

The Paradox of The 'Big Win'

A country's political stability is a function of its ability to secure a stable parliamentary majority. In Belgium, the political stalemate left the country without a government for more than a year. The paralysis that characterises much of the US politics is making it almost impossible for the president to launch fundamental reforms. Not surprisingly, the electoral goal has always been to go for the 'big win', to govern alone with a stable majority. Even better, achieving a qualified majority opens the door to fundamental changes, a historical opportunity every politician dreams of. Regardless though, how great or thin the electoral win eventually was, as long as it was the outcome of free and fair elections, it was the vote of the people and thus democratic.

The paradox we witness these days with respect to Hungary is that a big win is not necessarily good news. What looked like a stabilizing factor going in, seems to destabilize down the road. The opposition tries to imply that a 'big win' is inherently less democratic than a 'small win' because the former does not need any additional parliamentary force to go for a 'big change'. Thus what is democratic seems to become a function of the size of the electoral outcome. The Hungarian opposition may have realized that voters will unlikely grant it a similar opportunity in the foreseeable future. Consequently, the only thing left for it is to cry 'fault' and use all local and international connections to destabilize the government. The strategy focuses on 'international connections', as only these can make up for the absence of political influence locally.

It has to be clear though that the Hungarian government needs to go for the 'big change' because Hungary is in ruins and therefore needs a total re-launch. Once the economic leader in the region, Hungary has slipped, it became heavily indebted, it has and still does lack economic growth and most importantly, a vision for a brighter future. Looking at the years from 1994 up to 2010, 12 of 16 years were under socialist - liberal rule. Hence, we can see clearly who stirred the Hungarian ship in the wrong direction. Yet, it is amazing how short our collective memory is. Forgotten are the manipulated financial statements of the socialist – liberal governments in the eve of the 2006 elections misleading the population and the European Union. In hindsight, Hungary's biggest mistake may have been that it was not radical enough in the early 90s, neither in political nor in economic terms. It did not adopt the drastic approach which Poland took, that led in the short term to a dramatic dip but ultimately set the base for a strong recovery.

Big changes mean radical changes; changes of significance; cutting the Gordian knot instead of continuing with the same approach in hope of a different outcome. Such a Gordian knot was the three pillar pension scheme, well intended at the time of conception but unsustainable neither in the short nor in the long term. Therefore, the government was right in abolishing the second pillar and to use the funds gained to reduce sovereign debt. More importantly, it eradicated one source of an increasing deficit. Big changes also require unorthodox approaches as a game changer. The introduction of crisis taxes on certain sectors (e.g. banks) – pioneered by Hungary – have caused international uproar, yet are common today. Intentions were not only to fill state coffers but also to force banks to cooperate in managing the unsustainable indebtedness of hundreds of thousands of families that took foreign currency loans. Banks share responsibility in providing cheap money to huge numbers, which led to a US type of housing and spending bonanza. Now they are a part of the solution, just as they will be obliged to take part in saving Greece.

Big changes produce big resistance because they impact on many people. The support for the government measured in opinion polls is likely to decrease steadily but a good government stays on

course and follows through. Today, the support for the FIDESZ ruling party and the prime minister personally is still surprisingly high. Average people still pull the rope with the country's leaders despite that many already had to accept reductions of welfare spending while the international press is flooded with negative coverage resembling a global hysteria. The quality of media reports has been appalling and far from balanced. Too often have they been a mere repetition of the allegations of the opposition without proper verification of the claims. Foreign journalists do not speak the language and rarely verify the claims personally. Repeating what others have been saying seems sufficient but the continuous repetition of falsehood does not make it correct. Interestingly, attacks began before anyone actually had seen the disputed law and had had a chance to study it, like in the case of the media law.

Historians will once state that the government's biggest achievement was the introduction of a new constitution. Long overdue, it replaced a patchwork that still had reminiscence of the communist era and more importantly, lacked inspiration and a point of orientation. Reference to traditional Christian values, to the uniqueness of the Hungarian language, and to the ethnic coherence of the Hungarian people thrusts a signpost into the ground for the future. After all, one third of the ethnic Hungarians live in the neighbouring countries, discriminated for decades and deprived of territorial autonomy. It is a farce when critics construct a conflict with European values. On the contrary, it is remarkable that a country dares to refocus on traditional ethical norms after decades of value destruction by the communist ideology that arguably continues today in the name of liberalism. With respect to norms, the EU has till today not managed to eradicate the idea of collective guilt in Europe as the Beneš decrees are still present in neighbouring countries.

The EU, ECB and the IMF are worried about the independence of the Hungarian Central Bank (MNB). It is of common knowledge that the relationship between a country's central bank and its government has always been the subject of debate. It suffices to think about the philosophical differences the French and German governments have been following in their approach to their national banks, let alone the relationship between the Fed and the US government. High interest rates have been stifling the Hungarian economy and therefore the strain between the government and the MNB is not surprising. The government looks for ways to secure better cooperation with the MNB to boost the economy. However, it is farfetched to immediately see the independence of the MNB at risk. Staying fact-based would serve better for all parties.

The new electoral system is aimed at simplification and cost reduction. Already the number of representatives in the municipal and regional councils as well as the national parliament has been halved. The new electoral procedure will move to one ballot (two at the moment) and fewer constituencies, saving billions of tax money. Expectedly, the opposition once again sees Hungarian democracy under threat. One of the most disproportionate electoral systems in Europe is that of the UK. Although the last attempt failed by the Liberal Democrats to amend it, nobody claimed that democracy is at risk in the UK.

There is tangible evidence of growing disconnect between the international community and the Hungarian government. While most see the reasons for it as being one of substance, I think it is rather one of management. Admittedly, there were cases where the government went overboard and therefore unnecessarily stirred push back. A good example has been the flat personal income tax which was enshrined into the constitution. Mostly however, we witnessed a lack of basic managerial

skills. Shortly after the elections, external communication was confusing due to missing clear message tracks, roles and responsibilities. We also repeatedly saw bad timing: the media law that was published days prior to the start of the EU presidency and now most recently, the MNB related law just before the start of the IMF negotiations. It is a showcase on how not to do things. 'Don't start a dispute if you don't have the ammunition to follow through' is good management wisdom. Yet, the government intentionally drove itself into a corner with the IMF and is now struggling to gather the pieces. 'Put first things first' is another proven managerial rule but we wonder whether the government indeed focussed first on the most important laws. It's time for the government to improve its skills in management. Having said this, I encourage the government to stay on course completing the 'big change'.

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