

# Hungarian ruling coalition collapses

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On April 27, a conference held by the liberal (free market) Alliance of Free Democrats (SZDSZ) decided to withdraw from its coalition partnership with the Hungarian Socialist Party (MSZP). This deprives the MSZP of an overall majority in parliament and means that for the first time since the reintroduction of capitalism in 1989-1990, Hungary will be ruled by a minority government.

The rift between the coalition partners is not bound up with fundamental political differences. Both the Hungarian Socialists—a social democratic party and one of the successors of the former ruling Stalinist party—and the liberals share virtually the same political priorities. Since coming to power in 2002, both have supported strictly neo-liberal policies at the expense of the broad mass of society.

Since coming to power, the government led by Prime Minister Ferenc Gyurcsány has plummeted in opinion polls in a manner unprecedented since 1990. According to the latest polls, the Socialists would only win around 10 percent of the vote in fresh elections, and with a predicted 2 percent, the liberals would lack enough support to re-enter parliament. The opposition party Fidesz is currently notching up the highest ratings at 30 percent.

The two ruling coalition parties have been at loggerheads for some weeks in a dispute over the continuation of the government's reform programme—in particular, the reform of the health system. The conflict flared up with the sacking of the liberal Health Minister Ágnes Horváth by Gyurcsány, although both politicians had pushed a new health insurance law through parliament in the beginning of February. The law envisaged a large-scale privatisation of health care. The measure had been preceded by the introduction of higher education student fees.

The parliamentary opposition then organised a referendum opposing these two measures, and in March, nearly 84 percent voted for the abolition of health and study fees. Turnout for the referendum was high, surpassing the number of those voting on Hungary's application to join the European Union.

In view of the referendum result, Gyurcsány felt called upon to announce, at least officially, “moderate, responsible reform policies.” This meant that reforms should be carried

out more slowly and blunted somewhat at the present time. In response, the SZDSZ declared that Hungary needed radical reform and indirectly indicated it would break with the MSZP.

No doubt a major factor in the decision of the SZDSZ to quit the coalition was to prevent an even greater slump in popularity, and according to SZDSZ leader Janos Koka, the liberals have already announced their intent to support a Socialist minority government in an “elegant, peaceful and constructive” manner. He assured the Socialists that his party had absolutely no interest in bringing down the minority government.

That the collapse of the coalition will not substantially alter the political trajectory of the government is clear from the appointment of the new cabinet. Following the declaration by the head of the government that there would be no changes to its programme, he reorganised a number of key ministries on Monday. The most important change is the amalgamation of three existing ministries to create a new Ministry for National Development and Economy, as well as the creation of a Ministry for Transport, Telecommunications and Energy.

The new members of cabinet all share close links to the circle around Gyurcsány and made their careers in the private economy—advancing in most cases to leading posts. None of these cabinet members can be expected to oppose new radical austerity measures.

Hungarian and European media sources have expressed their alarm about the collapse of the coalition and the danger of the minority government retreating on its course of reforms. According to the *Budapester Zeitung*: “Hungary can no longer allow itself a sleepy or paralysed government. After all, the country has a longer and longer list of tasks, which have to be completed. What will happen, for example, with the health and tax reforms?” The comment continues: “Apart from populists, the naive and ignorant, no sober thinking person doubts in the meantime the compelling necessity for reforms. They are as existentially important for Hungary today as the painful, but extremely health-promoting, ‘Bokros package’ in the middle of the 1990’s.”

The so-called “health-promoting” Bokros package was in

fact a radical package of measures for the restructuring of the economy, involving the devaluation of the forint and entailing unprecedented levels of cuts to jobs and wages. The policies of the Gyurcsany government took a similar form—an unceasing assault on the living standards of the working population.

Fifty thousand jobs have been cut in public service since 2002, and there is a severe shortage of teachers in many schools. During the same period, dozens of hospitals were closed down.

A few years ago, low-income earners were not required to pay health insurance. Now, they must pay for health care, which has deteriorated. In 2007, for the first time, the national health insurance scheme OÉP earned a surplus. Following substantial restructuring at the expense of the public, it is now to be transferred into private hands.

With the cost of living accelerating wages are on the decline. Average real wages decreased by 4.8 percent compared with a year previously. At the same time unemployment is growing and now stands officially at eight percent.

If the ruling business and political elite have their way, these attacks will be carried forward endlessly. The governor of the Hungarian central bank, András Simor, demanded that 2 trillion forint (around 8 billion euros) be cut from the budgets for pensions, family allowance and similar social payments in order to maintain the country's competitiveness.

The head the Hungarian Economic Research Institute, Pénzügykutató, László Lengyel, declared he had not seen the economic situation "in such a critical state for a long time."

In the 1990s, Hungary had been regarded by many institutions as an economic "role model." Now, the European Union and international finance experts are criticising the government and calling for harsher measures. At the beginning of April, the OECD declared that the government had to "stick to its plan to lower its budget state deficit (at present the highest in the OECD) to less than 3 percent by the year 2010." At present, the deficit is 5.5 percent.

Against this background, the former economics minister, Gyoergy Matolcsy, has warned of the danger of a growing radicalisation on the part of the population. He anticipates that in coming years, "every Hungarian government will be confronted with demonstrations and strikes."

This seems to be a reasonable assumption. As is the case in virtually all the new European Union member states, Hungary has been increasingly hit by strikes and protests. Earlier this year, rail workers paralysed most of the country's rail network with strikes. Suburban transport

workers in the capital, Budapest, have also carried out walkouts. It was only the cowardly and conciliatory politics of the trade unions that enabled the public employers to avoid a long tough struggle.

In the absence of any progressive alternative to Gyursany's policies, the right wing has sought to exploit the country's growing social crisis. Even if the minority government headed by Gyurcsany is supported by the liberals in opposition, this government remains extremely weak. The oppositional Fidesz (Hungarian Civic Union), led by chairman Victor Orban, will use every opening to try and force the Socialists from office.

Orban has already tried to exploit the justified anger by broad layers of the population with the government's policies. Fidesz was the only party in parliament to speak out against the reforms to the Hungarian social systems. After the successful referendum in March, Orban threatened further referendums when the opportunity emerged.

Like the other ruling parties, there is no doubt about the political affiliation of Fidesz, which also represents the interests of the major European banks and concerns. As head of government from 1998 to 2002, Orban ordered his own radical austerity policies in order to fulfil the criteria for entry to the European Union. In so doing, he made himself and his government so unpopular that Gyurcsany was easily able to win the elections in 2002.

Since then, the Hungarian Civic Union has moved even further to the right and is playing a vile double game. On the one hand, it poses as a populist political party. On the other, it maintains close political and personal links to the extreme right. Protests against Gyurcsany two years ago by ultra right-wing and openly neo-fascist groups were supported largely by Fidesz.

At present, Orban is attempting to unite the completely splintered ultra-conservative and right-wing groups. In so doing, he is working together with pronounced fascist organisations such as the paramilitary Hungarian Guard, which was formed last year, together with its political wing, Jobbik. The Guard has regularly held provocative marches through parts of Budapest occupied by large numbers of immigrants and Sinti and Roma. Not only has Fidesz refrained from any criticism of the fascists, it maintains its own close links, and leading figures from Fidesz were in attendance at the founding ceremony of the Hungarian Guard.



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