The Post-Communist Way: Negotiating a New National Identity in Hungary

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The Post-Communist Way: Negotiating a New National Identity in Hungary

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Preface

On Monday September 18th, 2006 reports of police terror in Budapest flooded the news broadcasts. Tear gas, rubber bullets and water cannons were relentlessly fired on citizens leaving hundreds injured. Wanton brutality replaced law as the police charged on peaceful protesters. Cars were overturned and aflame. A Soviet-era tank was hijacked. Masses were led away in handcuffs. The scene was all too familiar to the streets of Budapest. Yet, the year was 2006 not 1956. What had brought about this crisis in Hungary?

Earlier in 2006 leaked recordings of Prime Minister Gyurcsány of the Hungarian Socialist Party (MSZP) admitting to the party's fraudulent election campaign and incomplete disclosure regarding economic reforms caused a public outcry for his resignation during the 1956 anniversary. In the Lies Speech, as it is referred to today, Gyurcsány unequivocally stated: "If we have to give account to the country about what we did for four years, then what do we say? We lied in the morning, we lied in the evening."¹

Demonstration around the streets of Budapest carried on for weeks with crowds initially numbering between 2,000 to 8,000 people daily.² Protests soon spread to the countryside and to neighboring Romania, Serbia and Austria in solidarity. Several hundred ex-patriots in New York City and Los Angeles also came out in support. By September 23rd an estimated 20,000 to 50,000 people had gathered in Budapest.³

² "We lied to win, says Hungary PM," BBC News.
Police brutality transformed the peaceful demonstrations into violent riots; several hundred people were injured and more were arrested.\(^4\) Further, over 600 reports were filed by those detained claiming they were subject to torture.\(^5\) The legitimacy of the government was brought into question, in particular the established system of checks on government authority as well as the perceived progress of democracy in the past fifty years following 1956. Many comparisons between the 1956 and 2006 protests were drawn as the connection between the Hungarian Socialist Party as a successor to the Hungarian Worker’s Party was highlighted by the events. In fact, many demonstrators openly affirmed the parallels by carrying the symbolic flag of the 1956 Revolution: the red, white and green tricolor with a hole where the Stalinist emblem was cut out.

President Laszlo Solyom joined the demonstrators in calling on PM Ference Gyurcsány’s abdication, reflecting that his lies had triggered a “moral crisis” in Hungary.\(^6\) The dilemma was that Gyurcsány’s government was “legal, but illegitimate,” as Viktor Orbán explained.\(^7\) The events of 2006 serve as a signal to the present and future challenges of democracy in Hungary. 2006 was a pivotal year and served as an incentive to reconsider the 1989 transition in the broader context of a delayed democratic transition.


\(^{5}\) Laszlo Toth, ed., *Confrontation* (Budapest: Kairosz Kiado, 2007), 88.

\(^{6}\) “Hungary: Riots over admission of lies by prime minister,” *Keesing’s Record of World Events*, 52, No. 9 (2006), 47471.

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Abstract

The riots of 2006 were the most violent clash between civilians and the state that Hungary witnessed since the 1956 Revolution. Why is Hungary still struggling with political legitimacy and economic structural problems twenty years after the 1989 democratic transition to democracy and free market economy?

Building on the model of partial reform equilibrium proposed by Joel Hellman, I argue that Hungary’s “negotiated revolution,” ironically failed to negotiate a new national identity and complete the transition, as vested interest groups were successful in blocking needed political, economic and social reforms. The former Communist elite who were still in key government posts and economic sectors were able to reap significant short-term gains from the initial stages of reform. Therefore, they supported policies that prolonged the maintenance of only partial reforms and the related market distortions. The continued dominance of former Communist* rulers in post-Communist era Hungary translated into the exclusion of the majority of society from the transition process, thereby establishing institutional continuity and an unresolved Communist legacy that further derailed reform and prolonged the development of democracy.

To illustrate just how powerful the former elite were in blocking reform, I focus on the lack of personnel turnover in government and the subsequent absence of fundamental legal reform through the preservation of an out-dated constitution, and questionable economic re-structuring as seen in rent-seeking privatization programs as well as the maintenance of an extensive welfare program. The lack of

* There is one note to present at the start, namely that despite the fact that Hungary's former elite can be labeled prior to the transition of 1989 as Communist or since the transition as ex-Communist, the Communist ideology was not taken seriously. Party leadership, specifically Janos Kadar's populist rule, was not considered strictly in line with Marxist-Leninist ideology but rather constituted totalitarianism.
social justice afforded to the public through impunity against human rights abuses committed under the Socialist regime also played into this delay of democratic transformation. These findings based on a case study of Hungary provide far-reaching implications for other nations seeking to transition to democratically-run society that comprehensive reform, as well as restraining the previously privileged elite, could yield a more robust democracy at a quicker pace.
Contemporary scholars describe the 1989 revolution in Hungary as a “negotiated revolution” because it represented the transfer of leadership from the Communist regime to the pro-democratic opposition through political pact-making. Yet, in Hungarian the term “negotiated” translates to a “deal reached through extended bargaining” rather than “consensual” or “harmonious,” which relates to the ambiguous nature of the transition. Theorists such as Béla Greskovits overlook this when arguing that the negotiated revolution facilitated a smooth transition to a democratic market society by 2000 in Hungary. However, the events of 2006 raise significant doubts about a successful transition in Hungary as in many ways it parallels the 1956 Hungarian Revolution. Ultimately, the negotiated transition from authoritarian to democratic institutions in Hungary has been delayed by the developmental dilemmas of partial reform as described by Joel Hellman. Because the negotiated revolution did not address political, economic and social justice for crimes committed under the Socialist regime, it failed to negotiate a new national identity for Hungary and complete the transformation.

In discussing how the structural and social issues presented by the negotiated revolution prolonged the post-Communist era in Hungary this paper will first consider the premises to the 1989 transition. Specifically, emphasizing the political culture of Hungary and a tradition of conflict resolution via elite-level pact-making that made a radical extrication from the authoritarian government unlikely and set the stage for Hellman's partial reform equilibrium to develop. Subsequently, the main contradictions of the reform will be covered, such as the NRT Agreements, the continuity and corruption displayed by political actors, and the preservation of an out-dated constitution. It's critical that legislative continuity and delayed economic restructuring depended on the lack of personnel

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turnover during transition. The theoretical preferences and disadvantages of both gradual reform and radical transition will also be looked at. In conclusion, projections for Hungary's future will be proposed, including new hope that the post-Communist era is presently coming to an end through the introduction of new policies by Prime Minister Viktőr Orbán.
Gradual Versus Radical Transitions in Theory

In "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions" Joel Hellman proposes the partial reform equilibrium, a radical twist on the conventional J-curve pattern that Adam Przeworski first applied to the costs and benefits of reform. When looking at the transition of post-Communist nations in Eastern Europe the model of the partial reform equilibrium best applies, this is evident from the case study of Hungary presented here.

Hellman's partial reform equilibrium takes Przeworski's idea that transitional costs will rise before the expected gains from reform emerge and reverses it when applying the theory to post-Communist countries.9 According to Hellman's Winner's Curve, the benefits of partial reform rise exponentially as rent-seeking opportunities are made available. However, with the progress of reforms the rents from the initial stages decline. These short-term gains are concentrated to vested interest groups with the collective incentive to block full scale reform and maintain rent streams. Further, Hellman recognizes the irony of the continued dominance of former Communist rulers in the post-Communist era typified in the partial reform equilibrium.

The Winner's Curve clearly applies to Hungary as the previously privileged elite were able to take advantage of their positions during transition to advocate for gradual and partial reforms. Special advantages such as the absence of personnel turnover in key government and economic sectors secured the continued dominance of the former Communist elite in the new era. Maintaining political power allowed the old guard to manipulate policies to their benefit, which only prolonged the costs of reform for the rest of society. As Hellman claims, "winners can do far more damage to the progress of

While Hellman limited the Winner's Curve to the analysis of economic reforms this review expands on other political and social reforms, which being dependent upon the lack of change in government were dismissed to provide special advantages to the former elites who remained in power. As opposed to Hellman, who questions only why the reforms stalled, this essay examines in detail why partial reform was favored in Hungary and how the lack of complete reform failed to emphasize nation-building and thereby fail to develop accountability in government. Providing more emphasis on the political and social aspects of reform point to the crucial need during a system change to examine the foundations of existing institutions and values as part of the nation-building process. Without reflecting on the social impact of political and economic changes to a newly independent nation, building a new national identity and essentially completing the transition becomes deeply problematic.

The European Bank for Reconstruction And Development (EBRD) defines nine dimensions of reform: reprivatization, enterprise restructuring, price liberalization, foreign trade liberalization, competition policy, banking reform, securities market reform, and legal reform, many of which will be considered in depth here. Specific policies that indicate slow and incomplete transition which allowed the old guard special advantages include reprivatization, constitutional continuity, he extensive welfare program, and lack of social justice. Re-privatization promised favorable rather than fair distribution of assets to the old guard. Constitutional continuity meant the Soviet model was not formally rejected, which has far-reaching political and social implications. Finally, bargaining for the absence of social justice granted amnesty for crimes committed during the previous regime and also guaranteed the

continued dominance of the former Communists over their victims.

Though it might be speculated that those suffering through the transitional costs of reform — unemployment, decreased living standards, misallocation of resources, and continued monopolies — would have challenged such reform, lack of civic engagement and the preference given the elite inherited in Hungarian political culture ensured that the transition went uncontested. Further, the lack of reform to the welfare system was an attempt at balancing the long-term costs of reform and appealed to the public. Hellman’s statement proves valid that “the political actors that are in the way of reform tend not to be those who feel the austerity measures of initial reform and transition periods but those that take advantage of market distortions due to the reform and fear that those special advantages are threatened.”

It’s clear, bargaining and gradual reform may allow for an incomplete transition of the ruling elite and the possibility of a return to the previous regime, as well as, avoid full commitment to the proposed economic restructuring. While at the same time, gradual reform has the ability to promote transition and democratic deepening without escalation of social tensions or conflict. Thus, the debate becomes one of law versus order.

The transition in Hungary conducted at the National Round Table Agreements (NRT) appear to have been a compromise that favored order above all else. The bargain was both to present a show of stability to the West, allow for the continued supremacy of the former Communist rulers, and to prevent the complete cancellation of negotiations. After all, if negotiations were abandoned the Communist Party would have been able to pass its own plans for the transition through the Parliament legally as the
last formally “elected” officials.

However, Nasser Waddady, civil rights activist, would argue law should come before order - democracy cannot be sacrificed for the sake of stability. In regards to political transition Waddady stated that citizens must “prevent the recycling of political elites, never forgive, never forget, hold people accountable.” In Hungary, the NRT shielded the political actors from accountability to the public – the political constituency that was to lose out most on transitional costs of reform. It cannot be denied that transitions need to be more inclusive of the population to promote widespread gains to the country.

In fact, negotiations at the exclusion of outsiders by lacking competition further advocate coercion and nepotism and the undermining of democratic institutions. According to Przeworski, such pact-making constitute rents to a monopoly rather than sincere negotiations for extrication from an authoritarian government and the development of democracy. Personel turnover in the government and the drafting of a new constitution setting forth a democratic system are required to prevent a slide back into authoritarian rule both from an institutional and social perspective. The model of the partial reform equillibrium thus suggests that comprehensive reform in 1989 would have yielded a more robust democracy in Hungary today.

This critique of gradual reform is by no means an unequivocal defense of radical or violent change as method of transition. Radical transition may also present rent-seeking opportunities for the former elite to scale back reform as reform itself is a complex matrix of choices. According to

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Hellman, the Klaus government in the Czech Republic demonstrated the only case of radical economic reform put forth in parallel with a stable government. While the example of Romania poses a warning as the only example of violent change over implemented in the former Soviet Bloc countries with the brutal assassination of Ceausescu. It's clear, radical or violent transitions also carry associated risks.

Jozsef Antall, one of the first prime ministers in independent Hungary, ultimately initiated a policy of gradual reform building on the history of the Soviet-era reforms. When criticized for his policies, Antall famously challenged “Then you should have made a revolution!” Both explaining the complex aggregate of choices reform and transition embody as well as encouraging greater citizen efficacy in government to consolidate democratic deepening.

Unfortunately, Hungary was especially susceptible to low levels of civic engagement and a preference for elite-level pact-making, considering the pattern of struggles and revolutions in Hungarian history. It can be argued that political culture set the stage for Hellman's partial reform equilibrium to develop in Hungary. Political theorists Gabriel Almond and Sidney Verba claim that where one comes from, the traditional method of change, and choices made along the way will significantly influence the outcome. Following Almond’s and Verba's concept of path dependence, to understand the context of current reform in Hungary, it is crucial to note past trends and the evolution of the political culture. Political culture represents a view of a country's own societal beliefs and operating norms, which may be derived from its historical experiences, religion, values and ideology.

Hungary's political culture is greatly influenced today by its history of protracted foreign rule, which halted the country's pursuit of national independence and the political freedom of its citizens. As historian Laszlo Beladi described it: “What is the Hungarian experience? What was our history? It was a series of adversities and suffering.” Indeed, Hungarian history involves a continual fight for independence - see the struggles and revolutions of 1848, 1920, 1949, 1956 - resulting in an atmosphere of frustrated patriotism and depoliticization among Hungarian citizens. This lack of political mobilization in turn forms the basis for the recourse to negotiation and elite level pact-making prominent in Hungarian history and which specifically characterizes the transition of 1989.

The Revolution of 1848 marked a failed attempt by Hungarian freedom fighters to proclaim

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independence from the Austrian Hapsburg Empire. However, to quiet social unrest the Great Compromise of 1867 established the dual monarchy of Austria-Hungary. This shift in government signified the beginning trend in Hungary for elite-level compromise.\textsuperscript{17}

Hungary finally became an independent state at the end of World War I as the Austria-Hungarian Empire dissolved, but only at the cost of large territorial losses to Romania, Slovakia and Croatia (Trianon).\textsuperscript{18} Independence could not be viewed as a success because of dissatisfaction with the peace terms prescribed in the Treaty of Trianon and an accompanying sense of national humiliation.

During World War II, territorial revisionism led Hungary to ally itself with the Axis Powers. Hungary was able to regain half the territory lost at Trianon by 1941. However, in 1944 Hungary's attempt to withdraw from the war led to retaliatory German occupation. German occupation only ended when the Soviet Union invaded - or so-called "liberated" - Hungary, defeating German and Hungarian forces alike in 1945. Under Soviet influence Hungary became a political and economic satellite of the USSR by 1949, initiating forty years of totalitarian dictatorship.\textsuperscript{19}

In 1949, a Hungarian constitution modeled on the Soviet counterpart, was ratified proclaiming the Hungarian People's Republic. Hungary's government was remodeled based on the Stalinist regime - a change that entered into all facets of the lives its citizens and attempted to consume traditional Hungarian culture. Multi-party elections as well as freedom of the press and religion were abrogated.\textsuperscript{20}

Soviet control of the economy also induced severe hardships (food shortages, decreased production and

\textsuperscript{17} Gabriel Almond et al., \textit{European Politics Today}. 2nd Ed.(New York: Longman, 2002), 413.
\textsuperscript{19} Gabriel Almond et al., \textit{European Politics Today}, 413-4.
\textsuperscript{20} "Background Note: Hungary," U.S. Department of State.
standard of living) as land reform and rapid industrialization undermined Hungary's agricultural community. Further, a climate of fear was propagated by the creation of the Hungarian State Security Agency (AVO or AVH), a secret service aimed at the surveillance and brutal intimidation of the public. The AVO was also responsible for the arrest of political dissidents and their deportation to internment camps in Eastern Hungary and Siberia. Estimates from the Central Statistics Office tally the total number of Hungarian captives in Soviet territory around 600-700,000 between 1944-1955 alone. In a country with 10 million residents the deportation of 6% of the population is truly substantial.

In response to the tyranny of the Soviet regime a spontaneous popular uprising erupted across the country in late 1956 that was able to return control of the government to the Hungarian people. The Hungarian Revolution of 1956 was short-lived, however, as a massive military invasion by Soviet forces crushed the resistance mounted by freedom fighters. Official reports note 2,700 civilian casualties and 19,000 wounded in the skirmishes. According to the U.S. State Department 200,000 refugees fled the country as a result.

At the hands of Party General Secretary Janos Kadar the Hungarian people experienced severe reprisals for the 1956 uprising. Per Thomas Orszag-Land, 22,000 people were executed and thousands more were imprisoned on charges of "counter-revolutionary" activity. The Hungarian Socialist Worker's Party (MSZMP) unequivocally rejected the notion that 1956 was a people's uprising in order

26 "Background Note: Hungary," U.S. Department of State.
to extol the Party as defenders of people's power and legitimise the restoration of Communist rule. The brutal political coercion and oppression exercised by the government had far-reaching consequences for Hungarians. Arguably, the atrocities that were committed between Hungarian compatriots created a rift in the population that continues to polarize the nation to this day.

In the aftermath of summary justice, Kadar initiated a new “alliance” policy with the Hungarian public. In essence, the alliance policy was a form of social reconciliation aimed at national consensus under the motto “He Who Is Not Against Us Is With Us.”\(^{28}\) The alliance was a compromise between Kadar and the people, exchanging material prosperity for a submissive depoliticized citizenry that left the control of the state, economy and society completely to the Party. It’s clear that Kadarism diverged from strict Communist ideology, it can be better described as “a comrade’s kind of capitalism.” As current Prime Minister Viktor Orbán put it, “the dictatorship aimed to make the people forget they lost their freedom with free beer and hot dogs.”\(^{29}\)

An empty exchange indeed; the alliance policy was less a catharsis but rather an example of the moral failure of the Hungarian people for succumbing to a bribe. The lack of political freedom inhibited civic engagement at the time and made it more likely that during the transition the public would also be less likely to intervene in a meaningful way. The passive engagement of the public can also be equated with complicity in the crimes of the regime and create many unresolved issues in the collective consciousness. Aside from being the strongest drive behind Hungary developing an apolitical citizenry, the brutal nature of the Kadar regime explains the crucial need for Hungarians to experience reconciliation with the past.


In addition, many poor economic decisions related to the alliance policy continue to weigh on Hungary proving not only how detrimental the regime was to the prosperity of the nation but also how false conclusions are that relate a successful transition to the success of this policy. In 1966, the New Economic Mechanism (NEM) introduced limited market mechanisms into the Socialist planned economy to support Kadarism, or "Goulash Communism." Specifically, NEM proposed opening Hungary to the international trade market by liberalizing the price structure and by granting greater autonomy to state and private sector enterprises in addition to commercializing the banking system. Some political scientists argue that reforms initiated by the Communist Party, such as NEM, were helpful during the transition. Unfortunately, NEM was based on foreign loans, which contributed to a large debt burden that plays a role in Hungary's economic crisis to this day. Clearly, the moniker the "jolliest barrack in the Socialist camp" was a superficial label. Rudolf Tokes renaming Hungary as the "saddest shopping center" fits much better.

Thus, the political culture in Hungary has tended to have a strong preference for political indifference, which was learned from experiences of negotiated peace. This was notable under the Habsburg Empire (1848) and the USSR (1956) through the demoralizing effect of past failures in armed resistance and oppression imposed by the Soviet regime. Under Kadarism with a policy specifically aimed at the creation of an apolitical citizenry this pattern was most apparent. This political culture set the stage for a preference of elite-level pact-making during the 1989 transition by

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30 The "alliance" policy was also termed "Kadarism" after Janos Kadar who imposed a personalized form of Communism. Kadarism was a style of Communism that relied much less on Stalin's ideology and more on a mixed concept of Communism and consumerism. For its Hungarian origins it is also called "Goulash Communism." William Robinson, "Kadarism -- Is it here to Stay?," Radio Free Europe Research, May 25, 1982, <http://www.osaarchivum.org/files/holdings/300/8/3/pdf/36-7-72.pdf>
31 Gabriel Almond et al., European Politics Today, 450.
explaining why the 1989 transition was orchestrated top-down and not as a grassroots revolution.
Contradictions of Reform in Hungary

Nomenklatura Endure

The Communist elite, or nomenklatura, had realized in the 1980's that the regime was in crisis and recognized their vested interest in promoting reforms that ensure their safety and carve out a niche within the framework of the new system. The main aim of the old guard during transition was to avoid retribution for the past by curtailing programs like lustration. The peaceful nature of the transition allowed for an equally peaceful withdrawal of the elite from responsibility for all conduct during the Soviet era. In the end, they gave up political power in name only while economically they openly stayed true to the Party. Thus, a basic requirement for political change – turnover in government – was dismissed in Hungary to provide for a peaceful transition.

Though the party as an organ of the state was dismantled, the party itself did not disappear: the Hungarian Socialist Workers Party was renamed the Hungarian Socialist Party (MSZP). In fact, at the creation of MSZP its chairman, Rezso Nyers, openly acknowledged that the Communist Movement was a foundation for the new party.33 According to George Schöpflin, Fidesz MEP, the one-party state was preserved in Hungary as the “Communists became Socialists and the Socialist Party rules as if it were a single party.”34 35 Further, negotiations in 1989 ensured that a considerable part of the old guard did not have to give up their earlier political status.

35 As a case in point, consider "Danube-gate," in which it was revealed that the former secret police continued to conduct surveillance of opposition parties after the transition, providing the information to the MSZP, in violation of principles of democratic competition. Jozsef Bayer, “The Process of Political System Change in Hungary,” (Budapest: Europa Institute), <http://www.europainstitut.hu/pdf/bayer22.pdf>, 184.
Lustration

As the parliament was unable to develop a consistent policy of personnel turnover or lustration the face of the post-Communist administration did not change. Lustration is simply the disqualification of people with a history of collaboration with the former Communist regime for employment opportunities in public positions.\(^{36}\) Regulating the employment structure does have the potential for new injustices to develop and thus compromise the new system, for this reason it cannot be used as a weapon. Lustration here is meant not as a political weapon or in the interest of revenge. The program can only be considered an anti-Communist program in the sense that it aims to help confront past injustices, distance the new government from its predecessor, and add legitimacy. It should be noted, that dismissing the past with impunity also ignores the collective responsibility to the victims of the past.

In countries such as Germany, for example, the process of lustration was unapologetically used; it's scope ranging from Stasi Chief Mielke and Honecker to even common soldiers.\(^{37}\) Whereas, in Hungary hesitation and stop-and-go reform characterized the program. A broad lustration program was first passed in Hungary during early 1994, however, by 1996 when the Hungarian Socialist Party was returned to power it was severely limited.\(^{38}\) Not only did Hungary shy away from complete commitment to lustration when other countries became dedicated to it. Hungary's rejection of the program symbolizes how the former elite curbed reform and maintained dominance.


Bargaining for Leadership

Aside from restricting the impact of lustration several other avenues were pursued by the former elite to stay in power. During the NRT it became clear that the transition was more about determining a new distribution of power in the country than national rehabilitation and nation-building. The Roundtable itself became a bargaining table to layout the presidency, constitutional court, and the entire voting mechanism. Finally, the striking dilemma of the office of the prime minister presents how very successful the old guard was in staying in power.

The fact that the most divisive issue at the Roundtable was the presidency indicates that instead of dealing with pressing socio-economic or legislative questions of transition the different interest groups were more concerned with jockeying for power. The Party had forced the presidency onto the agenda hoping to secure a strong leadership role, through if nothing else an "our prime minister, your president solution." The debate over the presidency almost succeeded in derailing the talks entirely, which illustrates just how central it was to the discussion.

When the possibility of bringing the elections forward to secure a Socialist presidential candidate failed, the MSZP looked to the creation of the new Constitutional Court as a method of still securing institutional hegemony in the context of the new system. A strong Court was established; endowed with the power of judicial review as well as the capability of reviewing bills before they even became laws. The Court has made crucial decisions on the powers of the president and prime minister, lustration, re-privatization, and restitution among others, since its creation. It's not surprising that the majority of judges represented on the bench were from the MSZMP.

Office of the Prime Minister

It follows that the current elite began their political career within the ranks of the Hungarian Socialist Workers Party and through the Communist Youth Movement (KISZ). The office of the prime minister is the most striking illustration of the continuity of political actors pre- and post-transition. It is also highlighted here because the actions of Ference Gyurcsány while serving as PM constitute a catalyst to this review of the 1989 transition.

Only one out of the seven prime ministers to have held office since 1989 lacks a connection to the Communist Party; namely Jozsef Antall (1990-1993) of the Hungarian Democratic Forum (MDF).\(^4\) Antall and the current PM, Orbán Viktor (1998-2002, 2010-present), share in their common goal of a renewed Hungary, if not in their reform politics themselves or political background. Orbán actually traces his roots to beginnings as a KISZ functionary, however, his political career took a dramatic turn in the 1980's when he founded the Alliance of Young Democrats (Fidesz) – a fiercely anti-Communist libertarian party.\(^2\) Orbán has since been an outspoken proponent of political freedom and democracy in Hungary.

The remaining five PMs display a remarkable lack of diversity in terms of their political background and ideology. Consider, Miklos Nemeth (1988-1990), the first Prime Minister of the Republic of Hungary, who previously held key leadership positions in the Hungarian Socialist Workers Party.\(^4\) As well as, Gyula Horn (1994-1998), from the Hungarian Socialist Party (MSZP), who had been a member of the Communist Party dating as far back as the 1950's. Journalist Jane Perlez quotes


political scientist Laszlo Lengyel regarding this “political fox,” affirming how Horn was far from a reform-minded Party member. In fact, Horn likely fought against the freedom fighters in 1956 to reestablish Communist rule. Nemeth and Horn show the beginning of a distinct pattern of continuity between the former and current political elite.

Infamous Ference Gyurcsány, Prime Minister from 2004-2009, held leadership positions in KISZ as well as DEMISZ (Democratic Youth Movement, successor to KISZ) in addition to the known successor to the MSZMP: the Hungarian Socialist Party. It is significant that during Ference Gyurcsány's reign as Prime Minister the systemic lack of public trust in the government was brought to the forefront through violent protests in 2006. Gyurcsány is representative of the institutional nature of the incomplete transition as his actions highlight the elite-level pact-making and corruption endemic to the Hungarian government.

In the Lies Speech, Gyurcsány specifically stated that while the budget deficit was reported at 10% of GDP by Hungary's Central Bank he claimed to the public it did not exceed 4.7% of GDP. He deliberately misled the nation in order to guarantee his re-election. What is more, this PM also suggested that he solicited private and media capitol support for his campaign. Gyurcsány's term in office clearly exemplifies a backslide to the previous regime, as even President Solyom characterized Gyurcsány and his police chief as “Kadarite.”

The connections highlighted here between the current elite and their political background in the

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Communist Party do not aim to suggest that the Communist ideology was itself necessarily continued or is prominent in the political debate in Hungary today. However, a mentality was held over by the former elites that the public represents an “other” in comparison to themselves, as the old guard continues to identify with the previous foreign dictatorship. Gyurcsány’s term as PM reinforces that belief in many ways, from his active encouragement of police brutality directed at citizens to the obscene and vulgar language he used in the Lies Speech to refer to his own country.

Today there is a renewed debate over prosecuting Gyurcsány for violations against human rights as well as on charges of corruption for condoning police brutality and policies enacted during his term in office. Over two thirds of those polled agree that his immunity for crimes committed in office should be lifted. He is currently on trial before the National Court of Auditors and the Budget Committee specifically for contributions to the growth of the public debt between 2002-2010.

Between 2002-2004, Peter Medgyessy (MSZP-SZDSZ) was elected prime minister and soon after exposed as a former counter-intelligence agent during the Communist era with ties to the KGB. The Hungarian Parliament formed an investigation into the PM's political career resulting in the resignation of Medgyessy. Medgyessy is another candidate who associates the Hungarian public with the “other,” which undermines a basic trust in government transparency and accountability.

Finally, Gordon Bajnai (MSZP-SZDSZ), Prime Minister between 2009-2010, while not a leader, like Gyurcsány, also has roots in the Communist Youth Movement according to United Press

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International.\textsuperscript{51} It's notable that both Gyurcsány and Bajnai have recently been asked to testify in relation to a billion-dollar casino development project as part of an investigation into the MSZP government's behind-the-scenes activities.\textsuperscript{52} The cases have brought other parliamentary politicians and chiefs of state-owned enterprises under censure. The continuities in government and key economic sectors reflects not only the lack of turnover but the maintenance of former Soviet-era alliances and cronyism.

Clearly, well-connected officials of the old guard were "recycled" during the transition to provide today's political and economic elite. Although, the 1989 revolution was a major milestone in that it signaled the withdrawal of Soviet influence, the ideological descendants of the Communist regime remained in power. By providing impunity for the political activities of officials during the Communist rule the new administration in effect sanctioned the crimes and human rights abuses committed during the Communist period and played into the continued corruption and lack of accountability in government. In 1995, on a scale of 1 (total distrust) to 100 (total trust) the government and Parliament rated 27 and 28, marking how very critical the public had become of the government.\textsuperscript{53} In fact, when surveyed the vast majority (77\%) of Hungarians in 2009 were dissatisfied with the way democracy was perceived to be working in the country. Further, only 38\% believe that their vote makes a difference in national politics.\textsuperscript{54}

Continuity of Constitution

The transition of 1989-1990 is said to have occurred without “breaking a single window pane” nor in fact turning a new page, as the constitution in effect in Hungary until 2012 was what was created in 1949 under Communist rule. Indeed, Hungary was the only post-Soviet state not to immediately adopt a new governing constitution after the restoration of its independence from Soviet rule.

All other Eastern European nations rejected the Soviet-style constitution in the 1990’s. In fact this change took shape rapidly within the first four years of independence in all nations except Albania: Croatia (1990), Slovenia (1991), Bulgaria (1991), Macedonia (1991), Romania (1991), Estonia (1992), Slovakia (1992), Czech Republic (1992), Lithuania (1992), Albania (1998). Latvia is a unique example in that the country reintroduced in 1991 the last independent constitution drafted in 1922 when rejecting the Soviet one imposed on them. Thus, Hungary was indeed the only Eastern European nation to live with a constitution held over from the Soviet era two decades past independence.

After independence was declared the topic of amending the constitution or drafting a new document was introduced at the National Roundtable (NRT), however, no decision could be reached. Finally, amendments to the constitution were introduced only via referendum under the first elected government. This agreement was seen as a separate pact between the MDF and SZDSZ coalitions and as such demonstrated the ambiguous character of the transition.

Other nations from the Soviet Bloc clearly favored the symbolic action of ratifying a new constitution as part of an act of national renewal. Constitutions provide for a framework of political and social life, thereby, have far reaching impact on the everyday lives of citizens. The drafting of a new constitution is a powerful instrument of transition as it formally rejects the Soviet model and ushers in a new way of life. Hence, it is key to recognize governing documents in the progress of states towards democracy and the rule of law. Without fundamental change, a new nation’s institutions will be built on unexamined (and potentially unstable) foundations.

For a total of sixty years a Soviet drafted constitution governed the state of Hungary regardless of the national sovereignty gained in 1989. Rather than ratifying a new constitution, reforms were introduced via revision; most importantly an amendment on October 18, 1989 that guaranteed legal rights for individuals and constitutional checks on the authority of the prime minister through the principle of parliamentary oversight.58 Yet, the preservation of an out-dated constitution proposes central similarities between the pre- and post- transition structure of the government and economy.

Economic Obstacles

Re-privatization?

The Roundtable talks were notable in that the focus on determining the boundaries of political power in the new system drew attention from the socio-economic obstacles of the growth to Hungary. From an economic and social perspective the denial of private property during Communist regimes significantly restricted the lives of its citizens. Restitution or re-privatization legally overturn past programs of nationalization and denounce coercive methods of expropriating property by the former Communist regime. Thus, it can greatly empower survivors by restoring a sense of self and agency besides essentially compensating them for material losses. Therefore, the limited policies of restitution and re-privatization that Hungary employed suggests both a negative impact on nation-building and the possibility that the former elite manipulated reforms to keep advantageous rent streams in place for themselves through partial reform.

The first re-privatization acts in Hungary were officially past in 1991. However, re-privatization was complicated by the fact that during the late 1980's some property was already privately owned so it could not be later returned to the original owners. In turn re-privatization mainly focused on monetary compensation of property through cash payments but only up to a ceiling of $70,000 or through a voucher system that exchanged property for land or investment shares. It's clear, that the compensation restored only a small fraction of the original value to victims of nationalization.

Though, privatization did occur - note that between 1980 and 1994 the percentages of GDP in public versus private sector jumped from 10% to 45% - by excluding trade unions, representatives of

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local governments and NGO's as well as youth and women's organizations the privatization promoted by the NRT Agreements lacked oversight and were criticized for giving into re-distributionist pressures from the old guard.\(^6\) Restitution after the Soviet-era, according to former Polish PM Jerzy Buzek, was a form of justice and "justice means that we should return to people the property of which they had been robbed."\(^6\)

Unfortunately, there were numerous reports of "Red Barons," members of the nomenklatura, who liquidated state assets for their own personal gain. IBUSZ, a Hungarian travel agency and transportation company, was privatized through the sale of shares on the Budapest Stock Exchange and famously became a scandal of profiteering. The leader of the state privatization agency in Hungary was dismissed over this debacle.\(^6\) In this case, both former managers and the officials of privatization agencies were able to acquire state property through patronage. This is just one example of how the former elite became involved in asset-stripping and other rent-seeking strategies during privatization.

Properties in state hands were more often sold than returned to the original owners, ultimately raising revenue for the state and providing enormous profits to the politically well-connected. Ference Gyurcsány, as a prime example of crony capitalism - known to leverage his ex-communist contacts in order to transfer government property into his own private property - is ranked among the top 100 wealthiest people in Hungary today.\(^6\)

According to a full breakdown of Hungary's re-privatization and restitution programs

\(^6\) Rudolf Tokes, "Political Transition," 86.
\(^6\) Thomas Orszag-Land “From Revolution to Revolution,” 295.
management-employee buyout accounted for 2%, sales to outside owners 40%, restitution for 4%, with 42% remaining in state hands by 1998. A restitution program was initiated in 1996 that distributed $12 million to victims of political, religious, racial or ethnic persecution between 1939-1989. Those deported to forced labor camps in the USSR during WWII or persecuted for anti-Communist activities in the 1956 Revolution were finally able to gain some measure of atonement through this program though the compensation appears very low.

The lack of appropriately re-distributing seized property in post-Communist Hungary is deeply problematic. The politically well connected were able to take advantage of their status to transfer state-owned assets into their own hands, thus, convert political influence into economic power in the new era. It appears that the former elite invested and profited greatly from the spontaneous privatization programs of the 1980's and halted full-scale privatization when the country became independent. The state's contributions to restitution were only half-hearted endeavors at amends. Ultimately, as suggested in *Capitalism with a Comrade's Face* "the privatization was hijacked by the very people of the old regime it was intended to tame."66

There is a non-negotiable symbolic and emotional significance of restitution to a country which is trying to lay the cultural and institutional foundations for a new system of governance. As Vojtech Cepí, Justice on the Czech Constitutional Court admits, "without rehabilitation, lustration and restitution there [could] be no transformation."67 Dismissing the social impact of restitution has

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potential to alienate large groups of the population and deepen political polarization of the post-
Communist society in Hungary. It's critical to consider the social and political impact of transformation
because of the influence it still has on everyday life in Hungary today.
Foreign Direct Investment

Foreign investment appealed to Hungary as a way to integrate into the global market and repay foreign debt. Hungary was actually able to attract the majority of foreign direct investment (FDI) in Eastern Europe. FDI proved to be an extension of privatization in Hungary as a large part of the economy was transferred from the public to the private through sales. However, rent-seeking opportunities were also created by through the use of netowrking to secure foreign investment.

Foreign direct investment has the potential to renew devastated state treasuries. In the case of Hungary, the borrowing of the former regime through programs like NEM had significantly contributed to a growing debt burden. By 1990 foreign debt had reached $20.3 billion. Sales to foreign investors promised an easy way to diminish the debt payments still owed. The cumulative foreign direct investment in Hungary was worth over $84 billion by 2011 according to the CIA Factbook. However, the foreign debt has in fact grown exponentially to reach $146 billion by 2011, which amounts to 82.6% of GDP. Thus, while privatization initially promised to lower the huge debt burden it did not significantly contribute to its reduction.

Foreign direct investment not only promises quick financial gains through an introduction to the global economy but introduces market distortions that may easily be taken advantage of. As an example, these market distortions may take the shape of tax subsidies or investments that amount to more than the selling price of the company. Thus, despite the promise of rejuvenating the economy foreign investment often works against that very goal. In the end FDI takes away capital from the

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private sector, exactly where it was intended to create it, while offering the sale of natural resources and industries to foreign buyers at devalued prices on the world market.

Foreign corporations were not limited to green-field projects, such as Tesco, Cora, and Ikea, but also focused on becoming shareholders in strategic industries in Hungary such as oil, gas, telecommunications and electric industries. By 2000 approximately 59% of private companies were acquired by foreign investors. Suspicion of corruption connected to sales was pervasive as the valuation of the state enterprises was often artificially low. A few select buyers were given discounted rates through the market distortions of transition, which implies political patronage and cronyism. Foreign sales actually resembled the pillaging of public resources rather than fair distribution. Key political and economic actors had vested interest in manipulating these fluctuations in pricing as rent-streams.

Ultimately, foreign investment cannot be linked to the repayment of external debt but instead suggests another form of political piracy in Hungary as it offered further rent streams to the former elite. The foreign investment may in fact have contributed to the worsening of the balance of payments. Hungary, unlike the notable example of China, was not able to achieve rapid growth from the increase of foreign investment to the country. Instead, the large-scale sale of natural resources and state industries has arguably weakened the state and contributed to poor public opinion. Further investigation of the sale of state assets to foreign investors might conclusively answer how compensation of the general public was overlooked in order to provide special advantages for the old guard.

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There was an attempt at balancing marketization and gradual change with welfare services in Hungary. The social welfare program in Hungary was vastly different from Western models for it became unmanageable due to its extensive reach. A secondary private market emerged to fulfill the needs that could not be met by the state's social services. In the long-term these tactics were detrimental for the majority of the population and mirrored the way Kadar attempted to "buy social peace" during the previous regime. Coupling a large debt burden with an extensive welfare system like this becomes suspect – for whom and why would supporting this illusion of providing services be beneficial? Ultimately, the upkeep of a large welfare program is an example of gradual reform aimed at increasing public support of the transition to protect the advantages of vested interest groups in control of the reform.

The percentage of the budget dedicated to social welfare expenditures declined at a very slow rate in Hungary over the past two decades since the transition and is still one of the highest percentages in Europe. On average between 1989 and 1994 the social security expenses totaled 29.8% of the budget.\textsuperscript{74} Social expenditure had dropped to 22.5% of GDP by 2005. Comparable Eastern European nations like Poland reported social expenditures in 2005 as lower than Hungary at 21.5% and even a low of 16.5% by 2007, despite starting at a similarly high expenditure in 1995 with 22.6% of GDP.\textsuperscript{75, 76} Clearly, the Hungarian transition can be characterized by the prolonged maintenance of partial reform in the social welfare system.

The comprehensive social welfare system in Hungary could be validated by an exchange for higher living standards, unfortunately, exponential growth of those living below the poverty line has been witnessed instead. Those living at or below the poverty line amounted to 1 million in the 1980's, 2 million by 1992, and 3-3.5 million by 1994. The World Factbook estimates that 13.9% of the Hungarian population fell below the poverty line in 2010. Further, the budget deficit totaled $146 billion in 2011, which is equal to 82.6% of GDP. In fact, the Gini coefficient between the mid-1990's and before the transition of 1989 shows an increase of 2.2 percentage points (from 20.7 to 22.9), demonstrating a rise in inequality. Thus, increasing inequality and a decline in living standards indicated that the welfare system is not producing efficient benefits to the society at large.

However, when recent austerity measures attempted to curb the economic crisis in Hungary large-scale protest resulted. A rally of over 10,000 protesters formed in mid-2011 when Socialist-style benefits were being cut by the Orbán administration. Programs that were being reduced include early retirement (starting at 45-years-old) and pensions disbursement to those younger than 65. This political mobilization over reduction to social welfare demonstrates how if comprehensive reforms would have been pursued earlier the political actors in charge of partial reform could have been threatened.

The social welfare system in Hungary can be seen as a stalling measure in the process of economic restructuring and has only resulted in plunging the country further into debt. This policy of partial reform was seen as a boon to society and thereby was strategically targeted to garner public

support of the new system. However, high poverty rates and increased foreign debt indicate the higher
cost of partial reform. A more modest social spending plan and earlier austerity measures would have
provided greater long-term benefits to the nation. Ultimately, the social welfare system is not only an
example of partial reform in itself but also allowed for the widespread maintenance of partial reforms
in other areas, such as privatization, that produced rent-seeking opportunities for vested interest groups
during the transition.
Democracy Gap

Since the transition of 1989 democratic consolidation in Hungary has been proven via a freely elected parliamentary system that governs the nation with market oriented economic policies. Yet, economic and political reforms during the transition failed to encourage popular trust in political institutions. Today there is an atmosphere of distrust among the Hungarian citizenry towards the government. This lack of accountability may be traced to the establishment of the partial reform equilibrium.

When asked who profited from the transition of 1989-1991, 89% of Hungarians responded that politicians were the chief beneficiaries. In fact, studies report "about one million people, or about 20% of the active labor force, were "winners," and the rest were victims of stagnant or rapidly declining incomes and deteriorated living standards." Considering Ference Gyurcsány's exclamation to his fellow comrades in 2006 that "I almost died when for a year and a half we had to pretend we were governing. Instead, we lied morning, evening and night," raises a question: if the politicians were pretending to govern what agenda were they actually pursuing while in office?

Ultimately, the extended tenure of political officials allowed them to take advantage of an unequal distribution of resources and power. As those who were politically connected were the greatest winners of reform a new period of abuse was ushered in.

Statistics have determined a "democracy gap" between those that attest that democratic values

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are important to the nation and those that feel democratic values actually describe their nation very well, and Hungary has the widest margin by far in Eastern Europe. Hungarians are frustrated with the way democracy is working in their country. For example, 70% feel honest elections are critical but only 17% believe this describes Hungary very well. 83

Hungary even fell behind the region’s average score on Transparency International’s 2011 Corruption Perceptions Index (CPI) and is now ranked 54 of 183 countries surveyed with a score of 4.6 on a scale of 1-10, where 0 is highly corrupt an 10 highly clean. 84 Corruption is often a response to instability or strong patron-client relations. In Hungary the vested interest groups took advantage of special market distortions like opportunistic privatization and yielded to a tradition of corruption.

One of the pillars of democracy is representative and accountable government. However, a democratic framework in government does not automatically provide for accountability, as seen in the case of Hungary. Perhaps this is because it only applies where certain qualifications for this infrastructure are already met, like civic engagement in the USA or restorative justice in South Africa. Ultimately, the transition of 1989 failed to safeguard the general welfare of society by giving into special interests of the former elite.

Lack of Social Justice

The development of the partial reform equilibrium (PRE) model in Hungary exemplifies the lack of change in government, in terms of political actors and legal framework, as well as, poor economic restructuring (see the redistribution programs and social welfare). The emerging democracy gap taken together with the halfhearted political-institutional and economic changes point to another missing element of the transition in Hungary. The transformation of the social fabric of a nation is a critical part of institutional change and was absent in the Hungarian transition. The creation of a new national identity is a vital part of transition yet the negotiated revolution was not able to negotiate a new national identity in Hungary.

An important characteristic of the Hungarian transformation of the political system was the fact that a decisive role was played by the former elites who traded on their political and economic power at the expense of the general public. Citizens were not empowered by the transition as they were not allowed to participate in the “renewal.” There was no comprehensive debate or investigation into the crimes of the past as vested interest groups were able to prevent important legislation on the issue. Hence, Hungary today is paralyzed by the traumas caused by silence and a refusal to confront a past marked by Communism. This suggests unresolved issues of justice that have the power to detract from the legitimacy of the post-transition administration.

These legitimacy issues were exacerbated by the lack of clarity concerning a method of dealing with past injustice. Grave crimes and human rights violations have gone unpunished and unremembered. One of the revolutionary challenges of this arrangement is indeed that the compromise agreements can be seen as a conspiracy of the old and new elites, further aggravating questions of
legitimacy. Democracy appears to have been traded for the survival of the social (and political) powers of the personnel of the old regime.

Political scientist Zoltan Ripp further attests that “the peaceful and lawful nature of the Hungarian transition undoubtedly allowed the outgoing political elite a 'free retreat' and left unpunished those who had persecuted and tortured people under communist rule. This moral deficit bore heavily on the new democracy.”85 The 1956 tradition has come to divide Hungary's politics in the day-to-day. For a long time it was not considered acceptable to admit a history that was in conflict with the official one and this remains highly problematic.

In fact, the recent release of the documentary about former Minister of the Interior Béla Biszku, “Guilt and Impunity,” brought the issue to the forefront.86 Biszku was a key official involved in summary justice against the participants in the 1956 Revolution and to this day defends the atrocities committed in the name of the revolution. Hungary is still very conflicted over the question of whether those who committed atrocities during the Communist era should be called to account.

According to Laszlo Beladi, due to the internalization of the cult of personality that was the essence of Kadarism, the fact that it required the acceptance of a lie, from an intellectual and emotional perspective, the transition from Kadar's socialism should have been more pronounced. This in no way attempts to condone violence or suggest that a bloody revolution would have been preferred in 1989. A self-critical retrospective and open dialogue would have been enough. Beladi contends that “as it happened, the past has lived on in the people, openly – and even more so latently, in the collective

South Africa is an example where the country pursued a genuine reconciliation with the past as part of the process of national rehabilitation. The country was rigidly polarized into two societies based on the law of apartheid. Nelson Mandela set up the Truth and Reconciliation Commission (TRC) to deal with the crimes of the past. Victims of apartheid and inhuman acts of violence by the state were able to voice and confront their personal tragedies by naming their abusers. In turn, the accused were given the opportunity to testify in their own defense. Finally, the convicted were given amnesty on condition of full disclosure and demonstration of remorse. The TRC method was remarkable in its reconciliatory approach and avoidance of "victor's justice." Mandela clearly believed that restorative justice are requirements for nation-building.

Another example among Hungary's own neighbors include the Czech republic where extensive programs for the rehabilitation of victims of the Communist regime were enacted. The Czech Parliament past the Act Concerning the Lawlessness of the Communist Regime in 1993, which permitted prosecution of crimes committed during the Communist period. In addition, the Czech government also created an investigative committee to inquire into and document of crimes of Communism.

In Hungary the Committee for Historical Justice (TIB) was formed in 1988 by a group of '56 political prisoners and relations of casualties to the regime. While TIB was instrumental in the reburial

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ceremony of Imre Nagy and a few other victims of political prosecution by the old regime it did not lead to judicial proceedings. Imre Pozsgay courageously reflected in 1989 that 1956 was a “popular uprising” rather than a “counterrevolution.” Yet, if Pozsgay's analysis would have been widely accepted it would have led to the understanding that the Kadar regime committed crimes against the Hungarian peoples, which did not happen in the political or judicial sphere.

In “Anti-Communist Justice and Founding the Post-Communist Order” Hilary Appel defines anti-communism as a "set of ethical beliefs about the legitimacy of the past political and economic system" that “rejects the moral authority of the past regime which violated the basic political and economic rights of individuals.” Reflecting the inherent duty to not only condemn but redress injustices perpetrated by past regime, moving beyond issues as it relates to power and economic interests to ideas of justice and ethics.

By reconsidering the value system of the past, a new national identity can be born. Contrary to Bela Greskovits' claim that Hungary has no need to address nation-building as apart of the transformation the lack of public trust in political institutions demonstrate otherwise. The prolonged transformation of the Hungarian social fabric can be connected to the partial reform equilibrium as the lack of social justice is a derivative of gradual change and the safeguarding of the interests of the former elites. For the past twenty years Hungarians have been negotiating a revolution and in parallel have been negotiating a new identity for themselves.

Projections for Hungary's Future: a Democratic Road-map

While researching the topic certain developments in Hungary emerged to support this thesis and offer new hope for democratic consolidation in the country. On April 18, 2011 the drafting of a new constitution reintroduced faith in Hungary that the post-Communist era is coming to an end. The new constitution enshrines both Hungarian traditional values and the European Union's complete Charter of Fundamental Rights.90 “The new constitution has freedom at its heart. It strengthens Hungary's commitment to individual liberty, democracy and the rule of law,” according to George Schöpflin.91

The drafting of a new constitution has been the goal of every government coalition in Hungary since the transition of 1989. However, lack of agreement derailed the drafting process again and again. Even this draft encountered set-backs as the Socialist and LMP parties (though not all other opposition parties) boycotted the drafting.92 Though there was limited consultation from opposition parties in Parliament, the democratic process was invoked in the drafting by including the voice of well over 1 million residents who returned questionnaires asking for input on the basic laws.93 In fact, on June 15, 2011 Pennsylvania Senator John Blake proposed a resolution on the State floor recognizing the presence of democracy in the new Hungarian constitution.94

In early 2012 Hungarians demonstrated a new sense of civic engagement during an event named “The Peace March for Hungary.” The Peace March is the now largest demonstration since the

93 “Hungary has Awoken,” Fidesz.
system change, sources report between 100,000 to 400,000 gathered in Budapest in support of the new
Constitution. The resounding show of support reflects that the constitution is part of a new beginning.

With new restrictions on the debt ceiling the constitution suggests the beginning of a new era of
stable and sound finances in Hungary (limited to below 50% GDP, currently state debt is at 80%). In
addition, the government is finally seeking social justice for crimes of the Communist regime by
creating a recourse for prosecuting such crimes against humanity or war crimes in accordance with
international law.

Through facing economic obstacles held over from the previous regime and seeking political
and social reconciliation with the public Prime Minister Orbán may at last be able to complete
Hungary’s transition to democracy. The missing elements to transformation: restorative justice and
increased citizen efficacy becoming the focus of this new administration. Increased accountability and
transparency in government are required for long-term success and greater inclusivity can instill a
greater level of trust. Through the empowerment of citizens through government involvement and full
reconciliation with the past a true transformation can take place.

96 Tibor Navracsics, “A New Constitution for Hungary, Locking in the values of the political transition of 1989-90, at last,” The Wall
fbresult=adid>.
97 MTI, “Government Reportedly Planning Law to Make Communist Crimes Punishable,” March 14, 2011,
Conclusion

In Hungary the democratic and market revolutions of 1989 were not part of a social revolution. Instead, institutional change in Hungary took shape through the introduction of gradual reforms within the Communist leadership beginning in the mid- to late 1980’s. Recognizing the imminent collapse of the Soviet Union and the withdrawal of support from Moscow, as well as, responding to the internal pressures of a weakening economy the ruling elite negotiated a peaceful transition in order to protect their political and economic power.

The former elite exploited the trend of negotiation inherited in Hungary's political culture. By holding fast to special advantages of partial reform - a phenomenon best explained by Joel Hellman's partial equilibrium theory - the old guard pursued several tactics to guarantee their survival. These special advantages allowed those in power to avoid personnel turnover as well as profit from reprivatization. In addition, political and economic restructuring and social reconciliation were delayed through this process.

At the commemoration and reburial ceremonies of Imre Nagy and other rehabilitated victims of Communism in 1989, Viktor Orbán stated that the symbolic empty 6th coffin is a metaphor for our fate, and our faith for democracy in the immediate future, which has died along with the notable individuals lying in the other five coffins. By this Orbán emphasized that the transition to democracy would entail tremendous time and sincere dedication.

Hungarian citizens have struggled over the past twenty years to overcome the Soviet...
dictatorship due to significant contradictions inherent to the 1989 transition. Institutional continuity and a Communist legacy have been plagues of the post-Communist era. Many uncertainties and obstacles still lie on the road to complete democratization in Hungary. Yet, there has not been a more hopeful time than the present for the final conclusion of Hungary's Communist legacy.

These conclusions based on a case study of Hungary provide implications for other nations seeking to transition to democratically-run society. Comprehensive reform in conjunction with more inclusivity could protect society from the abuse of special interests and lead to democratic consolidation in a shorter time-frame. Further, this review of the Hungarian transition also proposes an explanation through Almond's theory on political culture as to why the partial reform equilibrium came about in Hungary. Finally, it also contributes to the historical debate on the success of the Hungarian transition of 1989 and, some would further say, re-interprets the Soviet era in Hungary.
Appendix

**THE J CURVE**


**THE WINNER'S CURVE**


**Method of Privatization for Medium- and Large-sized Enterprises in Hungary (Percentage of Total by Value)**

Note: Although the Hungarian state still has a large portfolio of shares in privatized companies (42% of share capital privatized), it should be noted that it is a majority shareholder in only 22% of all former state-owned companies.

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