this trend. This is despite the onset of Keleti Nyitás. The question surrounding the KN is: how can this be filled with content? There are very few Hungarian firms capable of covering the transportation, logistical, financial costs of establishing a company in China and becoming a sustainable exporter i.e., long-term. To establish factories in China, Hungarian companies lack, in the first instance, capital and commonly the market knowledge except some special cases such as

> vineyards and the service sector. Therefore, possibilities exist but based on the capacity of the Hungarian firms, form and content are widely different.
>
> China is by far the largest (non-EU) supplier to Hungary. Exports to Hungary have three purposes: (1) to supply the Hungarian consumer market, which creates a negative public opinion of China regarding the monopoly of market by Chinese goods. However, this is a very important element of keeping prices low, particularly for consumers with middle or low incomes (2) a second type of export also exists, known as re-exporting. Hungary acts as a regional distribution hub for products to be disseminated throughout the region. This is why Hungary is analysed by China in terms of transport connections, logistical capabilities and infrastructural development, and (3) Chinese exports used in Hungarian manufacturing production, mainly MNCs. Therefore, there is a high level of Chinese input – but there is no company, which would disclose this data. It remains clear that the €4-5bn imports from China consists of these three constituents.
>
> (I27)

Hungary has worked hard to develop bilateral opportunities with China, particularly in terms of infrastructure upgrades. One expert I interviewed for this research identified three potential infrastructure projects that Hungary and China have worked towards in recent years. The first was a planned high-speed railway connection between Budapest's Liszt Ferenc Airport and a city centre train station:

> Starting in 2011, a project was established called 'Ferex'. It was supposed to be a high-speed railway between the Nyugati [Western railway station] and the Airport. The Chinese wanted to build it and Hungarian government was open to it being established. China was supposed to finance and construct it. In over two years of negotiations, five Memorandums of Understanding were signed. It didn't happen for several reasons. First, by the end of 2011/early 2012, Malév[10] went bankrupt, so the level of passengers at the airport dropped dramatically making it unfeasible. Second, it goes against EU regulations on public procurement. In 2011 Wen Jibao visited Hungary, announcing that China was ready to finance construction and investment projects in Hungary up to €1bn. This was a huge misunderstanding. The deal Wen initiated was that the €1bn was set aside for projects, of which at least 85% would be done by Chinese construction firms. Of course, this goes against every EU regulation. The Hungarian government did not understand why the Chinese didn't give them the money. But the Chinese government reiterated that the money was only available if the Chinese firms were to be involved. This is similar to the Marshall Plan in that the Chinese finance the construction in order for the Hungarians to pay. The Chinese therefore don't finance Hungary, but finance construction. There is then a two to three-year period where they do not have to repay and then repayments begin. They therefore finance their own companies and make money on the interest. Second, was the V0 railway

> line – a ring around Budapest meaning all transiting trains can avoid entering the city and this would have been similar to the [extant] M0 motorway. The project was shelved for similar reasons to the above. The third project is the Budapest-Belgrade railway upgrade.
>
> (I17)

Another interviewed expert discussed an additional infrastructure upgrade that may be realised in Hungary, this time in connection with air transport:

> There were already Chinese plans to upgrade airport facilities close to the Western border. The problem with this project was that the Chinese side was not ready to guarantee a certain minimum traffic and all the risks were to be placed with the Hungarian partner, which was of course, not acceptable. Our group of companies already has a project, which may include a Chinese investor, and which is related to the former Soviet military airport of Tököl, which has a runway of 2.5km, is located on the banks of the Danube, and is connected to the M0 rapid highway. Yes, I think that it may lead to airport upgrades. However. we have to be mindful of the fact that if you transport something with a cargo plane from China to Hungary, that product must be very expensive otherwise it is not warranted by the shipping costs.
>
> (I2)

These qualitative data help demonstrate that Hungary has the potential and willingness to host rather significant portions of Chinese capital for some important infrastructure projects. There is nothing necessarily pernicious in these proposals irrespective of materialisation. What the above examples reveal is that Hungary is becoming a form of transport hub for the transit of goods and their onward dispersal. Indeed, Chinese entities would like to increase their position in CEE significantly and the BBRU has the potential to become an important step in a process of redesigning Hungary as a bridgehead of Chinese interests in Europe, particularly given the ongoing Russo-Ukrainian conflict has severely limited inward train cargo. In this sense, while it is important to avoid placing a premature emphasis on the outcomes of the KN, it does have the potential to offer some form of critical juncture for the trajectory of Hungarian development. Simultaneously, the KN as a policy designed to engage more deeply with China (and other countries within its purview) generates a higher likelihood of local (Hungarian), loyal (to Fidesz) prebendal networks being strengthened. Consequently, any content will likely be monopolised by Fidesz-loyal actors and subsequent revenues subsumed by the regime. It is therefore critical to investigate the relationship between Chinese capital inflows to Hungary and domestic political agency.

The driving force: political agency

The increased efficacy of political agency in Hungary as a determinant of economic outcomes since 2010 has accelerated inward capital from Chinese entities.

The 2010s will come to be categorised as a critical juncture in post-socialist Hungarian history, as the locked-in categorisation that manifested itself in the 1990s and 2000s became (slightly) diluted.[11] The resurfacing of political actor prominence in Hungary permits the post-2010 HAP ideology to act as a vehicle for manipulating the country's development and as such be more in command of this metaphorical vehicle that would have been much less possible in the pre-2010 period, albeit with significant (international) constraints.

This adds further layers to the upswing in Sino-Hungarian relations for three reasons. First, it encourages China to deepen ties because political trust is formed, whereby human rights issues, Tibetan independence, pluralism, etc., are overlooked, contravening classical EU/'Western' stance(s), which can offset difficulties for the BRI to establish investment projects (Zeng, 2017). Further, being politically assertive helps attract China as Hungary can create a kind of 'clean' history because Hungary was never an occupier on the level of the 'classical' historical European colonialist powers (Kowalski, 2017). Second, it develops personal relationships with Chinese and Hungarian political and business actors, increasing the potential to enrich Fidesz-loyal agents who populate the prebendal network. Third, because of the post-2010 renationalisation drive, the Hungarian government has strengthened its position (i.e., ownership) in certain sectors – notably, banking, retail, and utilities – which creates higher possibilities for foreign, non-EU, non-'Western' firms to increase inward capital flows, sealing voids that result, however complicated these shifts may be regarding regulatory frameworks and other structural restraints. The most significant example of this is the BBRU, and the possibility for its integration into value chains with significant Chinese presence, discussed in more detail below.

To reiterate, the (re)emergence of political actorness as an agent for change is significant. These *capitalists without the right kind of capital* though still significantly confined by their development options internationally, have nonetheless achieved a remarkable potency. By effectively eliminating domestic opposition, continuing to appease large 'Western' (particularly German) capital, and building a burgeoning international alliance of ideologically sympathetic supporters, Fidesz-led networks can evermore attract Chinese inward flows of capital for largescale infrastructure projects. Simultaneously, however imbalanced by different variables, bilateral relations must be desired by each party.

Hungary as an FDI destination

How important is Hungary to China? On one hand, despite the ambitions of the KN programme, Hungary's importance as a destination of Chinese capital may be offset by policy community steering (Zeng, 2017), meaning China could look elsewhere to establish networks in CEE. On the other hand, as I have argued elsewhere (Rogers, 2019), Hungary maintains a pivotal position for China and its strategy for Europe (Figure 5.2). Additionally, approximately half of the Hungarian population view China favourably, roughly in line with political party divisions in the country (Bartók, 2022), creating a more favourable terrain for investment vis-à-vis other European

Figure 5.2 Workers remove ageing rail equipment from the extant track outside Budapest
Source: Photographed by author, October 2022

post-socialist states that have significantly reneged on former pro-Chinese positions.[12] Importantly, however, this is not without tension: many Hungarians view Sino-Hungarian relations as a toolkit for political elite self-enrichment (Pleschová, 2022), meaning pro-Chinese positions amongst the general public do not equate with governmental sentiment on the matter. The proposed establishment of a Fudan university campus well illustrates this (Révész, 2023).

In any case, Hungary is in competition with the remaining V4 countries and others in the wider CEE region in terms of attracting Chinese capital. It is a competition in which it has arguably become the most successful CEE state. While the Czech Republic was an ostensible staunch – Sinophile, the COVID-19 pandemic and lack of material outcomes borne from Chinese investment has created a rethink in its China position (Fürst, 2021) leaving Hungary to become a form of 'most favoured nation' in the CEE region. Perhaps the standout example of Chinese investment in Hungary is the BBRU, which I now analyse.

Belgrade-Budapest railway upgrade

The BBRU has the potential to be a key step in a process of redesigning Hungary as a bridgehead of Chinese interests in Europe. Though this research does not claim Hungary's dependence on 'Western' firms is increasing, decreasing, or relocating, amplified inward Chinese investment offers Hungary potential to manage dependence on 'Western' MNCs, even partially, permitting it more autonomy in terms of economic decision-making, resulting in an increased capacity to graduate from the locked-in status captured by the Dependent Market Economy model (Nölke & Vliegenthart, 2009, see Chapter 2). In this sense, while it is important to avoid placing premature emphasis on the outcomes of Chinese-sourced investment, it does have the potential to offer some form of critical juncture for the trajectory of Hungarian development

I investigate the BBRU project as it is principally a politically induced agreement, diverging from previous market-driven deals of Chinese FDI ventures into Hungary. While the BorsodChem sale was strategically important for the Hungarian chemicals sector, it was a less politically induced transaction, in the sense that it was bought from non-Hungarian entities and Wanhua was considered a rival of BorsodChem (Financial Times, 2011). The BBRU is more politically motivated because it is funded by a loan of 85% of the project value from the Chinese state-owned Exim bank (Cheximbank) with the outstanding 15% by the Hungarian state-owned railway company, MÁV.[13] The agreement is an idiosyncratic case of Chinese FDI into Hungary, as it became the most important example of Chinese presence in the country, prior to the 2022 CATL battery plant investment. This is compounded by its international connection (with Serbia): together Serbia and Hungary are the most pro-Chinese of all CEE states and in addition share a cognate (illiberal) political system (Rogers, 2020, 2022), which may further entrench and enrich the Fidesz loyal prebendal network, engender further changes to the Hungarian political economy, and industrial relations with the capacity to affect the institutional complementarities as identified by the DME model.

The railway line does not service many large towns. The largest has a population of approximately 27,000, meaning traffic is limited and speaks more to a freight-carrying line rather than one for public use. This is compounded by the existence of the M5 motorway, which runs between Szeged, a border city with Serbia – and Hungary's third largest settlement – and Budapest, which also has very low traffic levels and as such, '*raises questions over whether it makes sense*' (I9). However, if the BBRU is indeed a project primarily designed to transport freight, these concerns are offset.

In the first instance, the BBRU project demonstrates the Chinese emphasis on investing in CEE countries' infrastructures, a fundamental zone of interest for all parties. Not only is Hungary in need of investments in its infrastructure but China is prepared to inject capital into the region for these purposes, which has become a strategy of Chinese investment into the CEE region, albeit with mixed and geographically uneven results. The original estimated cost of the project was €3.2bn, with the Hungarian section totalling €1.68bn. These figures show the BBRU arrangement would more than double the capital outlay Chinese parties made to purchase the BorsodChem plant in 2009 (approximately USD1.5bn), though now dwarfed by the CATL battery factory agreement (approximately USD 8bn). In June 2019, a Sino-Hungarian consortium of actors signed a contract to undertake the BBRU project. Then, shortly after the outbreak of the pandemic, the Hungarian Parliament passed a law codifying its commitment to the development and classified information, as I noted above. The classification bill argues a level of secrecy was required by the Chinese parties financing the agreement (Reuters, 2020b) and this classification will cover the period until 2030 (i.e., the full period Orbán anticipates being in power, discussed in Chapter 1). Classification of course means the content of the loan agreement remains publicly inaccessible and therefore unknown to outside parties. What is 'known' is the deal remains approximate to the figures given above and the interest rate stays fixed at an annual 2.5% with an early

Table 5.3 Combined financial stipulations of the Paks II and BBRU projects

	Total cost (€bns)	*Loan (€bns)*	*Hungarian contribution (€bns)*	*Loan repayment period (years)*	*Interest (%)*	*Interest (value/€bns)*
Paks II	12	10	2	21	4.5 (average)	7.45 (estimate)
BBRU	1.68	1.43	0.25	18–20	2.5	2.52
Total	13.68	11.43	2.25	–	–	9.97 (estimate)

Source: Author's own calculations.

repayment option. Hungarian Finance Minister Mihály Várga said of the deal: 'we have a loan agreement that is advantageous and secure for Hungary … [and the terms of the loan were] favourable relative to the currently available debt financing conditions' (Reuters, 2020a).

Taken together, the BBRU deal means the Hungarian state is acquiring two large loans simultaneously to finance projects under the auspices of the KN – one with the Russian state (discussed in Chapter 4), one with the Chinese state. While the loan from the Chinese state is considerably less than that agreed with to extend Hungary's sole nuclear power plant (€10bn), it nonetheless increases Hungarian exposure to exterior creditors, with the provisional loan of the two projects' total estimated at €11.68bn, approximately 7% of Hungary's GDP.[14] The repayment timetable for the BBRU stipulates the interest rate will be an annual 2.5%, fixed for between 18 and 20 years, though it remains unclear when this schedule might commence. Hypothetically, should the repayment timetable be activated in 2024, then based on a repayment period of 20 years, Hungary is scheduled to spend €126mn p.a. for 20 years (€2.52bn) plus the approximate €13.2bn (total repayments including interest) owed to the Russian state during the same period. While the loan to the Chinese parties does not add much to the Russian total, Hungary's exposure to exterior actors until the mid-2040s, creates large risks to the Hungarian taxpayer should payment stipulations not be met.[15] Table 5.3 summarises these inward investments.

Despite the potential financial predicament that may envelope Hungary, the BBRU may not necessarily be an outlier in terms of infrastructure upgrades in the country. Therefore, it may not be as controversial as some have described it, particularly the EU, which initially blocked the proposed construction work citing infringements to EU law as no open tender was held by Hungary (EUEA, 2017). However, the project has sceptics in terms of its economic viability.

> The only significant Chinese investment in Hungary was Borsodchem. Wanhua is the owner. This is the only one. There have been a lot of negotiations, but little has materialised. The only deal that has been signed is the Belgrade-Budapest railway upgrade. However, there is no traffic. The Chinese, however, have bought the Piraeus port [share majority]. It will be Hungarian borrowing and Chinese financing, meaning an unequal shared risk. I don't think it will be profitable in 1,000 years. Therefore, it is highly unrealistic.

> There could be some Chinese investments along the line, for example, within Hungary, but these are not likely to be robust.
>
> (I13)

This excerpt does little more than echo much media output on the project. Infrastructure development and profitability do not necessarily have a harmonious connection, i.e., profit is not the chief 'endgame' of infrastructure development. Indeed, as Flyvbjerg et al. (2021) detail, every Olympic development since 1960 has run massively over budget, at an average of 172% in real terms, but that does not prevent the games from occurring in different global cities at 4 year intervals. More, the authors note that prior to the 2016 games in Rio de Janeiro, the city's governor 'declared a state of emergency to secure extra funding for the Games' (Flyvbjerg et al., 2021, p. 234). Nonetheless, the Games were held. Therefore, a typical 'cost-benefit ratio' applied to infrastructure development is not always valuable (Flyvbjerg & Bester, 2021).

According to one contributor, there has been significant misunderstanding over the BBRU in terms of its origins, rationale, type, and cost:

> This was a promise of Fidesz before the 2010 election, that they will refurbish the Budapest-Belgrade railway, and they announced it. That was among the promises, especially the southern part of Hungary, so they put this info on the promotional material. "We will rebuild the Budapest-Belgrade railway, and you will have better rail access to both capitals." So, what is completely misunderstood is that this project is apparently part of the so-called ground strategy of the Belt and Road Initiative, and there were no evil guys in Beijing who said, "Oh, we have to build a railway because this will completely indebt Hungary, which is good for us." From the Hungarian economy point of view, the Balkan region is no longer a region where we can be competitive. So, from the government point of view, that's very realistic that they want to boost Hungarian exports to the region. And having a railway connection, which is not a high-speed railway, but can boost the export opportunities for small and medium sized companies. So, everyone was saying, "Oh, it will never be profitable" but these are the stupid things. Infrastructure is never purely about economic decisions, it's always political and economic decisions, and this is something I can tell you: most of the Hungarian economy tries to … even the bigger Hungarian economies try to focus on the Carpathian basin and on the Balkan region, because that's their scope of understanding. And in this regard, to have good infrastructure pointing in the region is very relevant for the Hungarian economy, and from a Hungarian geostrategy or geoeconomic mindset. So, this is also part of the picture. In China, they didn't pay attention with this kind of stuff, they did not care, they didn't not understand it, so they just thought they wanted to make business, they have extra money, they have infrastructure capacity, extra infrastructure capacity, they said, "Do you need something built?" "Yes, we need a railway." "Okay, we'll come." And they started talking about high-speed

railways, but all it means that the track was able to use about 160km per hour speed, which is not a high speed.

(I29)

These are important 'background' aspects to consider when analysing any largescale infrastructure project. A further historical factor that is commonly overlooked is that the original railway built in the 1880s during the Austro-Hungarian Empire was '*stripped back to a single track following the 1920 Treaty of Trianon as a form of punishment by the Western powers. Therefore, the Hungarian government, in simple terms, is just reestablishing its dual track quality*' (I44). These aspects combine to undermine common and often simplistic narratives that this railway project is intrinsically negative, unprofitable, or a form of (military) trojan horse

Belgrade-Budapest railway upgrade: selected potential benefits

In line with Chapter 4, in which I identified a set of benefits anticipated from the Paks II extension, I now outline three broad benefits to Hungary anticipated from the BBRU agreement.

First, this project may influence other railway developments in the region, which could have positive results for pan-European transport networks (Figure 5.3).

Figure 5.3 The Belgrade-Budapest railway line under development at Soroksár station, southern Budapest

Source: Photographed by author, April 2023

For example, the Trans-European Transport Network (TEN-T), an EU initiative designed 'to facilitate transport across Europe and reduce regional, economic and social disparities by developing interconnected infrastructure for air, road, rail and shipping' (European Commission, 2022) has within its remit the objective to improve railways in EU member states. However, this does not extend to non-EU members (e.g., Serbia and North Macedonia) through which the wider Piraeus-Budapest line transits. One expert interviewed for this research identifies this as a Chinese strategy in relation to railway infrastructure upgrades in CEE, whereby China indirectly competes with the EU initiatives:

> The trans-European networks are a very major EU framework programme, very reasonable, well-organised and quite well financed. China competes with this in the following way: they do not communicate with those people managing the TEN-Ts but try to find some 'white spots' on the map such as the Budapest-Belgrade railway upgrade and then they offer some complementary financing frameworks, which don't directly compete. It is not the very same line the EU is financing but very near to it. In turn, it then attracts the attention of those CEE countries. This already competes at the level of capacity as a country like Hungary has a given capacity for dealing with railway development issues. So, if China blocks part of that capacity, for example, consumes a relative part of it, there are fewer people available to deal with the EU lines. Therefore, this creates a type of competition.
>
> (I18)

Cognate railway development proposals may indeed become attractive, presenting alternative finance plans on a bilateral basis, which means a likely absence of the rigorous and complicated regulatory frameworks with which the EU obliges member states to comply. Though, as above, while the full stipulations of the BBRU agreement remain unknown with access restricted, dealings are likely simpler and more attractive for the Hungarian government (see Lampton et al., 2020 for analysis of how related Chinese-financed railway projects are undertaken globally and in particular in South East Asia). It is therefore simply too challenging to gauge how affecting such agreements might be, particularly regarding unanticipated fluctuations in inflation, supply side issues, labour disputes, and environmental issues, etc.

Whatever the case may be, the BBRU development demonstrates that Hungary is prepared to engage with and accept Chinese financial packages that offer what the EU can or will not. This is clearly the case for Serbia, too. Further, Chinese-financed railway infrastructure has the potential to meaningfully contribute to the wider European rail network, which may further complement EU initiatives. Irrespective of costings, it is therefore important to see the BBRU, which is after all under 400km in length as a minor though potentially impactful initiative in the wider European context. As one interlocutor told me:

> The Belgrade-Budapest railway upgrade has very limited importance unless it is considered as part of the third North-South railway network in the EU

> between Piraeus and the Baltic Sea in Poland. Most European networks are East-West in orientation. Of the nine big infrastructure projects financed by the EU, only two are vertical and both are in Western Europe [first UK-Spain; second Scandinavia-Italy]. The third is definitely missing and this would be between the Baltic and Aegean Seas. Initiatives have not been forthcoming. This may be the historical heritage of not looking at the map. The Chinese have looked at the map. However, the BBRU will only be of significance if the whole Baltic-Aegean line is implemented. The Chinese had been looking at Montenegro as an alternative, but the capacity is very modest, more time would be needed, and transportation costs would be excessive. Otherwise, Chinese credits and loans have not been used by Hungary. The only European country that received a $1bn Chinese trade loan was Belarus.
>
> (I27)

So far, I have used data to highlight the wider dimensions of pan-European railway development. However, national and more local regional potentialities obviously exist in Hungary and bordering countries, too. A leading railway planning specialist confided in me their thoughts on the effects of Chinese activity in Hungarian rail development including where they consider projects could have been beneficial to Hungary:

> I first came across railway development issues with China in the early 2010s. This project wanted to implement high-speed rail access to the Budapest airport from the Budapest Nyugati and/or Keleti railway stations [in central Budapest]. This was not realised after the preliminary investigations, because the expected insufficient number of passengers and the size of the costs. For examples, the lack of capacity of the existing sections – Nyugati pályaudvar – Kőbánya – Kispest – did not seem profitable. After that, approximately in 2014, the goal was also to implement the airport connection, but with a through line. The planned Kőbánya-Kispest-Airport-Monor line section would have been part of the future high-speed railway. It would have been a huge advantage if, with the exception of Eger, Miskolc and Salgótarján, all the county seats would have had a direct rail connection to the airport. At that time, it was already known that the government wanted to build the Hungarian section of the Budapest-Kelebia-Szabadka-Belgrade railway with the Chinese.
>
> (I45)

A final aspect here relates to Hungarian changing geographical history over the past 150 years, or when rail was first used meaningfully in Hungary and the surrounding areas for passengers and freight. For example, one line ran from present day Romania (Oradea/Nagyvárad) to what is now Croatia (Rijeka/Fiume). In other words, it crossed the Southern Great Hungarian plain, which ensured that products from the area were delivered cheaply and with sufficient capacity to the international to market, via onward maritime transport. Presently, this line is splintered across four countries and varied EU institutional make-up, undermining its use value and feasibility. However, it is not inconceivable that such dormant networks could indeed come to be reanimated through Chinese investment.

A second benefit regards the possibility for the BBRU to stimulate complementary economic initiatives, becoming a node in future value chains. In the first instance, the line may be used to transport Chinese-manufactured goods to Hungary for onward dispersal to wider Europe. This outcome would further strengthen Sino-Hungarian ties and build on the historical precedent of Hungary as regional leader in attracting Chinese investment. Chinese firm Huawei already has such a facility in the country. The European Supply Centre (ESC) is located approximately 20km west of Budapest and has become a significant arm of the firm's global distribution operations. As one person informed me:

> Basically, tools are being assembled in Hungary currently in two factories, before it was three and now it's only two, and supplied throughout Europe. And there is another factory in the Netherlands which also is the part of the supply centre, the European Supply Centre, so the ESC basically consists of the two factories in Hungary and one in the Netherlands, so basically these three centres supply the whole of Europe with these kind of Huawei products and that's what happens here. The raw materials arrive from China, mainly from Shenzhen and arrive by train or air transportation or via ship transportation and the ships usually arrive to Greece and from there the Belgrade-Budapest railway line will be facilitated for this supply line as well and, they arrive to Croatia from where they are packed onto a truck and then on to the ESC. The assembly happens and then we have local logistic providers who supply the whole of Europe mainly by truck, but some materials can be shipped by air as well, but there are many dangerous and delicate materials which cannot be shipped by air transportation so some must take alternative routes. So basically, this is the operation that happens in Europe and similar supply centres exist throughout the world. These are the big supply centres, and the ESC is I the second biggest one outside China, so it supplies the whole of Europe, the Middle East, North Africa, and Russia.
>
> (I36)

How far the BBRU might become integrated with Huawei's ESC remains to be seen. Nonetheless, the upgrade permits such interconnectivity with extant Hungary-based Chinese operations, which may (continue to) have a significant impact on the trajectory of Hungarian economy development, and more widely, a strengthening of China's foothold in the European market and a reduction in transport costs of shipping from China.

The BBRU also has the capacity to connect with extant value chains in Hungary, particularly automobiles, continuing a deep but relatively new tradition: Hungary's automobile production only began after the systemic change in 1989/1990. During the state-socialism period, the country mainly produced buses (such as Ikarus) for the COMECON countries and beyond, while other countries focused on automobile production, such as Czechoslovakia. In the 1990s, 'Western'/Japanese MNCs entered the Hungarian value chain for the attractive advantages it afforded, namely cheaper, skilled labour with use of existent infrastructure. While strategies still differ between firms, Hungary remains a core nodal point for the European automobile sector, and this is unlikely to be reduced this decade, but rather continue to proliferate.

Two examples highlight how the BBRU may provide complementarities to the automobile sector. The first is more significant. This concerns the Hungarian government's commitment to the country's emergent battery sector, which helps the country position itself as an important investment location between Europe and Asia. Indeed, a recent report states how Hungary has become a meeting point between Asian battery firms[16] and the European automobile sector (Czirfusz, 2023). The significance of this development lies in how we can understand the Hungarian – and wider Asia-Europe – (comparative) political economy. As I discussed in Chapter 2, from the viewpoint of the Varieties of Capitalism framework, there are in the first instance three countries involved that come close to resembling three different ideal types: Hungary (a DME) plays host to German (a CME) and Chinese (an SME) capital interaction. I discuss this further below and in Chapter 6. Whichever way we look at these aspects, it is clear the BBRU project has the potential to stimulate complementarities to the Hungarian-based automobile sector.

The latter is rather minor: a March 2018 MOU between Austria, Hungary, and Slovenia, aimed to create joint infrastructure and communication networks for the development of intelligent mobility devises and self-driving vehicles (Visegrad Group, 2018). This MOU is ostensibly centred around another of Hungary's comparative advantages: the opening of a self-driving car test track in Zalaegerszeg, a town approximately 50 km from the Austrian and Slovenian borders and could add 0.01% to the Hungarian GDP and a subsequent 0.3% for every HUF 100bn in investments it attracts according to the Hungarian Minister of National Economy (Budapest Business Journal, 2017). This example while rather insignificant to the broader Hungarian economy, simply serves to highlight that the BBRU has a diversity in its potential wider development, which could extent to multiple sectors and geographies.

A third benefit concerns EU enlargement. The BBRU could act as a catalyst for EU accession for Serbia, North Macedonia, and potentially other Western Balkans countries; a key Fidesz foreign policy objective, which is seemingly at odds with its typical stance towards the EU as an institution. From a political economy perspective, the immediate benefit of bloc expansion for Hungary will be for it to develop its markets in the region, again with the capacity to create new value chains. The BBRU with Serbia (and North Macedonia and Greece) creates the possibility to help facilitate this. Further, this could generate added value in terms of harmonisation of member states' investments in transport and the development of cross-border railway lines that complement extant interconnecting national sections such as the TEN-T network, noted above. Unsurprisingly, for the whole Piraeus-Budapest line to function more effectively, the entire line requires upgrading, an investment for which, whether Chinese or otherwise, is yet to emerge.

Taken together, the evidence provided in this section reveals the BBRU agreement irrespective of feasibility, cost overruns, regulatory issues, etc., may provide benefits to Hungary, which could come to positively affect the trajectories of its capitalist development. At the same time, the BBRU – and indeed the wider purview of inward Chinese-sourced capital streams – needs to be understood in relation to extant 'Western' value chains, firm presence, and investment. The Hungarian government is well aware of the importance of the 'Western'-dominated (mostly German) business terrain in the country in terms of self-preservation, and investments continue to be agreed. As Bohle and Regan (2021, p. 97) state: 'Hungary … secures FDI predominantly from German automobile manufacturers. While labor costs are a consideration for these firms, they also want competitive tax rates and access to vocationally trained technical skills'. As I discussed in Chapter 2, Fidesz has introduced the EU's lowest tax rate to help maintain Hungary's attractiveness as an investment zone. The 'new' thing to investigate in terms of Sino-Hungarian capitalist relations is to better understand how the, as above, China-Germany-Hungary tripartite[17] cooperate around investment, and ultimately – at least for the purposes of the present book – how this reproduces the HAP ideology and Fidesz.

Recent developments in the Hungarian political economy have rendered academic investigation on these arrangements imperative. Let us look at one example. Attending the September 2023 *Internationale Automobil-Ausstellung* in Munich, Hungarian Foreign Minister Péter Szijjártó was in boastful mood. In contravention of the EU's push for so-called 'de-risking' agenda (Gabor, 2021), he asserted 'we see de-risking as the real risk. The separation of the Eastern and Western economies, the separation of the Chinese and European economies is the risk for us here in Europe' (Hungary Today, 2023). In a video posted on the same website, he continued his speech:

> we Hungarians have based our strategy equally, to be attractive to the German OEMs [original equipment manufacturer] and to their Chinese suppliers. And we are now a meeting point. The three premium German carmakers having or will have [sic] factories in Hungary and five of the top ten battery manufactures of the world [sic] have committed themselves to Hungary as well. Among them, the biggest one, CATL, Sunwoda, Eve Energy, and the two Koreans [sic] SK Innovation, and Samsung SDI. And, what brought these big Chinese companies to Hungary? I have to tell you, mostly the German OEMs. CATL decided to build its huge plant in Hungary with an investment of €8bn because of being close to Mercedes [sic]. Eve Energy came to Hungary in order to supply BMW and it's not only they came to Hungary [sic], it's not only they came to the same city [sic], they came next door to the upcoming BMW plant [sic], which shows very clearly that a strong cooperation [sic] and a strong interlink between the Chinese and German companies is a must, is a reality, and we Hungarians take a lot of advantage and a lot of profit out of it, to be honest.
>
> (Hungary Today, 2023)

How far these associations with Hungary as host will materialise and maintain their presence is of course an open question. Investment timescales are compounded by the risk associated with the big gamble Fidesz has made in privileging the battery sector, which may be overtaken by another energy source in terms of, e.g., return. However, as I have argued consistently throughout this book, in seeking to recalibrate the Hungarian political economy to incorporate more capital from the 'East', Fidesz as an organisation of *capitalists without the right kind of capital*, has been rather successful. At once the government has seemingly mollified German capital, stimulated more arrangements with Chinese (and Russian) capital, and further entrenched its own position as perennial rulers of Hungary. To be sure, Chinese FDI is attracted to lower wages, which makes Hungary a good 'fit' for China in its efforts to establish and further develop a market, or at least access one. Hungarian labour earns considerably lower wages than the majority of its EU counterparts – indeed the third lowest minimum wage in the EU at approximately €500 per month at 2022 levels (Eurostat, 2022) with average salaries the fourth lowest in the OECD at 2021 levels (OECD, 2021) – which makes it an attractive destination for Chinese capital.

The China-Germany-Hungary tripartite: potential research trajectories

This chapter has investigated Chinese FDI into Hungary, with specific focus on the Belgrade to Budapest railway upgrade as one of the breakthrough Chinese financed infrastructure projects in Hungary, with previous attempted plans unrealised and future developments expected. Ultimately, Chinese FDI into Hungary in the post-2010 period is a more politically induced than market-driven phenomenon and thus reinforces one of the core arguments of this research: Hungarian capitalists are well-experienced, globally embedded, but in the end are *capitalists without the right kind of capital*, always on the lookout for 'new' national and transnational capital flows earmarked to serve the Fidesz project. Inward transfers of Chinese-sourced capital constitute a partial solution to alleviate this subjective conundrum, well-captured by the Hungarian Foreign Minister's comments, above.

As a result, any approach aiming to understand Hungarian capitalism in the post-2010 period must pay more attention to a resurgent political agency with an increased capacity to determine economic outcomes and subsequently the trajectory of Hungarian economic development. Nascent politically induced transnational capital dimensions have emerged since 2010, which do not originate from 'Western' firms, and which have the capacity to make lasting changes to the Hungarian political economy, therefore, such outcomes should be taken into consideration for any model creation. As I argued in Chapter 2, the Varieties of Capitalism tradition can maintain efficacy as an approach to explaining outcomes in Hungarian capitalism and can do this by fusing the DME model to another extension to the VoC literature: the State-permeated Market Economy. This is particularly useful given China's broad though varied increase in FDI across the V4 countries since the onset of the 2008 Global Financial Crisis, indicating that using these models' commonalities as a lens for understanding contemporary capitalism in the CEE region may travel well.

Simultaneously, despite upswings in transnational capital entering Hungary from China, dependence on the (mostly) 'Western' MNCs that entered Hungary after the systemic change, remains. The influence of Chinese-funded infrastructure projects, while not insignificant, does not have the capacity to offset the presence and influence of extant MNCs. On the contrary, it is beginning to complement it. As I have argued here, the China-Germany-Hungary tripartite – or batteries-automobiles-Fidesz– is becoming more significant and has implications for *inter alia* the Hungarian and German political economies – particularly with reference to the automobile and battery sectors – broader Sino-EU relations, and what this means for the EU's so-called 'de-risking' agenda. Further investigation into these relationships is critical.

Irrespective of criticisms of the project, the BBRU has potential benefits for Hungary. Until 2022, the agreement was the largest infrastructure development in Hungary financed by Chinese capital, while others have been attempted and may yet emerge. Because the BBRU does have potential benefits, I expect similar future projects will also bring positive outcomes to the Hungarian political economy and potentially to regional cognates.

Finally, the empirical evidence and arguments made in this chapter illustrate the VoC tradition discussed in Chapters 2 and 3 remains an applicable approach to partially understanding contemporary Hungarian capitalism. The prospect of increased cooperation between DMEs and SMEs has become a reality, and the two ideal types' institutions as given in the literature attest to their potential for successful outcomes (specifically China and Hungary for the purposes of this research). While it is clear what happens when CMEs/LMEs interact – as those interactions essentially set aside the DME model as a third archetype in the first place – as I outlined in Chapter 2, future analysis should investigate DME-SME interactions and what this means for the capitalist institutions in the cases that populate the models, particularly the DME cases, given the asymmetrical relationship between the two models and the stronger potential for FDI to flow from SMEs to DMEs, rather than vice versa. Finally, an additional avenue for future study is to investigate the BBRU in comparison with (an)other large-scale infrastructure project(s) in less economically developed areas or world regions as this may uncover the extent to which the capitalist institutions of the SME model operate under different institutional conditions.

Notes

1 This is the estimated final cost including interest repayment.
2 This excludes the August 2022 agreement between the Hungarian state and Chinese state-owned battery manufacturer CATL to develop a battery production facility in Eastern Hungary, discussed in Chapters 2 and 6. I do not study the CATL agreement in the present book, which has now surpassed the BBRU deal in terms of cost.
3 The NEM was introduced on 1 January 1968 to generate more flexibility in the Hungarian economy. For more details, see Balassa (1983) and the introductory chapter in the present book.

4 General Agreement on Tariffs and Trade established in 1947, a precursor to the World Trade Organisation. The GATT was designed to promote international trade through the reduction on tariffs and customs barriers.
5 Prime Minister of Hungary 2002–2004.
6 The deal was agreed during the Bajnai government (2009–2010) and completed between 2010 and 2011 after Fidesz had returned to government.
7 Neither country had ever been a sovereign state before 1993 and 1991, respectively.
8 The firm celebrated 135 years of country presence in Hungary in 2022 and employs 3,500 people.
9 However, research into this may be demanding because sectoral elites 'are only semi-visible, and their definitions of reality can only be unpicked by a kind of critical intellectualism which has few funders' (Bowman et al., 2013, p. 27). In this sense, they differ from the elites conceptualised in an earlier classical work (Mills, 1956).
10 The Hungarian national carrier between 1946 and 2012.
11 German corporations remain heavily invested in the country. The CEO of the Hungarian Investment Promotion Agency stated that '171 deals were closed with German corporations between 2014 and the first half of 2022 which resulted in investment volume of €7.86bn and 32,000 new jobs … [and] over 2,700 German companies now employ some 225,000 people in Hungary' (HIPA, 2022).
12 The reduction of the 17+1 group to 14+1 is a case in point. Between 2021 and 2022 all three Baltic states withdrew from the organisation. Further, there has been no summit since 2019 though this is due to restrictions imposed by the global pandemic.
13 However, as I have previously mentioned, in 2020, the Hungarian government codified the financial stipulations of the deal until 2030, so the information I have presented echoes what is in the public domain and therefore is likely to now be inaccurate.
14 Hungarian GDP = USD181.85bn at 2021 levels (World Bank, 2022).
15 This builds on a historical precedent of public policy that put the public at high risk of default. Mortgages denominated in foreign currencies in the 2000s created a lending boom, which ultimately resulted in widespread crash after 2008 (Bohle, 2014).
16 Importantly these are not limited to Chinese actors; Japanese and South Korean firms have a significant presence in Hungary. For example, only three South Korean firms are able to produce battery cases and components and each company established its first EU-based factory in Hungary (see Czirfusz, 2023 for further information).
17 This could be easily transformed into say, a batter-automobile-Fidesz tripartite to (1) move beyond state-only inquiry and (2) emphasise Fidesz' hegemonic-ideological role in this area

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Part III

Authoritarian populism travels

6 The political economy of authoritarian populism

Future trajectories

Hungary and authoritarian populism

The purpose of this book has been to investigate the nature of the Hungarian regime and some of the changes it has made to the Hungarian political economy since 2010. To do so, I built on Stuart Hall's (1985) authoritarian populism to construct a new framework to conceptualise and theorise the ideology the Hungarian government (Fidesz) has developed to self-reproduce, labelling it Hungarian authoritarian populism (HAP). I then revisited the often-maligned Varieties of Capitalism (VoC) approach, and a specific model within it: the Dependent Market Economy (DME) (Nölke & Vliegenthart, 2009). My aim here was to harness HAP to the DME model – with specific reference to Hungary – to demonstrate that Hungarian capitalism has developed in such a way since Fidesz was re-elected to government in 2010, that capitalists have the willingness and ability to generate outcomes that heavily favour and augment the government's hegemonic position. Subsequently, I studied the shifting dimensions of the Hungarian political economy along two broad dimensions with both initiatives designed to reproduce HAP. First, the state subsumption of domestic business: the internal 'leg'. Second, nascent transnational capital dimensions from Russia and China: the external 'leg'. One of the key results has been to demonstrate how Hungarian capitalists are globally embedded, highly experienced actors on perennial lookout for (new) accumulation pathways for the primary purpose of self-reproduction. I categorised them *capitalists without the right kind of capital*, the subtitle of this book and this constituted the first of eight principal arguments listed in the introductory chapter.

This research has demonstrated that Fidesz has internationalised HAP by stimulating financial inflows from ideologically similar governments. With every passing year since its return to power, Fidesz has embedded itself further into the position of perpetual governors of Hungary through legal amendments to the constitution, the purchasing or liquidation of media outlets, and self-enrichment operations amongst other methods (see for example Kornai, 2015). Each of these has been designed to expand the Fidesz project. The processes studied in this book, namely the subsumption of domestic business and its reorganisation into a countrywide prebendal network, and the agreements to (1) extend Hungary's sole nuclear power plant (NPP) and (2) complete its section of the Belgrade-Budapest railway upgrade

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(BBRU), with loans from Russian and Chinese state-owned entities respectively, have been used by Fidesz to achieve continued electoral success. These aspects build on countrywide popular support and are complemented by a burgeoning international network of admirers of Fidesz's staying power, its traditional conservative ideology, and its continued encouragement and accommodation of post-1989/1990 value chains dominated by 'Western' capital, particularly from Germany.

In April 2022, Fidesz secured a fourth consecutive supermajority at the ninth national election since Hungary's adoption of parliamentary democracy in 1990. It will hold this majority until at least the next scheduled national election in 2026 and very likely beyond. Nationally, a steadfast network of Fidesz-loyal cronies has emerged to create a national bourgeoisie. I labelled this phenomenon prebendalism, borrowing from Weber (1978), Szelényi (2016), and an earlier article I published (Rogers, 2020a). This arrangement has principally resulted from a nationalisation programme that targeted assets in the banking, energy, retail, and utilities sectors to increase domestic ownership. In ideological terms, Fidesz has proliferated its traditionalist/neo-conservative values (see Csillag & Szelényi, 2015) across a range of institutions – business, educational, judicial – fostering a culture of obedience that has come to form the backbone of its continued electoral successes, initiated after electoral defeat in 2002 (Greskovits, 2020).

The two principal infrastructure development projects that form the empirical investigations of the external dimensions of HAP (Chapters 4 and 5) are at various stages of construction. First, the project to expand Hungary's only NPP – Paks II – has begun, though cost overruns are a core feature of NPP construction on a global scale and therefore full costings of the project remain unknown. In addition, the Russian government's decision to re-invade Ukraine in February 2022 while not raising the prospect of project cancellation has been an issue for Hungarian government officials in the first instance insomuch that procurement of required materials may come to be prone to United States-led sanctions. As I wrote at the outset of this book, the analysis I conducted on the Paks II extension took place before 2022 and therefore I did not explicitly discuss the impact of the ongoing invasion in Chapter 4. Nonetheless, given the planned new blocks at the plant are scheduled to be operable by the end of the current decade and loan repayments are timetabled to have been honoured by 2046 – the year Russian President Vladimir Putin turns 94 – how far the war in Ukraine comes to affect the Paks II NPP is at this stage, guesswork.

Second, construction of the Hungarian section of the BBRU began in 2022 while the Serbian section has been largely completed notwithstanding a more complex financing arrangement (Szabó & Jelinek, 2023). While (further) delays and cost overruns are expected, a September 2023 press report uncovered developments that put project realisation in jeopardy due to issues over standardisation, a refocus of subcontractors' efforts to other railway lines, and inflationary price hikes (Telex, 2023). However, project completion remains likely. I selected these deals for analysis because at the time I embarked on this research, they were the largest agreed with Russian and Chinese state-owned entities in terms of cost and size since 2010, the latter of which has been since dwarfed by the August 2022 CATL agreement (discussed in Chapter 2). The Paks II extension and BBRU have the capacity to affect the trajectory of Hungarian economic development because of – amongst other aspects – the cost and repayment schedules with contracts stipulating fixed-rate loan repayment timetables to state-owned lenders equating approximately 8% of Hungary's GDP at 2022 levels with staggered interest rates until 2046. One ramification for such investment agreements is the Hungarian taxpayer will bear the risk. Despite the fixed-rate interest rates,[1] the repayment schedule exposes a generation of taxpayers to the potential for default, a factor that has historical precedent in post-socialist Hungary (Bohle, 2014).

The incumbent Hungarian political elites have reacted against the neoliberal economic developments of the 1990s and 2000s, which were characterised by sector-wide privatisation and high levels of Foreign Direct Investment (FDI) and radically changed the landscape of the Hungarian political economy. Fidesz' ambition has not been to dilute foreign ownership and subsequently transfer increased levels of capital to augment spending on R+D and/or education and training as was recommended to Hungarian (and the remaining V4 countries') policymakers (Nölke & Vliegenthart, 2009, p. 696) and consequently upgrade extant value chains dominated by (mostly) 'Western' European MNCs. Rather more cynically, Fidesz has developed Hungary into a hybridised political system – a form of government that melds 'democratic and authoritarian elements' (Diamond, 2002, p. 23) – intent on maintaining momentum through domestic business subsumption, proliferation of ideology, and the stimulation of inward capital flows from 'Eastern' states. The post-2010 dominance of national capital and the support for 'Eastern'-sourced financial inflows have complemented an already robust support base at home and in neighbouring countries with sizeable Hungarian populations who typically vote for Fidesz. The infrastructural agreements with Russian and Chinese state entities possess further appeal given regimes in these countries are highly unlikely to contest Fidesz's domestic agenda as has happened to varying degrees and on selected issues with 'Western' European states and the European Union (EU).

The remainder of this concluding chapter is divided into five parts. First, I discuss the concept of Hungarian authoritarian populism, an approach to explain developments in post-2010 Hungary; a nuanced, post-structural framework developed in Chapter 1. Second, I revisit the VoC tradition and its continued application to Hungary. Third, I develop a discussion on the *longue durée* in the Hungarian context. This section departs from the hitherto content of the book and building on Michael Herzfeld's (2002) notion 'crypto-colonialism', asserts that ultimately, Hungary's development trajectory is hamstrung by the HAP project, which shelters the country and its population from many of the benefits of modernity. Next, I produce a list of limitations to the research before making suggestions for future research initiatives. Finally, throughout this chapter I revisit the eight principal arguments made in the introduction.

Hungarian authoritarian populism: content and meaning

As discussed in Chapter 1, Hungary has become a point of great interest for academic and journalistic observers. Principally, commentators have been concerned with what they see as one of the CEE region's former beacons of performance renege on its newfound democratic principles via a process of 'democratic backsliding' (Sedelmeier, 2014) and subsequently disintegrate into an authoritarian and hybridised regime (Bozóki & Hegedűs, 2018; Scheppele, 2013). To be sure, Hungary has become a rather unusual phenomenon within the CEE region in terms of one governing party's continued electoral success and – for a country of under ten million inhabitants – of being able to skilfully manoeuvre itself via legislation, rhetoric, and business subsumption amongst other factors to withstand continued pressures from the EU and other non-state actors to reform policies and (democratic) practice.

I began this book with the objective to move beyond hitherto approaches to understanding Hungarian capitalist development, which typically focus inwardly on domestic dimensions of support. Part of the contribution of this research has been to create a theoretical framework that digs deeper into the underlying politics of the Hungarian regime. As above, to do this I have incorporated Stuart Hall's (1985) work on authoritarian populism to create a theoretical innovation that helps (in part) to explain the strategies Fidesz has adopted to sustain its project through self-reproduction. Rather than placing emphasis on a particular element of post-2010 Hungarian politics, e.g., illiberal democracy, the HAP approach is wider in scope as it analyses Fidesz as a 'form of hegemonic politics'. This theoretical contribution is an original framework that captures the fundamental stratagems Fidesz uses to maintain its position in power. By framing the Hungarian government's modus operandi this way, the approach I have developed is able to explain the continuation of Fidesz's support and critically, its methods of self-reproduction, identified here as its control over national capital and its broad turn to the 'East' to stimulate new arrangements for capital relations. The outcome of this analytical framework is to generate a deeper (more organic) understanding of Fidesz' politics in the post-2010 period. As such, the HAP approach informs observers of Hungarian politics and the political economy and is a relatively robust framework to explain these phenomena since 2010. This constitutes the second principal argument outlined in the introduction.

An additional strength of the HAP model is the recognition that its roots emerged not when Fidesz won the 2010 national election but at the beginning of its period in opposition from 2002. This echoes Hall's (1979) identification of AP's nascent stages in Britain from 1975 when Thatcher became leader of the Conservative party, also then in opposition. Any government is to some extent reliant on historical fortune. Fidesz was close to winning the 2006 national election, the first in democratic Hungary to return the incumbent to government. It remains speculation to consider how the 2008 Global Financial Crisis could or would have affected a Fidesz government and how the latter may have managed negotiations with creditors and any (externally induced) austerity programme. The Crisis was uneven in its effects as not all European countries received an externally induced bailout and consequent structural adjustment programme, and different countries' financial institutions, debt obligations, national currencies, and bond markets, etc., possessed varying levels of exposure, which may explain why some incumbents were returned to office at the subsequent respective national election and others were dismissed.[2] In any case, between 2002 and 2010, Fidesz laid the groundwork for an anticipated prolonged period in office by developing the key features of HAP, which I outlined in Chapter 1.

The most important components of HAP for domestic consumption are the four 'moral panics' of 'colonisation', 'otherness', 'immigration', and 'specific threats'. Fidesz's inducement of these zones of conflict has been remarkably successful, helping to maintain the party's relevance and offset complaints over the clear corrupt practice and lack of material benefit for most of the Hungarian population, perhaps best indicated by lower salaries vis-à-vis other CEE countries. Moreover, these 'moral panics', accompanied by protagonists selected to animate their rationale, generate a resultant 'common sense' reaction also detailed in Chapter 1. The four 'moral panics' do not constitute an exhaustive list. Additional examples may come to be identified by the ruling government as useful in some way and consequently reified into existence through various channels.

The most significant outcome of the successful execution of the 'moral panics' is a subsequent capacity to change the 'balance of forces' and therefore generate increased pro-government dimensions on the Gramscian conjunctural terrain. It could be argued that these changes to the 'balance of forces' include many of the Fidesz-induced alterations to Hungarian politics writ large such as the constitutional amendments that have helped cement the government's political dominance. This research however, isolated the changes and continuities within the Hungarian political economy that have been affected by HAP. Most significantly, HAP can explain the development of a prebendal network, advanced by Szelényi's (2016) analysis of post-communist regimes (see also Rogers, 2020a), as noted above.

The present book's title was inspired by Eyal et al.'s (1998) publication and my own observations of capitalist development in Hungary over many years of study and habitation. To imbue the concept of *capitalists without the right kind of capital* with intellectual content, it was necessary to isolate where and how the incumbent Hungarian government (attempts to) sources (new) capital inflows, which complement the HAP project. I found that Fidesz has identified two principal alternative routes towards this cause, which are not necessarily congruent with the economic arrangements of the pre-2010 period, characterised by the multiple dependencies on the decisions taken in the boardrooms of Western MNCs (Nölke & Vliegenthart, 2009) and the dominance of foreign ownership.

The first is a tighter control over domestic actors tasked with guarding national capital. The creation of a network of loyal actors has led to the subsumption of domestic business across a variety of sectors, as demonstrated in Chapter 3. Through this institutionalisation of the methods of accumulation, Fidesz has developed a sophisticated approach to securing longevity while maintaining the institutions of a nominally democratic state. The monopoly of domestic business has become instrumental in assuring dissent remains isolated and ineffective and does not gather momentum capable of challenging the government to any meaningful level. National capital – and the actors who own and/or manage it – has become more loyal to Fidesz andhese actors may assume and own property in exchange for steadfast loyalty. Should their support for the government break down or invert itself into antipathy or defection, property may be withdrawn. As above, to capture this scenario, I borrowed the Weberian term 'prebendalism'. This represents the book's third principal argument.

The second route – and the fourth principal argument – is the launch of the Eastern Opening (KN); a guise for the initiation of external capital streams from ideologically cognate politics to the geographical East of Hungary. The longer-term outcome of investment flows, trade deals or loans remain too challenging to accurately gauge because many variables are out of Fidesz control in the first instance. What is clear however, is that HAP stands a stronger chance of survival with capital injections from, for example, Russia and China because – as outlined in Chapters 4 and 5– investments are often 'captured' in various ways by actors within the prebendal constellation, which subsequently strengthens Fidesz and Fidesz-loyal networks. Additionally, as noted above financial inflows from these entities come attached with ideologically similar values and therefore are far less likely to challenge Fidesz's domestic politics (see Szelényi & Mihályi, 2019). This correspond to the fifth principal argument.

Interconnectedly, the two agreements with Russian and Chinese state-owned entities reflect these trends and constitutes the book's sixth principal argument. These deals are significant for at least three reasons. First, they are – if only minimally at this stage – generating changes to the external orientation of the Hungarian political economy. This is an important feature of post-2010 Hungarian capitalism as it contrasts with the core development focus of the pre-2010 period. Second, such changes are politically induced, rather than resultant of firm-firm interaction. Recognition of the increased capacity of the Hungarian regime to engender such initiatives enhances comprehension of capitalist development trajectories. This means that hitherto institutional accounts of Hungarian capitalism while not redundant as discussed below, are as standalone constructs, much less capable of explaining such agency-driven agreements. Third, increased engagements with often state-owned entities based in countries that fall within the purview of the KN, particularly Russia and China, may serve to alter Hungarian capitalist institutions, manipulating them for the advancement of the prebendal network – principally through accumulation and favoured contracts for government-loyal firms or individual actors – with one outcome that Fidesz becomes further entrenched.

The HAP approach I have developed can help to understand the successes of the politically induced changes described here. To understand some of the institutional changes that have resulted I harnessed the hitherto focus on actorness to the VoC tradition – and more precisely a specific model within it (the DME ideal type) – which I now re-evaluate.

Varieties of capitalism

By analysing the trajectory of Hungarian economic development from a VoC perspective, this research has found two broad outcomes. First, despite the tradition's detractors (for example, Baccaro & Pontusson, 2016; Ebenau, 2012; Herrigel & Zeitlin, 2010; Streeck, 2011, 2016) the isolation of four overlapping capitalist institutions of the DME and State-permeated Market Economy (SME) models offers a snapshot of the potential trajectory of Hungarian economic development and subsequently the remaining DME cases, should investments increase in size and importance from the SME cases. I argued this may be a helpful method to better understand and further theorise segments of Hungarian capitalism, particularly given the increases in inward flows of Chinese-sourced capital. Despite the mixed successes of Chinese capital's penetration of the Hungarian economy, Chinese investment flows into the V4 countries (DME cases) dominate the world's second most populous country's investment portfolio in the wider CEE region as detailed in Chapter 5. While the V4 political economies remain dominated by 'Western' capital, increased inflows from states, which come close to characterising the SME model – particularly China, and to a lesser extent, India[3] – may become more significant over time. Resultingly, Hungary may be diverging from resembling a DME to more closely aligning with the SME ideal type. This was the seventh principal argument listed in the introduction.

Furthermore, should the post-2010 Hungarian political economy be (closely) mimicked by other (regional) states, which have been categorised as DMEs (i.e., the remaining three V4 members), then the DME model may become defunct as a workable framework for understanding certain forms of capitalist development and more specifically, account for 'varieties' of capitalism at work in given states. Stemming from this potential model convergence, the advent of an 'alternative to the liberal economic order' (Nölke et al., 2015, p. 540) may assume new dimensions and accelerate, though this is by no means guaranteed. Such predictions remain extremely premature and as such, this is merely a suggestion based on a reading of the literature.

The present research found that the politically induced changes to the Hungarian political economy since 2010 are affecting the four capitalist institutions that are shared between the two models, which builds on previous work I have conducted (Rogers, 2019). The critical feature of the DME model is its emphasis on the external dependency that has come to strongly influence the development paths of the four cases. This book does not claim that dependency on the decisions taken in the boardrooms of 'Western' MNCs has been increased, lessened, or has relocated. Despite the partial nationalisation of certain sectors of the economy after 2010, Hungary's dependency on 'Western' MNCs remains and its longer-term location on the semi-periphery of (European) capitalism is unlikely to change, compounded by the continuation of (mostly) 'Western' FDI and prominence of foreign ownership. Rather, the core rationale of the analysis I have undertaken here has been to adhere to the authors' call to 'include a more political account of these institutions' (Nölke & Vliegenthart, 2009, p. 694). For this reason, I sought to develop the HAP concept and see how far it might broadly accompany the VoC framework and the DME model extension specifically to produce a theoretical harmony more politically attuned to Hungarian capitalist development and the actorness that helps drive it. Such theoretical harnessing is beneficial because it permits observers of Hungarian development the opportunity to analyse political and economic developments from a more theoretically holistic vantage point, namely through post-structural and institutional perspectives as discussed in Chapter 2. This is helpful for advancing understanding into the development of such a 'historically unusual' (Szelényi, 2016, p. 23) phenomenon that Hungary has become.

By marrying the VoC to HAP, this work advances – and I might say, improves – the VoC framework. The creation of a nuanced framework, with an unambiguous onus on the necessity to pay considerably more attention to agency-driven development and subsequently, a reduction on firm-centred bias allows more focus to be paid to both political and economic steering. At our present epoch, Hungary remains a highly unique example of capitalist development, and this is a two-fold story. In the first instance, because of the historical institutions that developed before and after 1989/1990, but also because of the (re)emergence of a core group of political actors who have retaken control from economics (Szelényi & Mihályi, 2019). As above, the VoC tradition has many critics, and I am one of them. In a frequently cited article, Baccaro and Pontusson (2016, p. 179) write: '[c]ritical commentaries and empirical studies challenging specific VoC propositions abound, but they do not add up to a coherent research agenda'. It remains to be seen how much coherence there may be in the theoretical harmonisation I have developed. However, to be clear, what the present book has done is advance the VoC framework by (1) binding it to a post-structural account of populism and (2) (re)applying it to Hungary, but with a stronger emphasis on the requirement to acknowledge political agency.

What does this all mean for the trajectory of Hungarian economic development? How might we use the analysis I have conducted to (better) understand the Hungarian government's policy choices and the impact they may have on the Hungarian political economy? The remainder of this concluding chapter answers these questions and simultaneously addresses the eighth and final principal argument listed in the introductory chapter.

The longue durée

At the time of writing – autumn 2023 – the post-socialist period is just over three decades old and the post-2010 epoch of Fidesz domination, 13 years in length. In Hungary, history does not spend much time in the waiting room. In just over a century, dual monarchical empire, Rightist and Leftist dictatorships, market socialism, free-market capitalism and since 2010, a transparently corrupt political elite with self-preservation at the forefront of its focus have regularly recalibrated the internal and external dimensions of the Hungarian political economy. Manifold radical shifts have occurred in the last century and therefore it may be entirely reasonable to assume more may happen within a generation, particularly given they typically manifest themselves via the influence or force of exterior actors.

As early as 2018, Orbán declared his intention to remain as PM until 2030, a period he designated 'a unified era' (Euractiv, 2018); a feasible proposition given the changes he has helped make, his continued success at national elections, his loyal set of compliant political and business actors, and an increasing transnational network of supporters. He has become a figurehead in Europe's broad political shift to the Right (Rogers, 2020b), particularly with anti-migrant rhetoric, a platform for political parties on a global scale. János Kornai (2015) asserted space for optimism remains as long-standing conservative parties are eventually defeated. However, by citing historical examples from Sweden and the United Kingdom, he unfortunately underplayed the typical weaknesses of democratic institutions in CEE. Their rapid dilution in Hungary has enabled the government to support itself through a domestic business environment largely beholden to party-engendered norms. These features have been designed to strengthen Orbán's hegemonic position to the extent that what Hungary might look like without him as Prime Minister remains is an open question, but one worth exploration.

While elections remain timetabled for 4-year cycles, the Hungarian Left – and the wider European Left – remain so fragmented that a genuine challenge to Fidesz power is unlikely, at least domestically for the next scheduled national election in 2026. The Hungarian government is adept at exploiting situations for self-benefit, a critical factor for political survival that should not be underestimated. A less skilful party or leader may not have had the foresight or capabilities to consistently build on electoral successes via the core aspects analysed in this book: the development of a unique arrangement (HAP), which is able to leverage capital from 'the East' to entrench its position and simultaneously uproot dissent and undermine opposition. A more democratic group of political agents may have possessed the humility not to seek perennial power.

The post-2010 politically induced changes to the trajectory of Hungarian economic development can be understood as anchored against the backdrop of modernity. Hungary – along with Poland[4] – has been a consistent driver of development in the region. The 1956 counterrevolution and the opening of the Austrian border in May 1989,[5] as well as the pace of EU-accession talks set Hungary apart from its Czech and Slovak regional counterparts. Fidesz's continued electoral success and exploitation of the weak civic institutions that are commonplace in the CEE region have rendered the further internationalisation of (H)AP a distinct possibility. This is not guaranteed however, particularly as other countries' leaders do not share the same level of support as Orbán.

If Hungary does offer a 'model' of governance for other V4 countries – or within the wider CEE region – replication may be unlikely for other reasons, too. For example, Fidesz's success at the ballot box remains unmatched in other countries in the region, development paths differ, national characteristics do not always converge, multiple dependencies remain, and neoliberal development paths prevent a broad arc of post-socialist European countries from graduating away from the semi-peripheral zones of global capitalism. Other CEE states maintain different types of relations and attitudes towards Russia, most notably Poland and the three Baltic States in the EU, and Belarus and Serbia outside the bloc. Relations with China are highlighted by efforts to attract inward investment and therefore increased interaction with Chinese capital in post-socialist Europe, while politically induced, may not tend towards or move away from any ideological standpoint. Rather it emerges as a reaction to neoliberal economic regimes, which developed to varying degrees of intensity and result from different time lags but nonetheless ploughed through the variation of development paths introduced across the region after 1989.

Domestically, the 2022 Hungarian national election was a further catastrophic defeat for an assembly of domestic political opposition. Who or what might be arranged to challenge Fidesz in 2026 or beyond is another open question. With the government's continued possession of a so-called 'supermajority' there is effectively no domestic opposition of substance in any case. The Prime Minister is highly pragmatic and will do many things to remain in power – convert to Christianity, reverse the core principles of Fidesz from the 1980s, attack previous sponsors, (re)connect with Russia, etc. – and he is adept and skilful at doing so. This means any challenge to his power will have to match or better his pragmatism, domestic appeal, and 'dose of [Weberian] charisma' (Szelényi, 2016, p. 23) in the first instance.

Internationally, a stronger and more vocal response from non-Hungarian actors may also serve to challenge Orbán, particularly from Germany and the wider EU as they have the potential to generate a 'restart of democratization in Hungary' (Ágh, 2016, p. 284). This potential remains unfulfilled, however. The continued deep presence of 'Western' industrial interests in Hungary and the wider V4 region is continually reproduced through the maintenance of extant subsidiaries and new market entrants. As I have detailed in the present book, despite partial nationalisation after 2010, Hungary maintains pro-market strategies that continue to attract ('Western') MNCs and other forms of international capital. This means rhetorical pressure on Fidesz is yet to transpire into anything more punitive. In the post-2020 era, the ongoing Global Pandemic, war in Europe, the emergence of the 'China threat' against the backdrop of an apparent 'Second Cold War' (Schindler et al., 2023), amongst other geopolitical developments reveal in any case these actors have more pressing matters with which to deal.

Returning to the two ostensible members of the KN programme studied in this book, a heavily privatised Hungarian economy has left Chinese and Russian FDI little room for entry other than to finance specific infrastructure development or conduct trade relationships over various commodities. Orbán understands that German industry is critical for near and longer-term Hungarian economic development. He is also aware that a Chinese and Russian financial complement – as well as other sources from within the KN's purview – will help achieve political interests. Some interviewees that helped provide data for this research were convinced that Orbán's view is that the EU is a dead project. This may be the case, but he is unable to be overtly bold in his criticism of extant German firm presence or create anything close to a 100% ownership situation of the sectors that were heavily privatised in the 1990s and 2000s. Such an outcome would likely lead to increased risk forecasts for MNCs operating in Hungary, which could take measures to divest and relocate subsidiaries to economies more congruent with their interests, thus critically undermining a core pillar of the Hungarian political economy, leading to unanticipated political outcomes.

The Fidesz project is far from completion. There are no legal limits to serving as Hungarian PM and in 2030 Orbán will turn 67 years old; a still active time for a politician. Due to his pragmatic approach to maintaining relevance, he may seek a period of tenure as President of the Republic[6] to safeguard his power and HAP. Significantly, he has discussed this seriously before, mooting the possibility of transforming Hungary from a parliamentary to a Presidential democracy, based on the French model (Népszabadság, 2014).[7] Because of Fidesz's supermajority, changing the democratic structure may not be too challenging, which is compounded by Orbán's capacity to 'sell' his position to the electorate, as highlighted by the 'moral panics' and subsequent 'common sense' reactions. Should this development materialise, Orbán as a President may increase his power, i.e., Fidesz may extend Presidential terms, and this may weave another dimension into HAP. This is merely speculation based on my own research in Hungary, however, and therefore cannot be provided any weight at this stage.

In Chapter 1, I emphasised the importance of understanding Fidesz' ascension in relation to its pre-2010 development, but to understand Hungary's situation it is also essential to maintain a wider scope. Already in the 2010s, there was a growing disconnect between free market capitalism and liberal democracy. From many Hungarians' perspective, the neoliberal project undermined post-1989/1990 hopes and stunted development. A 2009 survey found that 72% of Hungarians considered themselves to be worse off than under communism, 10% more than in Ukraine and 27% higher than in Russia (Pew Research Center, 2009). The 2007–2008 Global Financial Crisis fuelled nationalism and created easy-to-attack enemies for the purposes of cementing popularity for nationalist entities. Based on these statistics alone, it is hardly surprising that Fidesz won so heavily in 2010. Cosmetically, however, the principal difference is diversionary: instead of a Prime Minister who overtly promotes and apologises for the institutional arrangements of the pre-2010 epoch, there is one who covertly does so, while outwardly vilifying them to their chagrin and the simultaneous pleasure of much of the domestic audience.

Like all national capitalisms, Hungary's development is a complex mesh of historical layering, institutional performance, industrial relations, sociological make-up, and political determinism amongst myriad other dimensions. Today, the country is buffered by dominant capital from large(r) economies, which organises significant slices of its political economy, such as automobiles, banking, manufacturing, and emergingly, batteries. The result is not simply a dependent (market) economy, but in effect a colonised state – in the situational sense of the word, rather than the fiscal territory – which provides a platform from which the HAP ideology is (partially) shaped. The social conditions generated by these capitalist relations, somewhat ironically, present a fertile opportunity for Fidesz to strengthen its standing thus disseminating the HAP ideology and consolidating its hegemonic position. In turn, this situation prolongs the HAP project because it further reduces opportunities for successful challengers in the first instance.

The emergence of crypto-colonialism

How can we understand Hungary's situation in the grander scheme of things? To be sure, it is important to understand politico-economic development during the first three decades of post-socialism on a more global plane, to see it in relation to and as a part of international and transnational capital. André Gunder Frank's well-known (1966) 'development of underdevelopment' thesis helps to partially inform understanding of these trajectories. The neoliberal explosion after 1989/1990 – accelerated by the implementation of the 1995 Bokros Package (discussed in the introductory chapter) – and the onset of foreign domination of hitherto national assets left Hungary in a locked-in perennially peripheral position of middleman producer of medium quality goods for 'Western' markets; an unenviable situation that undermined the anticipated outcomes of the heady optimistic immediate years after the cessation of state-socialism.

Writing at the peak of the Cold War and during the waves of 'decolonisation' that saw European imperialists nominally exit foreign territories, Frank (1966, p. 18) wrote 'contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries'. He continued by theorising what he termed the 'metropolis-satellite structure … [a situation where] each of the satellites … serves as an instrument to suck capital or economic surplus out of its own satellites and to channel part of this surplus to the world metropolis' (Frank, 1966, p. 20), thus infusing a webbed network of capital flows tipped heavily in favour of capitalists and capitalism based in or emanating from the metropole. Based on some of the discussions developed in the present book thus far, this line of argumentation resonates with the Hungarian situation because there is partial applicability of this logic to the present Hungarian context. However, Frank's work in the mid-1960s was mainly focused on the 'peripheral' territories of Latin America as they were at that historical juncture, and not specifically to what was then known as the 'Second world': those lands and cultures 'behind' the Iron Curtain.

Moreover, Hungary was never colonised in the 'classical' sense under conditions of modernity: by a post-1500 'Western' European-led (maritime) power. This means the country and its development has progressed along different pathways and been influenced by alternative trajectories that some have argued are specific to the wider region of central Europe (Szűcs & Párti, 1983). Therefore, Frank's thesis is in part helpful but cannot satisfactorily capture the Hungarian situation because (1) Hungary eluded 'classical' 'Western' European colonialism and (2) the predominance of the current Hungarian government over both the domestic political economy and society reveal a stronger ability, will, and agency to make its own development choices. As such, provision of a more nuanced understanding of Hungary's 'colonised state' as I described it above necessitates a more fine-grained approach to colonialism that moves beyond the coloniser/colonised dichotomy.

One way to help us better 'see' Hungary's development predicament, is Michael Herzfeld's (2002, 2017) notion of 'crypto-colonialism', a specific form of colonialism that diverges from the 'classical' type studied by Frank and others. The principal difference between the 'development of underdevelopment' thesis and the 'crypto-colonialism' approach is the latter breaks free from the coloniser/colonised binary through critique of the scholarly fields of social and cultural anthropology. Herzfeld asserts that while the 'classically' colonised lands of, e.g., South Asia and sub-Saharan Africa have been attributed a theoretical canon (subaltern studies for the former, post-colonial studies for the latter), those territories 'in between', i.e., regions not colonised through post-1500 'Western' European-led (maritime) military expansion and subsequent domination, find themselves dislocated from modern conditions experienced in the 'Western heartlands' resulting in detrimental results for development. Herzfeld's defines 'crypto-colonialism' as

> the curious alchemy whereby certain countries, buffer zones between the colonised lands and those as yet untamed, [that] were compelled to acquire their political independence at the expense of massive economic dependence, this relationship being articulated in the iconic guise of aggressively national culture fashioned to suit foreign models. Such countries were and are living paradoxes: they are nominally independent, but that independence comes at the price of a sometimes humiliating form of effective dependence … [Furthermore] perhaps one feature that all these countries [crypto-colonies] share is the aggressive promotion of their claims to civilisational superiority or antiquity, claims that almost always appear disproportionate to their political influence.
>
> (Herzfeld, 2002, pp. 900–902)

In his analysis, Herzfeld (2002) uses contemporary Greece and Thailand as examples of crypto-colonies, but leaves the door open for other candidates. Through examination of Greece's 'quest for origins' and 'lineages and identities', he views scholars' attempts to classify ancient Greeks' behaviour and activities into simplistic antiquity-inspired ideal types and the eagerness to associate modern (approximately post-1800) Greece with ancient Greece (see also Beaton, 2021) as examples of the relationship between the ('Western') European colonial project and contemporary anthropology as a discipline. The outcomes of these erroneous associations are catastrophic. In the first instance they create a cultural laboratory in which, as Herzfeld alludes in the citation above, political leaders of the day employ a belligerent and often destructive trope of nationalist expression habitually engineered for the purposes of not just self-reproduction but also to the service of privileged value chains and thus certain owners of capital.

Crypto-colonies, then, are those nation-states uncomfortably yet (semi-)permanently wedged between the coloniser/colonised contradiction. But this is not limited to geographical or historical (mis)fortune. The result is a significant developmental impact on policymaking, culture, education, and nationalism amongst other dimensions, which in turn stimulates incumbent political figures to self-aggrandise via bogus comprehension of what the country is; a dialectical relationship that has become a core feature of Fidesz government ideology since 2010, and one that stretches back at least to electoral defeat in 2002.

Applied to Hungary, the crypto-colonial framework helps to (again, at least partially) illuminate how development occurs in slow motion: a near-stagnant trickle of advancement wrought by the introduction of dominant value chains constructed to privilege 'Western' capital after 1989/1990. This has undergirded much of

Hungary's development over the past 30 years and certainly predates the present Fidesz-led era. In the post-2010 epoch, HAP has further stymied national development by engaging in the very specific capital relations in operation internally and externally as outlined in previous chapters. For example, while Chapter 1 showed how HAP has successfully locked challengers out from the domestic political scene, the 'crypto-colonialism' approach, I argue, helps further comprehend how HAP has become locked in as a hegemonic modus operandi. It is at once externally shielded by the value chain matrix, which services and owns much of the Hungarian political economy and internally promoted via an aggressive nationalism packaged for domestic consumption.[8] In short, Fidesz offers an alternative highway towards a nuanced version of crypto-colonial status, one which reifies an idealised, dream-like Hungarian-ness into being. As Herzfeld (2002, p. 901) has it: an 'aggressively national culture fashioned to suit foreign models'.

What is at stake and why is this important? The zeal with which the trajectory of Hungarian economic development has been codified to benefit the Fidesz-dominated domestic business terrain has not waned. Rather, as I have argued throughout this book, Fidesz has worked to attract inward capital flows not just to maintain – and extend – the German-dominated value chains, but to stimulate 'new' opportunities for accumulation from 'the East'. These dimensions are further complemented and complicated by the emergent importance of what I labelled in Chapter 5 the China-Germany-Hungary tripartite: a developing situation whereby Hungary plays host to the economic interactions of Chinese and German business, specifically automobiles and batteries. As I also added in the previous chapter: this could be easily transformed into, for example, a battery-automobile-Fidesz tripartite. This would help move beyond a state-only inquiry and also emphasise Fidesz' hegemonic-ideological role in this area, underscoring one of the core facets of the present book: the Fidesz government and its politically loyal business actors are *capitalists without the right kind of capital*. Indeed, the model Fidesz has created since 2010 and which is designed to principally support leading Hungarian capitalists to acquire the *right kind of capital*, is simultaneously one that essentially maintains Hungary's position on the economic periphery. Herzfeld informs us (2002, p. 921) '[c]rypto-colonialism is … about the exclusion of certain countries from access to the globally dominant advantages of modernity'. In other words, HAP is another façade that far from contributing to forging development trajectories that might benefit wider swathes of the population, arrests these pathways and aids a mere fraction of the population.

This said, I do not want to exaggerate the theoretical nous of Herzfeld's approach. As the author himself warns (2002, p. 922), 'it is important not to reify crypto-colonialism'. Rather, as above, I wish to demonstrate once again to the reader that to more fully understand the contemporary Hungarian political economy and therefore, the trajectories of the country's capitalist development, the critical importance of international and transnational capital cannot be elided. Neither should focus be given to 'just' the German-dominated value chains, nor should it be solely trained on capital inflows from the 'East', but both. This constitutes the eighth and final principal argument.

It is always prudent and responsible to view one's own work critically. I therefore now provide a list of limitations to the research I conducted during this project. Doing so will hopefully help the reader see some of its shortcomings and subsequently avoid repeating them during future investigations.

Research limitations

From a theoretical perspective, there are clear tensions from harnessing approaches from the post-structural and institutional traditions, some of which I discussed in Chapter 2. This likely means that such theoretical harnessing is subject to criticisms from proponents or critics of either camp. In the first instance, quite simply, an institution is a form of structure and necessarily institutional analyses recognise their positive (i.e., extant) nature, explicitly or implicitly. From a post-structural perspective, analysis – because of its emphasis on the negative (i.e., absent), e.g., ideas – may be charged with being incapable of capturing tangible outcomes in terms of policymaking or policy outcomes, etc. What this book has done is drawn two strains of each approach together and – despite the limitations I have identified here – I am confident such marrying is a helpful method to comprehend politically induced (actor-centred) changes to Hungarian capitalism and development, in the first instance.

In relation to broader trends of the erosion of democratic practice across CEE, a clear limitation of this research was the one-country focus. While Hungary remains one of the most relevant countries in the region to study because of the continued success of Fidesz, in other CEE states national variants of authoritarian populism are also present.[9] Another key issue related to methodological nationalism is the narrowness of its purview. To expand this, Ulrich Beck's (2007, p. 287 italics in original) definition is worth quoting in full:

> Systematically, methodological nationalism takes the following ideal premises for granted: it equates society with nation-state societies and sees states and their governments as the cornerstones of a social sciences analysis. It assumes that humanity is naturally divided into a limited number of nations, which on the inside, organize themselves as nation-states, and on the outside, set boundaries to distinguish themselves from other nation-states. It goes even further: this outer delimitation, as well as the competition between nation-states, presents the most fundamental category of political organization. Indeed, the social science stance is rooted in the concept of the nation-state. It is a nation-state outlook on society and politics, law, justice and history, that governs the sociological imagination. And it is exactly this methodological nationalism that prevents the social science from getting at the heart of the dynamics of modernization and globalization, both past and present: the *unintended* result of the radicalization of modernity is a disempowerment of Western states, in sharp contrast to their empowerment before and during the 19th-century wave of globalization.

This assertion echoes Herzfeld's criticism of contemporary anthropology in that there is a dialectical relationship between social science's strong proclivity to use the nation-state as a unit of analysis at the expense of more fully understanding societal development. The present study has conducted its analysis principally along the plane of the nation-state and is thus certainly open to this criticism.

Regarding 'varieties' of capitalism, this research has not analysed related variants in the remaining V4 countries, but it may be possible that the capitalist institutions that constitute these economies according to the VoC tradition could increasingly come to resemble those cases that are close to the SME ideal type. By only focusing on the potential for convergence using one DME case (and principally one SME case), this research is unable to make assertive claims about the model's longevity and continued relevance. Further, despite this research placing more emphasis on political analysis, i.e., investigating the importance of HAP in influencing the Hungarian political economy, I have not directly adhered to the DME model's authors' call for research to study the five institutions that form the model, from a political perspective (Nölke & Vliegenthart, 2009).

I analysed the emergence of the prebendal network as a critical nodal point of HAP in Chapter 3 with the inclusion of empirical evidence. It was not the focus of this research to conduct a wider study into the broader network of politically loyal actors, their assets, the sectors in which they operate, or the movement of capital between stakeholders. A more in-depth analysis to this end would have been able to more categorically investigate the breadth of the prebendal network – and its political connections – in operation in Hungary. Largescale empirical investigations have recently been conducted in this regard (for example, Magyar & Madlovics, 2020; Scheiring, 2020) though without specific reference to the Weberian term 'prebendalism'.

Despite mixed success rates, Chinese penetration of the Hungarian economy is becoming increasingly significant (Lukács & Völgyi, 2021; Rogers, 2019; Szabó & Jelinek, 2023; Wang, 2023), underscored by the FDI levels vis-à-vis the wider CEE region. Due to spatial and temporal constraints, I was unable to conduct a deeper analysis of Chinese capital inflows into Hungary and therefore any accurate forecasts of investment trajectory are consequently less developed.

From a qualitative methodological perspective, I elected to conduct semi-structured interviews in Hungary for reasons outlined in Chapter 2. Should increased access be forthcoming for researchers in or on Russia and China, then harvesting qualitative data from leading personnel cognate to those who contributed to this research in these countries would generate a more rounded dataset for empirical analysis though access in this regard is highly constrained. Further, while I invited Fidesz MPs for comment, none responded. Therefore, I was unable to acquire any primary source information from governmental sources using the same method as with other contributors. Unfortunately, this ultimately hindered the research from formulating a more rounded dataset.

Future research: potential directions for new inquiry

As I identified earlier in the present book, by placing increased emphasis on political agency, this research paves the way for scholars and other researchers working within the spheres of comparative capitalisms and (comparative) global political economy to investigate more fervently those countries that are not Eurozone members and or found within the so-called 'advanced economies' (e.g., Baccaro & Pontusson, 2016; Nölke, 2016). In this regard, this research reflects recent calls to do exactly that, and emphasises the importance of such endeavours (Bohle, 2017). Given the potential for 'emerging markets' to play an increasing role in the global political economy exemplified by, for example, the establishment of the New Development Bank, the significance of India's emerging middle class, or the advent of Saudi Arabia's attraction of leading sportspeople and events, it is imperative that research pay more attention to politically induced outcomes. This is compounded when political actors work towards – however successfully – altering the external dimensions of the domestic political economy, as I have investigated in this research.

A core example of such actorness that remains understudied particularly in relation to largescale infrastructure projects, such as those analysed in Chapters 4 and 5 is its behaviour in rentierism or rent extraction. Moving beyond the one-size-fits-all category of the 'rentier', the concept of the 'rentocrat' – 'individual or organisational actors who jostle for position at varying points across an infrastructure project's lifecycle in anticipation of accumulation opportunities' (Rogers, 2023, p. 749) – may be a helpful way to further uncover the minutiae connected to this form of accumulation. The rentocrat concept illuminates ways in which actors (rentocrats) use their positions in various proximities to legal frameworks and executive and legislative power to develop 'new' accumulation pathways that typically favour their interests and often stymie development. Therefore, developing it further through, for example, application to other projects, expanding its typicity, or employing it to account for alternative sources of capital (i.e., non-Chinese), may help better understand an aspect of the actorness of rentierism.

Interrelatedly, this expands into the broader study of capitalist development under authoritarian or illiberal conditions (e.g., Rogers, 2022; Scheiring, 2020). At the outset of the present book, I remarked that 'populism' became a buzzword in the latter half of the previous decade. While this phenomenon is typically considered global in scope and concomitantly not limited to either Right or Left, its under-theorised relative – illiberalism – is often erroneously attributed to non-'Western' areas, only as mentioned above, and often suffers from a lack of sound theoretical content (Laruelle, 2022), though recent important interventions have pushed our understanding of illiberalism much further (e.g., Sajó et al., 2022). To be clear, illiberalism is far from a geographically restricted trend or experience; it is one under healthy development in the so-called liberal 'Western' heartlands. Resultingly, while the present book has contributed to our understanding of capitalist development under the condition of (Hungarian) authoritarian populism, a more sustained research agenda on capitalist development under illiberalism would deliver much needed contributions to our knowledge of the slow collapse of the marriage between free market capitalism and representative democracy.

Returning to the VoC framework, the research conducted in this book presents an opportunity for future analysis to investigate the institutional complementarities of the DME cases in relation to Chinese capital and with any capital inflows from the remaining two SME cases, particularly India as mentioned above. Such studies may develop increased understanding as to the extent to which the capitalist institutions of the DME cases are being manipulated by domestic actors to resemble those of the SME cases in a bid to alter the investment climate. As I outlined in Chapter 2, the August 2022 agreement between the Hungarian government and Chinese state-owned battery manufacturer CATL for Hungary to host construction of a battery production facility is a significant development. Ostensibly for the purposes of instilling an additional segment of Hungary's German-dominated automobile sector, understanding this event from a theoretical perspective, may benefit from using a VoC approach because this is an example of a DME (Hungary) accommodating interactions between a CME (Germany) and an SME (China). Employing the VoC approach to discern the various (changing) trajectories of economic development of the V4 countries could therefore stimulate important implications for policymakers and capital stakeholders in the region and beyond, in the first instance. Further, it may be helpful to investigate the authors of the SME model's claim that larger emerging economies are mostly incompatible with extant 'Western' liberal global institutions, against potential convergence with other economies who are also not core capitalist nations, e.g., the DME cases (Nölke et al., 2015, 2020). The authors acknowledge (2015, p. 561) that (Gramscian) hegemony must stimulate consent alongside material power in order to be effective. A strengthening of economic relations between China and the V4 may have the outcome of further undermining the liberal 'Western' global order and as such, this could, even should form the basis of future research for those concerned with analysing the global political economy from a VoC perspective.

Another important area for future research is to investigate the broader nuclear lobby. Based on the brief discussion in Chapter 4, it would be enlightening to uncover why the European Commission reversed a decision on the Paks II agreement, particularly given this was in light of a Rothschild publication (2015) supportive of the project. Despite the increasing viability of renewable energy as an alternative to nuclear power, observers of energy policy and solutions would benefit from research on the power of the nuclear lobby not least because agreements to develop NPPs continue. A recent blogpost (Kiszelly, 2023) stated that Russian-sourced uranium has not been sanctioned by the United States following the ongoing conflict in Ukraine. The blog asserts this is the case because US buyers seek the commodity for US-based energy firms such as Westinghouse, which then re-sell it to states that host US-built/supplied NPPs. This information, irrespective of accuracy demonstrates that such dimensions of the global political economy however far they might shape or be shaped by nuclear lobbies remains a critical question.

At the firm level, more research should be undertaken into the effects of Fidesz's post-2010 changes to Hungarian capitalism. Locating preferences for statism in certain sectors would generate a deeper understanding of Fidesz's strategy towards increased domination of national capital (as discussed in Chapter 1). Methodologically, additional surveys such as interviews with CEOs of strategic partner companies would help gauge the extent to which political loyalty has become an important factor in Hungarian business. This approach would also generate more awareness of the disposition of any *Russophilism* and *Sinophilism* amongst firm decision-makers and sectoral elites. Interconnectedly, a fuller understanding of labour relations in Hungary is crucial. Macroeconomic indicators of industrial relations, e.g., collective bargaining, GDP *per capita*, union density, etc., would benefit from additional investigation as this could help highlight post-2010 trends in this regard and what this might mean for the trajectory of Hungarian economic and societal development, particularly given the forecast for further Fidesz electoral success.

Finally, keen observers will have noted that while this book has critiqued and used aspects of the VoC literature, its title is capitalists without the right kind of *capital* – not *capitalism*. This is purposeful to reflect the kinds of capital discussed in Chapters 3–5. It consequently opens an opportunity to apply the 'varieties of capital' (VC) research framework developed by Ching Kwan Lee (2014, 2017). Her work analysed capital in a way which moves beyond the traditionally near-static characteristics of the VoC ideal typicity. She conceptualised and theorised VC to help better understand her focus: Chinese state capital investment and its meaning in Africa – specifically Zambia – and to simultaneously dispel much of the (Sinophobic) analyses that had hitherto framed Chinese capital investment in Africa (and beyond) as inherently pernicious. This conceptualisation emerges from what she sees as the shortfalls of '[t]wo strands of scholarship – "Chinese state capitalism" and "capitalism in China" … [whose] common problem is that they conceptualise capital as abstract and aggregate, missing its concreteness and contestedness' (Lee, 2017, p. 5). Contained within her thesis are three 'moments of capital': accumulation, production, and ethos (Lee, 2017, pp. 10–13), which allow her analysis to transcend the strictures of the VoC ideal types, not least because as she asserts 'capital is a *relational* process, value in motion that appears in different forms (as money and as commodities) but adds values in the process of circulation and engagement with other social agents' (Lee, 2017, p. 11 italics in original).

A 'VC mindset' might be helpful to future research because it may further reveal the capitalist relations of the HAP ideology and how its directors pursue this form of capital. Indeed, the VC approach can help us better comprehend the kind of capital extant Hungarian political elites (key political stakeholders, business network leaders etc.) seek. Specifically, by moving beyond the VoC approach, VC thinking illuminates how different forms of capital (private, state, a hybrid of the two) enter a given political economy. Lee's work might help us move beyond essentialist thinking around the ostensible evils/rivals of Chinese (or other forms of non-'Western') capital. In a world where Chinese capital is consistently 'othered', the VC approach overcomes this thinking because it helps show Chinese – or capital sourced from other countries or world regions – is not necessarily more malevolent than any other, rather it contains qualitative differences in how it operates, to where it is channelled, and in what is seeks.

A further reason VC is applicable to the Hungarian case is Hungary's uneasy status wedged somewhere between the so-called Global North and Global South, described elsewhere as the 'Global East' (Müller, 2020) and reflected in the 'crypto-colonialism' discussion, above. This is something it shares with many states from the former pre-1991 'Second World', including of course the remaining V4 countries, not to mention both Russia and Ukraine. Lee's (2017) book claims the concepts of 'colonialism' and 'neo-colonialism' are not sufficient frames with which to understand capitalist development in Africa. She explains this is because the 'classical' periods of European colonialism on the continent (i.e., pre-twentieth century) and China's twenty-first century drive to invest in Africa are two periods of development so diverse they escape the strictures of a simplistic colonial/neo-colonial binary. VC thinking therefore enables observers to look beyond external capital as a necessarily colonising/pernicious force and better comprehend its multiple meanings; critical if we are to escape the half-truths and simplicities hung around ostensible rivalries in this century.

Ultimately, and as I have argued at length in this book, the period of immediate post-1989/1990 capitalist development so effectively captured by Eyal et al. (1998) is long over. By thinking through post-2010 Hungarian capitalist development as one of *capitalists without the right kind of capital*, we can better uncover Hungary's contemporary condition and the trajectories of economic development that may ensue.

Notes

1 The financial stipulations of the BBRU project were codified by the Hungarian government in 2020. Therefore, contract details are set to remain classified until 2030.
2 There are no uniform results in this regard. If September 2008 (the month Lehman Brothers ceased operations) is taken as the date of the Global Financial Crisis in Europe, the Czech Republic (another V4 country), France, Italy, Spain, and the United Kingdom are notable countries where the incumbent government lost the next post-Crisis election. This list also includes the United States. Contrastingly, in Germany and the remaining two V4 countries – Poland and Slovakia – the governments survived the Crisis and were subsequently re-elected.
3 Despite India's negligible history of investing in the CEE region, recent interest has developed from both sides and there are areas of comparative advantage for Indian entities vis-à-vis other counterparts with interests in the region (Biswas & Dygas, 2022; Svobodová & Fernandes, 2014).
4 Particularly inspired by the Solidarność trade union, established in 1980.
5 A full six months before the Berlin Wall was toppled in November of that year. The key Hungarian protagonist of the Austro-Hungarian fence-cutting ceremony was then-Foreign Minister Gyula Horn, later Prime Minister (1994–1998).
6 A largely ceremonial role but with the power to sign – or reject – legislation.
7 Any such change would require a national referendum.
8 This extends to the 'Hungarian nation', i.e., all ethnic Hungarians, particularly those in neighbouring countries, rather than the population inside the contemporary Hungarian state.
9 For example, in North Macedonia, noted in Chapter 1 (see Petkovski, 2016).

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