



## The end of a hot and golden summer

*Talk of voter registration has intensified over the summer, and while some argue that Fidesz will ultimately balk because of unpredictable outcomes and/or the fear of judicial intervention, the introduction of some form of registration still appears likely. Registration is intended to and will almost certainly significantly depress turnout, both the scope and the nature of its impact will depend on a variety of details that are unclear as of yet. Unless the country's economic fortunes improve, Fidesz will desperately need the dissatisfied majority to stay at home. For now, the situation is getting worse rather than better, as Hungary is now officially in a recession. Still, the government has responded with an action plan that seeks to promote employment, and – unusually – the plan has met with approval even in normally critical circles. The general sense among experts is that though it's a step in the right direction, more would be needed.*

As anticipated, the summer was rather mellow politically. In addition to the normal pacifying effect of widespread vacationing – which thankfully extends to politicians and scribes, too –, the mood was also ameliorated by Hungary's stunning performance at the Olympics, which reversed the country's recent decline at the games and reinforced her position as the historically most successful small country. In addition to their other records, Hungarian Olympic champions are also slated to receive a record financial award of some 35 million HUF (125,000 euros) – though considering the effect of the country's eight gold medals on the public mood, that's a bargain for the government. Nevertheless, whatever improvements the Olympic performance might have wrought in the public mood, it likely won't last: looking at the current trends, Fidesz' best bet is still to keep unhappy voters at home, which is precisely what it intends to achieve.

### **Voter registration still appears a go**

During most of the summer news reports – reinforced by Fidesz politicians, most significantly the prime minister himself – have treated an impending introduction of registration as a near certainty. Some recent news items indicated that there is some nascent hesitancy in Fidesz concerning the benefits of voter registration. While there is of course a theoretical possibility that the idea could backfire for the governing party, it appears unlikely, which is why we would wager that registration will be introduced in the end.

This assumes of course that what will ultimately decide the question is whether voter registration benefits Fidesz and how certainly it does so. As far as the former is concerned, two key factors support the notion that Fidesz will benefit. In spite of considerable public disillusionment with the main governing party, it still commands by far the highest number of committed voters. Moreover, compared to its main competitor, MSZP, Fidesz will likely enjoy more support among many of the groups with high voting propensities, such as the well-off and the educated strata. The biggest threat for Fidesz are the masses of disaffected voters, who are often politically unmotivated and without a clear preference for any of the opposition parties. Such voters might make up their mind at the last minute, but if they turn out in large numbers – motivated by an intense campaign, for instance – they might well sway the election against Fidesz. Introducing an additional hurdle would keep many of them

from the ballot in any case; forcing them to register very early would make this instrument more effective still.

## ***Open questions***

There are of course still some unresolved issues that will have a decisive impact on the actual effects of this instrument. The most important details are how registration will work – that is how cumbersome it will be –, what the deadline will be, and whether those who registered will be compelled to vote. Especially with regard to access to registration Fidesz faces a dilemma: unless registration points are offered in even the smallest municipalities, left-leaning urban voters will have easier access than the residents of Fidesz' main bastions, the municipalities with under 10,000 residents. So in some sense the best method for Fidesz may be to ensure widely distributed geographic access without fully taking into account population density.

Compelling registered voters to actually turn out is another thorny question. Clearly, if Fidesz operates under the assumption that those who register will – as compared to the overall population – be more likely to support the governing party, then it would be beneficial to ensure that they vote. Still, the measure would almost certainly be unpopular and may cause backlash among undecideds and those more loosely aligned with the ruling party. Voter registration is therefore potentially a double-edged sword for a variety of reasons.

## ***Praying for good news ahead***

Economic policy remains the focal point both for the government and the public evaluation of Fidesz. And in this key area, the summer offered mixed results. On the one hand, Hungary is now officially in a recession. Considering that as late as spring last year György Matolcsy's optimistic plans had projected robust growth for 2012, and even the pessimistic subsequent projections were brighter than the current reality, this is devastating news indeed. Nevertheless, it appears that both experts and the public had already priced in the negative growth figures. The reaction to the quarterly growth figures was namely relatively laid back, probably also on account of the summer atmosphere.

At the same time, the forint has shown marked improvement in the last couple of weeks, which was fortuitous timing indeed. Though many citizens skipped their foreign vacations on account of financial troubles, those who chose the traditional month of August to travel in Europe got lucky, as the Hungarian currency was at an all-year high during these weeks, making foreign trips slightly but palpably less expensive for those who exchanged late.

## ***Creating jobs***

A more important piece of good news is that Fidesz finally adopted an employment stimulus package that most experts agree has many of the components the dried up labour market needs. The government is also putting up some 300 billion forints (1,07 billion euros) – in



forfeited revenue – to support its measures. The ambitiously entitled Labour Protection Action Plan offers a drastic, 50% cut in employer's social contribution co-payments for employees over 55 and under 25, the two most difficult to place age groups. For the long-term unemployed, co-payments can be completely suspended for a while. The government is also providing significant financial incentives for people to move to find work, which is smart, considering that lacking mobility is a major contributing cause to the phenomenon of long-term unemployment.

There are also new tax rules for small businesses, which are likely to reduce both tax and administrative burdens for micro-enterprises. The latter are also effectively major parts of the labour market. A small but significant minority of – often white collar – workers has resorted to operating as a business, usually using the Simplified Business Tax scheme, known as EVA in Hungary. The EVA scheme will likely end this year. but by suggesting a lump sum tax for micro-enterprises, at least this category will have a financially viable alternative. Small enterprises will also receive a tax simplification. There are also a number of other measures aimed at making the life of businesses easier and facilitating their decision to hire new staff.

### ***Is that enough?***

Unusually, with its recent action plan the government has found a set of policies that most experts are happy with. Still, in itself it will be hardly enough to stimulate the stagnating economy. The government appears to be hoping that a labour market policy – the current action plan was preceded by drastic measures cutting employee rights – rooted in conservative economic philosophy will set the ground for explosive growth once cyclical growth, which has eluded Hungary for a while now, returns.

The plan is clearly not foolproof – Hungary remains very exposed to international economic fluctuations – and is also hampered by the government's unpredictable economic policies in other areas, which appear to give many potential investors a pause. Nonetheless, if the stars align for Fidesz, at some point these policies may bring about at least a portion of the grandiose hopes that the PM appears to have vested in them. Whether another set of policies might have achieved those changes more quickly is a different question.