Hungarian government passes authoritarian new laws

Markus Salzmann
28 December 2011

Just before the Christmas break, the Hungarian parliament passed a number of authoritarian and nationalistic laws. The new laws are unpopular with the population, as well as with international financial institutions.

Last Friday, the government adopted a new electoral law that significantly favours the ruling Fidesz party of Prime Minister Victor Orban, which has a two-thirds majority in the parliament. The parliamentary sitting was boycotted by the opposition Socialists (MSZP) and the green-neo-liberal LMP. The new laws expand the majority voting system, hence favoring Fidesz in elections.

Also approved was a restriction of the right to speak in parliament. Speaking time for any opposition party representative is reduced to 15 minutes. The Constitutional Court, which was stripped of any say in budget policy several months ago, was also changed in favour of the government, with the introduction of new personnel.

Last Friday, police intervened violently at a demonstration against the government's new laws. The protest involved several thousand participants and took place in front of the parliament building in Budapest. Many opposition figures were arrested, including eleven members of the LMP who chained themselves to the railings of the parliament building.

Among those detained were former Prime Minister Ferenc Gyurcsany and the MSZP faction leader, Attila Mesterhazy, Gyurcsany, who headed two Socialist governments and is represented in parliament with his newly formed Democratic Coalition (DC), was released immediately after his arrest.

Neither the MSZP, the DC that split off from it, nor the LMP have any significant popular support. Gyurcsany himself is one of the most hated figures in Hungarian politics. His protest against the government policy is a desperate attempt to restore some sort of credibility.

There have been a series of protests against the authoritarian government's latest measures. Orban's national media regulatory authority NMHH removed the license of the country's only opposition radio station and awarded its frequency to a pro-government station. Andras Arato, editor in chief of the affected radio station, declared that the aim of the move was to “silence” his station.

Public and private television is now subject to the government. Balazs Nagy Navarro, the Chairman of the Television and Film Makers Independent Trade Union (TFSZ), and his deputy, Aranka Szavuly, began a hunger strike last week to protest the continuous manipulation of the public news broadcaster MTV. Significant numbers of youth joined the protest.

Economic laws were also passed by the parliament. The flat tax which came into effect this year has been enshrined in constitutional law. Thus, the 16-percent tax may in future only be abolished or amended by a two-thirds parliamentary majority. This makes it very difficult for future governments to affect any change.

The law was passed against the explicit wish of the European Union. EU Commission President Jose Manuel Barroso sharply criticized the measure, because it prevents governments from making new budget cuts quickly. There has also been criticism of the fact that Hungary's balanced budget amendment (the “debt brake”) only becomes binding in 2016, instead of 2012. The declared aim of the debt brake is to reduce the country's budget deficit from the current level of 80 percent to less than 50 percent of the gross domestic product (GDP).

Regardless of this criticism, Hungary's government

© World Socialist Web Site

also plans to introduce legislation affecting the country's central bank. The European Union, the European Central Bank (ECB) and the International Monetary Fund (IMF) have all criticized the new law, warning that the independence of the Hungarian central bank is at risk. The reform provides for expanded government influence on monetary policy. The plans include the expansion of the Federal Reserve Board to be determined by parliament.

A few days ago, the IMF and EU broke off preliminary discussions on further loans for Hungary after the government refused to withdraw its new central bank law. Negotiations with the IMF and the EU are now scheduled for January, but the EU Commission has only committed itself to "informal exploratory talks".

The decision by the government to increase its control over the Hungarian central bank has alarmed finance circles in Brussels and Europe. The online edition of the *Frankfurter Allgemeine Zeitung* commented: "As long as the Orban government continues on a collision course, but at the same time has no success in consolidating public finances, encouraging economic growth and the fight against unemployment, the forint will remain under pressure and the ability of the country to pay its debts is on shaky ground".

Hungary is increasingly becoming a source of concern for foreign banks. Last September, Orban issued a law requiring banks to convert loans contracted in foreign currency into Hungarian forints at a fixed price. The banks were called on to cover the difference between the exchange rates.

As a result, the Austrian Raiffeisen International (RBI) has ordered its Hungarian subsidiary to cut back on its activities. About 10 percent of the bank's 3,200 employees and 10 of its banks are to be closed in the coming months. In the first three quarters of 2011, the bank recorded a loss of €286 million, which is expected to rise to €320 million by the end of the year.

In recent weeks, the National Bank has increased interest rates in three stages, from 5.5 to 7 percent, in order to stem the decline of the currency and associated price increases. In the second half of the year, the forint has lost more than 15 percent against the euro and more than 27 percent of its value against the dollar. According to the Bloomberg financial news service, these figures are the worst in the table of 170 currencies.

Yields on Hungarian government bonds have reached their highest level since 2009 when Hungary was only saved from bankruptcy by an IMF bailout. The yield on 10-year government bonds currently stands at 9.29 percent. In the spring of 2010, when the government took office, they were trading at 6.35 percent.

All of the forecasts are negative for Hungary. The National Bank expects inflation to rise by 5 percent and the economy to decline in 2012. Budgetary income is set to fall next year by at least 1.2 percent and the budget deficit is expected to reach at least 3.7 percent of GDP.

At the same time, the social crisis is deepening. Analysts say unemployment will rise further. In 2009 unemployment topped 10 percent and is expected to increase to at least 12 percent in the coming year. A report by the Díjbészedö agency shows that over 20 percent of the population are no longer able to pay their water, electricity and gas bills. The report notes a "significant increase" in inability to pay compared to previous years.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site