

## ELECTION BRIEFING No 28 EUROPE AND THE HUNGARIAN ELECTIONS OF APRIL 2006

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### **Key points:**

- The elections returned the centre-left Socialist-Free Democrat coalition to office.
- The re-election for the first time in Hungary's post-communist history of a government signals further party system consolidation.
- The campaigns focused on economic issues, with the almost complete absence of European integration from the party debate.
- The smaller parties did unexpectedly well, with both passing the electoral threshold contrary to expectations.
- Lack of cooperation within the centre-right camp had a major impact on the outcome.
- Turnout was relatively high at nearly 68% in the first round and 63% in the second.
- The government followed up the election with an expected (though not promised) fiscal tightening, and was predictably punished for this in the October local elections.

The 2006 election in Hungary was the fourth since the regime change in 1990, and the third one defined by the contest between two major parties: the Hungarian Socialist Party (MSZP) and Fidesz–Hungarian Civic Alliance (Fidesz-MPSZ). The election was a historic first in that an incumbent government was returned to power: the ruling socialist-liberal coalition won another term in office. Voters were familiar with all the parties with a realistic chance of gaining parliamentary representation, and elected the same four as last time to the National Assembly: the Socialists and the liberal Alliance of Free Democrats (SZDSZ) in government, and Fidesz and the conservative Hungarian Democratic Forum (MDF) in opposition. This time, the Fidesz list was officially a joint list with the Christian Democratic People's Party (KDNP), which, following the elections, decided to establish its own parliamentary faction. The

Democratic Forum, which had run on a joint list with Fidesz in 2002, now ran on its own.

Compared with 2002, the election was competitive but less bitterly fought: both the camps, and the trenches separating them, were well-established.<sup>1</sup> Economic issues, rather than questions of national identity and the communist past, dominated the campaign agenda. Considering that this was the first parliamentary election since Hungary's EU accession, it is perhaps surprising how little attention the issue of European integration received.

## **Background**

The 2006 election confirmed that Hungary's political parties and party system are remarkably stable. Since the mid-1990s two blocs compete for office. On the left, a big major social democratic party is in alliance with the liberals. The right is somewhat more fragmented, as it includes both a large national-conservative catch-all party (Fidesz) and a shrinking number of smaller parties. The Democratic Forum is the only smaller party on the right that has managed to survive independently, and since the last election it has sought to put some distance between itself and Fidesz.

The party system is structured along a combination of: (i) a socio-economic policy dimension, and (ii) a more complex liberal-conservative axis that also incorporates a nationalist-cosmopolitan and, to a lesser extent, a religious-secular dimension. Somewhat paradoxically from the Western European perspective, the Socialists are more pro-market and investor-friendly than the so-called right, although in social spending they favour the poorest in society rather than the middle-class. This 'third way' type social democracy contrasts with Fidesz' policy preferences that blend direct state intervention in the economy with favouring locally owned small and middle-sized enterprises over FDI. Left and right labels thus correspond more to parties' positions on the liberal-conservative axis than to socio-economic policy, with Fidesz and the smaller conservative parties generally emphasising the nation, family life and (Christian) public morals.

Hungary's complex (mixed) electoral system means that alliance building is crucial not only for government formation but also electoral success. Slightly more than half of the mandates are distributed in a PR system, on regional lists in the first round and through a national list of top-up seats in the second. 176 of the 386 seats are decided in single member districts, where in most cases only the second round, fought by the leading candidates, leads to the election of an MP. Whether or not parties unite behind a single candidate in the second round can thus swing the outcome of the election. This system produced relatively disproportional results in the 1990s, with, for example, the Socialists collecting the highest share of the vote, but not of the mandates, in 1998. In the closely fought 2002 and 2006 elections, the disproportionality between seats and votes has been somewhat less severe. This electoral system also reduces party system fragmentation. With the exception of a short spell when the extreme right Justice and Life Party (MIEP) was in parliament

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<sup>1</sup> On the 2002 election, see: A. Batory, 'Europe and Hungarian Parliamentary Election of April 2002', *Opposing Europe Research Network Election Briefing No 1* at <http://www.sussex.ac.uk/sei/documents/paper1hungary.pdf>

between 1998-2002, the 5% threshold has prevented new parties from entering the scene.

Parliament's term is four years, and elections take place in April or May. Early elections have never been called, partly because the electoral system yields majority governments (and the constitution requires a constructive vote of confidence to bring down a government). This predictable electoral cycle has led to protracted campaigns, which parties spend a long time positioning themselves for.

<i>Election</i>	<i>Government and coalition parties</i>
1990-	Centre-right: MDF, KDNP and the Smallholders' Party
1994-	<b>Centre-left: MSZP and SZDSZ</b>
1998-	Centre-right: Fidesz and MDF and the Smallholders' Party
2002-	<b>Centre-left: MSZP and SZDSZ</b>
2006-	<b>Centre-left: MSZP and SZDSZ</b>

Two factors made the 2006 contest unusual. First, nation-wide elections had taken place less than two years before: the first ever European Parliament elections of June 2004.<sup>2</sup> This followed on the heels of the referendum on Hungary's EU membership where, although the overwhelming majority endorsed accession, turnout was too low to give any sort of a boost to government popularity.<sup>3</sup> The ruling Socialist Party performed poorly.

Second, and more importantly, there was a change of prime minister in August 2004. In the euphoria of his party beating Fidesz in 2002, Prime Minister Peter Medgyessy and his cabinet embarked on an initially popular, but in the long run costly, programme that involved significant increases in real wages (particularly in the public sector) early in their term of office. Following in-fighting in the coalition and within the Socialist Party, and with his position none too firm in the wake of the European elections, Medgyessy was replaced by a junior member of his cabinet, Ferenc Gyurcsány.

The Socialists' new, dynamic prime minister entered office with too little time and public money left until the 2006 elections to risk any bold moves, despite the fact that a large budget deficit required urgent fiscal correction measures. This clearly placed the governing parties on the defensive. At the same time, Gyurcsány – a young, self-confident businessman and media-savvy politician – also reinvigorated and changed the Socialists' profile, ridding the party of the last traces of its apologetic 'successor' status and taking it in a Blairite modern social-democratic direction. The party also elected a new chairman after the departure of the old guard Laszlo Kovacs from Hungarian politics (to join the European Commission). Having consolidated his position within the party, and with his approval ratings at 47% in February 2006, Prime Minister Gyurcsány could face the elections with relative confidence.<sup>4</sup>

<sup>2</sup> See: A. Batory, 'The European Parliament Election in Hungary, June 13 2004,' *European Parties Elections and Referendums Network 2004 EP Election Briefing No 8* at <http://www.sussex.ac.uk/sei/documents/epernep2004hungary.pdf>.

<sup>3</sup> See: B. Fowler, 'The Hungarian EU Accession Referendum, 12 April 2003,' *Opposing Europe Research Network Referendum Briefing No 4* at <http://www.sussex.ac.uk/sei/documents/hungary4.pdf>

<sup>4</sup> These ratings were slightly higher than Medgyessy's immediately after the 2002 election victory.

The junior coalition partner, the Free Democrats, emerged relatively unscathed from four years in office spent in the shadow of the Socialists. This was quite an advantageous position in the sense that the bigger party got most of the blame for unpopular measures. The liberals consequently did relatively well in the 2004 European elections. On the other hand, the party was in danger of fading into obscurity if it could not differentiate itself more from its ally and coalition partner. One way to make those differences more visible was for the Free Democrats to portray itself as the 'conscience of the coalition', i.e. as a positive influence on the Socialists. This expressed itself in coalition tensions over some issues, and in the Free Democrats' role in the removal of the unpopular Peter Medgyessy (which many in the Socialist Party may have been grateful for subsequently, but which did not endear the liberals to their coalition partners at the time). The other and ultimately more fruitful strategy the Free Democrats pursued was to emphasise their core liberal values, and seek to establish themselves as the sole representative of a third ideological pole distanced from both the social democrats and the conservatives. The emphasis on liberal ideals such as a small state, entrepreneurship, individualism and progressive social values indeed provided a distinct appeal that was suitable for securing the vote of their small urban electoral base. However, in the six months prior to the 2006 election it was unclear if this niche was (still) wide enough to help the party over the electoral threshold.

Fidesz, the quintessential catch-all party of the right, spent its four years in opposition preparing for the expected decisive battle. Party leader Viktor Orbán's position did not weaken even in the wake of the 2002 defeat, although for some time he seemed to withdraw from parliamentary politics. Fidesz' strategy was twofold. On the one hand, there was a shift towards building up what the leadership called a 'people's party' – replacing the efficient slim electoral machinery Fidesz had possessed in the 1990s with a more robust membership organisation with strong local presence. Re-inforcing the party itself ran parallel with the establishment of a network of 'civic circles'; formally independent, relatively informal structures in local communities. Both initiatives had the effect of embedding Fidesz more strongly in its core constituency and thereby solidifying electoral loyalties. On the other hand, the party carried on with the strategy of (trying to) unite the entire right-of-centre part of the political spectrum under its own banner, gradually integrating or crowding out its smaller competitors. This strategy worked on the extreme right inasmuch as the Hungarian Justice and Life Party had all but disappeared from the electoral scene by 2006 (a small, new grouping that emerged around the time of the referendum on EU accession appeared more open to cooperation with Fidesz). In the centre, however, the strategy stumbled on the Democratic Forum or, more precisely, the wing of the party that consolidated its position under chairwoman Ibolya David.

For the Democratic Forum, the smallest of the parliamentary parties, the main issue of the 2002-2006 term was precisely how they should relate to Fidesz. A joint list with Fidesz, as in 2002, would have guaranteed the election of a number of MDF candidates, but was also likely in the longer run to lead to the dissolution of the party in the melting pot of Fidesz. The question was decisive as well as divisive: a group of prominent members left largely in protest against David's decision to go it alone and position her party in opposition both to the governing parties and Fidesz. A centrepiece of this strategy was portraying the Democratic Forum as the centrist conservative alternative, emphasised by both criticism of Fidesz as an increasingly

populist political force, and by a general criticism of the sleaze and corruption that they claimed had engulfed the major parties. This was clearly a high-risk strategy in the sense that the antagonism with Fidesz could have backfired, alienating Fidesz-friendly right-wing voters. An early vindication of the 'free MDF' line however came in the European elections where, against all the odds, the party secured a mandate. But the polls were anything but encouraging in the run-up to the 2006 elections. The Democratic Forum's support ran well below the electoral threshold.

Indeed, many of the pollsters predicted a three-party (Socialist-Fidesz-Free Democrat) parliament, although there was also some talk of the liberals not making it and a possible transformation of Hungary's two-bloc party system into a two-party system. As for the contest between the Socialists and Fidesz, the race was expected to be close. The two big parties ran neck to neck in the polls at the beginning of the year, with Fidesz ahead in January but the Socialists gradually closing the gap until March, when they overtook their right-wing competitor. But the difference was marginal: 32% for the Socialists as opposed to Fidesz's 31% in the second half of March, according to a Gallup survey.<sup>5</sup>

## **The campaign**

The election campaign in the late winter and early spring was very much dominated by the main opposition party, Fidesz. As is often the case in Western Europe, the centrepiece of the campaign was the opposition's criticism of the government's performance and the governing coalition's defence of their track record. Fidesz was first off the ground in February with a series of mostly black-and-white posters asserting that Hungarians were worse off now than four years ago. This campaign was 'anonymous' inasmuch as the posters did not feature the party's name or logo, but a series of individual workers/mothers/pensioners complaining about high unemployment, the rising cost of living for families and pensioners' hard times. As winter turned to spring the party revealed a second series of up-beat posters, in the bright orange colour of the party and featuring the same familiar faces, which proclaimed that Fidesz would solve these problems.

The party's central slogan – jobs, home and family – placed Fidesz squarely in the camp of Christian-conservative parties in Europe (it is a member of the European People's Party). The remainder of its economic message was closer to the west European populist right (comparable to for example the Norwegian and Danish Progress Parties). The party's manifesto, entitled 'Go Hungary', pledged to cut taxes for enterprises as a measure of job creation, more support for a first-time home-buyers programme, the introduction of the Euro in 2010, the creation of a more family-friendly tax system, and the progressive introduction of a fourteenth month pension (i.e., an extra month's pension payment in addition to the thirteen currently provided). The party also pledged to use all possibilities for price controls in relation to the costs of energy consumption (gas and heating), pharmaceuticals and public transport for households; which they claimed was in contrast with the Socialists' tendency 'to take the side of the monopolies against the people'.

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<sup>5</sup> See: <http://www.gallup.hu/Gallup/release/graphs/part.htm> (Accessed on 5 September 2006).

The governing Socialist party's response emphasised the government's achievements and its leader. The most prominent feature of its campaign was the large posters featuring the prime minister and the word 'yes' in capital letters, accompanied by the slogan 'for the country, for you' (on a green background of the shade found in the Hungarian tricolour, rather than against the party colour red). Although the party programme was entitled 'a strong economy for a strong Hungary', its campaign generally avoided discussion of the need for economic reform and stuck to ambiguous promises. The election manifesto included, for instance, the claim that the party would decrease the tax burden on families and companies, aim for wages to increase in parallel with GDP growth, and that the economic conditions for joining EMU and adopting the Euro would be met in 2008.

Both the main parties thus shied away from what all observers, from the Hungarian press to foreign commentators and the European Commission, emphasised would be the main challenge of whichever party won the election: economic re-structuring and financial tightening in order to address the rising budget deficit. Although the Socialists and Free Democrats accorded somewhat higher priority than Fidesz to qualifying for membership of the single currency, the Euro question did not, therefore, feature heavily in the campaign (even as a constraint on fiscal policy).

Against this backdrop, the junior member of the governing coalition, the Free Democrats, sought to distance itself somewhat from its partner in government by emphasising classical liberal and social liberal issues. Its main economic slogan was 'more SZDSZ, less tax, more investment, smaller state', clearly suggesting to voters that it was important to get as high a share of the seats as possible for the party in order that it should be able to pull the governing coalition in its desired direction. Much the same held for its focus on liberal issues. The campaign also featured a (slightly eccentric) focus on the next generation and posed the question of who looked after the interests of Pisti Kovacs, the soon-ubiquitous five-year-old who appeared on most of the party's posters.<sup>6</sup>

In line with its ongoing effort to distance itself from its erstwhile partner, the Democratic Forum embarked on a campaign that was directed at both the major parties and criticised Fidesz directly for its alleged irresponsible populism. The campaign focused on party leader Ibolya David, drawing on polls that indicated that she was the most popular candidate for prime minister. The slogan 'a grown-up party for grown-up voters' captured the party's core message: a reliable and credible party that had moved to the centre of the political spectrum and would eschew alliances with either of the big and irresponsible parties.

Even in Budapest there was evidence of only two other parties campaigning: the far-right Justice and Life Party, which emphasised its potential contribution to a right-wing governing bloc, and the old-style Workers' Party, which focused on unemployment and workers' rights. Neither had a realistic chance of crossing the five-percent threshold, let alone winning a constituency seat.

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<sup>6</sup> In Budapest an unidentified campaign produced rough facsimiles of the Alliance of Free Democrat posters, featuring Michael Jackson and 'Home Alone' star Macaulay Culkin, and reading 'more SZDSZ, more pedophilia'.

The central issues in the campaign were also indicated by the topics nominated by the four parties for a televised debate between the four party leaders:

- Fidesz nominated job-creation, where they strongly attacked the Socialists' record.
- The Socialists focused on development, on Hungary catching up with Western Europe and how EU funds could be best turned to the country's advantage.
- The Free Democrats chose health-care, and more specifically the need to re-organise and clean up the system and make it more efficient by bringing in private investment.
- The Democratic Forum focussed on corruption, described as endemic to politics thanks to the other parties both on the left and right.

As this list indicates, with the exception of the Socialists' reference to EU funds, 'Europe' was curiously absent from the debate. This is particularly notable given that the anticipated fiscal correction measures were tied in with the country's 'convergence programme' – i.e., efforts to join the single currency. Neither the governing parties nor Fidesz or MDF attempted to use the EU as a scapegoat in party discourse. Matters of European integration, in the sense of developments on the European level or the future direction integration should take, did not feature among the arguments between the parties at all.

The notable absence of the European issue this time contrasts with the aftermath of the 2002 elections when, in the to the referendum on EU accession, Fidesz had shifted in a pronounced 'Euro-critical' direction, taking a significant part of its electoral base with it as well (referendum turnout among Fidesz voters was considerably lower than among Socialists). While officially calling for a 'yes' vote, the party's politicisation of the conditions of membership contrasted with the strongly pro-EU positions of the other three parliamentary parties at the time. Following the referendum, where a strong majority endorsed membership but where turnout was very low, Europe again receded into the background. The campaigns of the European elections were dominated by domestic politics, and there was no sign of 'Europe' making a comeback for the general elections in 2006 either. It seems that, with accession out of the way, the Hungarian political class judged the EU issue to be without significant electoral potential.

### **The first round (April 9)**

In the run-up to the first round of the election, the two smaller parties generally came out of the televised debate between the leaders of the four parliamentary parties better than the Socialist Party and Fidesz. Ibolya David did particularly well, and saw her party rise from the low of a mere 2% in many polls during the winter. Her strong performance in last big televised debate was probably the key to getting the party over the 5% threshold for access to the PR-seats. It was this question – whether the Democratic Forum would cross the five-percent threshold or not – that turned the night of April 9 into a cliff-hanger. As it turned out the party rose steadily in the projections as election night wore on, eventually crossing the threshold by the smallest of margins and thus splitting the centre-right vote.

As Table 1 shows, the first round results were a victory for the incumbent centre-left coalition, a major victory for the Democratic Forum, and a serious set-back for Viktor

Orbán's Fidesz. The two extremist parties polled predictably poorly. The Free Democrats performed better than expected, and the governing coalition could look forward to a much less close-fought second round than many had anticipated. The Democratic Forum's 'jump' to the left of Fidesz, to occupy the centrist centre-right ground, proved surprisingly successful, and some commentators suggested that it might even provide a basis for a challenge to Fidesz for leadership of the centre-right before the 2010 election. Fidesz was the main loser: although its strategy of moving to the right after the 1994 election was successful both in terms of dominating the centre-right and crowding out the far right, it left the party vulnerable on its left flank, which the Democratic Forum did not fail to take advantage of in this election.

**Table 1: Results of the 2006 Hungarian election first round, April 9 (212 of 286 seats allocated)**

	List votes	List %	Change %	List seats	Indiv. seats	Top-up seats	Total seats
<b>Seats total</b>				<b>152</b>	<b>176</b>	<b>58</b>	<b>386</b>
MSZP	2,336,705	43.21	+1.16	71	34	yes	105
SZDSZ	351,612	6.50	+0.93	4	4*	yes	8
Fidesz-KDNP	2,272,979	42.03	joint	69	28	yes	97
MDF	272,831	5.04	+6.0†	2	0	yes	2
Others	173,923	3.22	-8.09	0	0	no	2
<b>Seats open</b>				<b>6</b>	<b>110</b>	<b>58</b>	<b>174</b>

\* These four individual seats were joint SZDSZ-MSZP candidates.

† In 2002 the joint Fidesz-MDF list won 41.07%.

In 2006 MIEP was the only other party over 1%: at 2.20%. In 2002 MIEP won 4.37% and the centre-right Centre of Solidarity 3.90%. Source: National Election office of Hungary.

After the first round of voting, 212 seats were thus allocated: 113 to the governing coalition, and 99 to the opposition. Fidesz faced a daunting up-hill struggle in the second round. Of the 110 constituency seats left still to be contested in the second round, about 40 were considered 'safe' for each side, so Fidesz needed to win all the 30 marginal or 'swing' constituencies.

It was, therefore, no surprise that the second stage of the campaign centred almost exclusively on coalition-building. With an eye on the longer term and the 2010 elections, Ipolya David maintained her reluctance to join forces with Fidesz. In an open letter to Orbán, she demanded a Fidesz U-turn on several of its key policy areas if it wanted the Democratic Forum's support calling for a strict fiscal policy, private sector involvement in health care, and for Fidesz to drop its proposed minimum wage increases and family-oriented tax (in favour of an 18% flat tax). She also demanded tough anti-corruption measures and an end to all Fidesz cooperation with the Justice and Life party. Despite reports of Fidesz offering the Democratic Forum the prime ministership, talks between the two parties collapsed.

After the failure of the talks on the centre-right, and facing a three-way fight against both the Democratic Forum and the coalition in most constituencies, Fidesz opted for a nationally oriented campaign in the run-up to the second round: it took a leaf out of Silvio Berlusconi's campaign manual and translated the football supporter chant 'Forza Italia' into 'Hajra Magyarország' (Go Hungary). In the last week of the campaign, its orange posters featured the Hungarian tricolour and the slogan 'now it is



only Hungary that counts'. On the other hand the governing coalition needed to do little more than emphasize its coherence; the opposition parties' disagreements rendered it the more credible alternative by default. Ferenc Gyurcsány and the tricolour-green 'yes' posters continued to dominate the Socialists' campaign.

### The second round (April 23)

Given the first round results and the centre-right's failure to unite, the governing coalition's victory in the second round became a more or less foregone conclusion. As Table 2 shows, on the night, the Socialists and Free Democrats polled somewhat better than expected, and their joint majority increased by 12 seats to 210. Turnout was nearly 68% in the first round, but dropped to 63% in the second (compared to nearly 71% and 74% in the first and second round in 2002, when the closely-fought election led to an *increased* turnout in the second round).

**Table 2: Final allocation of seats in the 2006 Hungarian election**

Seats	List	Individual	Top-up	Total	Change
<b>Total</b>	<b>152</b>	<b>176</b>	<b>58</b>	<b>386</b>	<b>0</b>
MSzP	71	102*	17	190	+12
SzDSz	4	5*	11	20	0
Fidesz	69	68	27	164	0
MDF	2	0	9	11	-13†
Independent		1		1	+1

\* Includes 6 joint MSzP-SzDSz candidates or lists (4 to MSzP, and 2 to SzDSz)

† MDF had 24 representatives elected on a joint list with Fidesz in 2002, Fidesz had 164.

Any explanation of the first round result must include reference to the two small parties' successful campaigns: and the outcome in the second round evidently owed much to the splitting of the centre-right vote by lack of cooperation between Fidesz and Democratic Forum. However, the first re-election of a government in Hungary since the collapse of communism also owed something to economic management (or perhaps mismanagement). The first non-communist government lost the 1994 elections partly because economic reform did not yield results fast enough (and could probably not have done so, even if more radical reforms had been undertaken). The Socialist-Free Democrat government that took over in 1994 embarked on radical reforms, and was promptly punished in the 1998 elections for the effect this had on the rising price/wage discrepancy. The Fidesz government that took over in 1998 by and large continued its predecessor's economic policy in the first half of the term, but increased spending ahead of the 2002 elections which it lost by a smaller margin than any previous incumbent had done.

The 2002 election campaign involved generous welfare promises from both sides. The centre-left government that took office under Medgyessy avoided tightening fiscal policy and chose instead to embark on an expansive welfare package – some say it thus made the mistake of actually delivering on its campaign promises early in the term. The budget deficit consequently grew considerably over the term, but so did real incomes: some press reports claim by 40% between 2002 and 2006, an enormous rate of increase by any standard. To the extent that personal incomes weigh more heavily with voters than the overall economy's medium-term health, this policy helped erode the anti-incumbency effect that characterised Hungarian elections in the 1990s.

The policies of Orbán's 1998-2002 government and the 2002-2006 centre-left government may have made the elections of the 2000s more close-fought affairs than those of the 1990s, but these policies also left the winner of the 2006 elections with a rather large fiscal policy problem – accumulated since 2001 by the last year of the Orbán government, and subsequently by Medgyessy and then Gyurcsány. Given that local elections were due less than half a year later, on October 1, there was little prospect for a quiet political autumn in Hungary. There was also no time to delay correction measures until after the local elections, as the European Commission expected a strict convergence programme by the fall.

## **Post-election developments**

The Socialist–Free Democrat coalition government remained in power without any major changes. The Free Democrats, the more free market oriented of the two parties, retained the economic portfolio. They also took the environment and health care portfolios, the latter being of considerable importance given the government's plans for health care reform, but lost the environment portfolio (which they would have liked to keep) to Socialist Party chairman László Hiller.

The immediate programme announced by the government came as no surprise to commentators at home or abroad: because the 'convergence programme' for participation in the single currency was expected in Brussels on September 1, the momentum after elections had to be used. Although the coalition parties thereby exposed themselves to a wipe out in the October local elections, they embarked on a fiscal austerity programme that involved cutting down on social spending and increasing taxes. This would also involve significant changes in education and healthcare, although exactly how radical this would be was not clear at the end of September.

The main political debates in the five months after the election thus centred on fiscal austerity, preparation for the Euro and the convergence programme. Would the government's planned measures be sufficient for Hungary to join the single currency in time? The opposition parties claimed a long delay was inevitable. In addition to increased taxes, the initiative included three elements which turned out to be particularly unpopular with the public and/or the professions affected:

- Reform of the public administration: reduction of the number of ministries and auxiliary agencies in the central public administration, plans to elevate certain functions from the counties to regions, and a general reduction of number of public sector employees.
- Health care reform: introduction of small fees for visits to general practitioners and treatment in hospital; liberalisation of the pharmacies market; and reforming terms of employment for hospital medical staff.
- Education: introduction of partial tuition fees, and increasing mandatory hours for teachers.

The Socialist party's 'honeymoon' period after the election was therefore extremely short: Fidesz picked up a 12% lead in the polls by mid-August and Gyurcsány's

popularity dropped considerably.<sup>7</sup> It was in this context, with a series of big demonstrations and election rallies expected in the last two weeks of September, that the story of Gyurcsány's speech to a Socialist party gathering at Lake Balaton back in May broke on 17 September. As the prime minister explained in subsequent interviews with the *BBC* and the *Financial Times*, this speech constituted an effort to prepare the party for the tough fiscal policy measures that were necessary. However, Gyurcsány's allegation that all political parties had lied about the state of the economy for years, and the admission that this included himself and his party in the run-up to the elections, was seized upon by the opposition as a frank admission of an election campaign based on lies. A week of demonstrations in front of parliament (which included Fidesz speakers, including the party's vice chairman) followed, and Fidesz also mobilised the European People's Party to pass a resolution calling for the resignation of the Hungarian Government.

Less peaceful forms of protest also followed, when on 18 September a crowd of several hundred led by well-known figures of the extreme-right stormed the public television's building and violently clashed with police.<sup>8</sup> The attack, which left some 200 (the majority from the police) injured, was watched by several thousand onlookers from the nearby demonstration by parliament. All the parliamentary parties condemned the violence (which subsided after a second night of rioting by a smaller group), and although the demonstrations outside parliament continued both a Fidesz rally and a student demonstration were postponed until after the local elections.

Predictably, the October 1 local election saw a broad backlash against the governing coalition. The opposition won 18 out of 19 counties, and 19 of the 23 cities, a complete reversal of the 2002 local election results and a heavier defeat than expected. The turnout, at 53%, was the highest for local elections since the end of communism. However, the governing coalition held on to its core bastion Budapest, including the directly elected post of mayor which was won for the fifth time by Free Democrat Gábor Demszky, who was also supported by the Socialists. Although Fidesz had sought to cast the local elections as a 'referendum' on the government, the result brought little more damage to the government's position than had long been expected. It did, however, also provoke prime Minister Gyurcsány to initiate a parliamentary vote of confidence in his government, the result of which is not known at the time of writing but, given that his majority continues to be solid, he is expected to win.<sup>9</sup>

## **Future prospects**

The local election defeat notwithstanding, the 2006 general election confirmed the Socialist Party as the most successful party of post-communist Hungary. If it remains in office until 2010, as it currently seems likely to do, it will have been in power for twelve of the first twenty years of democratic Hungary's history. The main issue at stake is, and has been, credibility. In the last two elections the two main parties outbid

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<sup>7</sup> See: <http://www.szondaipsos.hu/hu/ipsos/partaug>

<sup>8</sup> The identity of the violent protesters was easily identifiable by the red-and-white Arpad flag (favoured by the revisionist extreme right), and the green-and-white flag of the Ferencvaros football supporters (Ferencvaros was relegated in July for financial irregularities and thus excluded from top division football for the first time ever).

<sup>9</sup> The vote of confidence is reported to be scheduled for 6 October 2006.

each other in terms of promises that neither had any chance of being able to deliver. In the aftermath of the 2002 election Medgyessy managed to deliver on some of the promises, but at a high cost for the overall Hungarian economy and the budget balance. Both the smaller parties, the Democratic Forum and the Free Democrats, took advantage of this strategy by positioning themselves as ‘grown up’ parties and the defenders of ‘responsible politics’.

Fidesz’s openness to the extreme right turned out to be a mistake: it left the centre-right wide open to the challenge from the Democratic Forum. The right of the political spectrum has proven too broad for a single party to cover. Indeed, to the extent that the Democratic Forum remains in the electoral market, the two-bloc system might change somewhat. The party’s blend of free-market conservatism is new to the Hungarian right, and it might herald a more ‘normal’ West European-style pattern of liberal–conservative competition (between the Free Democrats and the Democratic Forum), in addition to competition along socio-economic left-right policy issues. The 2006 election certainly demonstrated that the economy matters for voters: national populist ideology might sell to the core of the Fidesz camp, but will not get the party the centrist swing vote. This time, however, prime minister Gyurcsány is playing a high risk game that may win Fidesz a term in office in 2010. If the necessary but unpopular fiscal austerity measures do not pay off by then, the Socialists will be certain to face a tough battle in less than four years.

*This is the latest in a series of election and referendum briefings produced by the European Parties Elections and Referendums Network (EPERN). Based in the Sussex European Institute, EPERN is an international network of scholars that was originally established as the Opposing Europe Research Network (OERN) in June 2000 to chart the divisions over Europe that exist within party systems. In August 2003 it was re-launched as EPERN to reflect a widening of its objectives to consider the broader impact of the European issue on the domestic politics of EU member and candidate states. The Network retains an independent stance on the issues under consideration. For more information and copies of all our publications visit our website at <http://www.sussex.ac.uk/sei/1-4-2.html>.*