# From PM Orbán, self-criticism in tiny doses

*Prime Minister Viktor Orbán gave his annual state of Hungary address last week. He offered no new insights, but provided an extensive defence of the government's policies. Yet, he made a small but nevertheless intriguing concession: from among the many controversial measures the government has thus far adopted, this concession concerned two, the crisis taxes (we include the bank taxes under this heading) and the mortgage repayment plan. Though he still believes they were absolutely necessary, Orbán acknowledged that in an ideal situation these policies would have been adopted with more consultation. It is unclear why of all the players the government has been in confrontation with, these particular ones should receive the benefit of this belated and tiny concession. One reasonable guess is that this, too, is meant to mollify the IMF and other international players. But whether the government will also move to become more conciliatory in policy is still a major question.*

In his state of Hungary address past Tuesday, Prime Minister Viktor Orbán gave a speech that is arguably not very typical for him. As far as the specifics were concerned, there was nothing surprising. He made no new announcements, no public policy reforms or major political changes were announced, so both the press and the public may have been somewhat disappointed.

Instead, Orbán spoke mostly of the things that have already happened, undertaking a selective but nevertheless extensive survey of his tenure in government, and taking some of the government's controversial measures and justifying them one by one. Much of what he said also meshed with his previous rhetoric on the various subjects he touched upon. On the one hand, the surprising difference as compared to previous speeches lies in the new layers of explanations he added to some of these policies.

On the other hand, Orbán's tone was unusual. Analysts argue that his address on Hungary was considerably less combative than his previous rhetoric, and though it did contain some pointed criticisms of MSZP's terms in government, the martial metaphors that characterised many of his recent speeches was indeed far more subdued.

### *A sorry of sorts*

What stood out from his speech – and was in fact quoted most extensively – was his apology of sorts on the way the government introduced some of the trademark measures of Fidesz' time in government: the bank and other windfall taxes (aka crisis taxes) and the possibility to repay mortgages denominated in foreign currencies at a below-market level exchange rate. The PM did not at all concede that these measures were a mistake, but he said instead that "the way we levied the bank tax, the crisis tax and then the mortgage repayment, without brooking any contradiction, was not the most elegant move I ever made." While Orbán has on occasion conceded his fallibility, doing so on specific instances is exceedingly rare.

Still, he added that "we did not have any time to waste. (…) Putting these things off is like a credit card: good fun until you get the bill." In essence, therefore, the PM's admission was that ordinarily such measures – that is controversial policies that are widely regarded as harsh – should be passed with some degree of consultation. But the urgency of the situation for those in need – the state in the case of the crisis tax and private debtors in the case of the mortgage repayment option – justified the haste and the lack of consultation. In other words Orbán has acknowledged that in an ideal world there would have been some procedural differences, but substantially he has not ceded any ground

***Empathy for the devil***

Closer analysis therefore suggests that the PM's concession was little more than an expression of sympathy for those who suffered the consequences of these policies. Those who had to literally pay the price found the taxes – or de facto taxes, in the case of the banks and the repayment plan – too steep. Some of these actors also expressed frustration with what they viewed as the government's aggressive approach, but it is probable that ultimately having to unexpectedly pay large sums into the public coffers figured more prominently in their concerns.

What appears interesting, however, is what policies – and by implication what "victims" – Viktor Orbán singled out in this speech for his subsequent acknowledgment. Most of the costs of these policies had to be borne by international corporate players, that is foreign-owned banks, retailers and utility companies. By definition – since the windfall taxes were levied only on large companies – these are also large corporations.

These are those market actors whose excessive influence in Hungary and the world Orbán and Fidesz have often denounced. When presenting them with the bill for what the government termed their super-profits, Fidesz also implied more or less openly that these companies had benefited too much at the expense of citizens and should therefore bear increased costs for keeping the budget afloat or taking financial pressure off those middle or high income homeowners with foreign currency denominated mortgages.

***Why the large corporations?***

In light of the fact that over the past almost two years various demographics had to make financial sacrifices to help the government keep the deficit in check – most of these austerity measures were arguably no more the subject of consultations than the abovementioned policies – the question arises why the Prime Minister has particular misgivings about the treatment of this group. It bears pointing out that starting with university rectors, over student organisations all the way to unions and doctors, the government has often been reluctant to talk to stakeholders about reforms that imposed burdens on them, and behaved in ways that these various groups often found downright dismissive.

One possible explanation for pointing out the abovementioned policies and procedural problems therewith is that the Prime Minister is seeking to smooth over the recent conflicts with the various international political and financial actors that have been troubled by a variety of the Orbán government's measures and pronouncements. In advance of talks with the IMF, Orbán may want to make clear that he is aware that objections to the way he proceeded were not entirely unfounded.

***Future changes as well?***

This may also send the message that – given that conditions are presumably better now – in the future such policies will happen less often and/or be handled differently. As often before, the question is whether Orbán's admission is more than a rhetorical gesture. Given the government's occasional communication and policy changes that we have detailed in past issues, it is likely that in and of itself this will hardly be sufficient to reassure foreign governments, international institutions and multinational businesses and investors.

In other respects, too, however, Orbán's speech was more conciliatory than usual, even if it stopped short of making substantial concessions. This meshes well with what appears to be one of Fidesz' main talking points when communicating with foreigners (and increasingly Hungarians as well): Fidesz is everyone's best bet because the left has been discredited and the only alternative to the current government would be the far-right, whose policies would make Fidesz' conflicts with international players pale in comparison. Both in and outside Hungary, the question is whether Fidesz can really present itself as the least possible problem for those who have become disillusioned by the reality of its policies.