Conclusions

What theoretical and practical conclusions can we draw from the retreat of liberal democracy, the rise of hybrid authoritarian capitalism and the accumulative state in Hungary? Are the theoretical approaches described in the introduction capable of providing a plausible explanation for the retreat of liberal democracy? How does the accumulative state relate to other, historically existing models of authoritarian state capitalism in an international context? What insights does the causal mechanism of Hungary’s authoritarian turn offer for the theory of illiberalism? This chapter attempts to answer these questions. After looking at the causal mechanism from a bird’s-eye view, the chapter summarises the lessons this mechanism presents by drawing the conclusions from the preceding chapters. Next, it analyses the international and historical context by analysing the varieties of authoritarian state capitalisms. Finally, the chapter concludes with broader theoretical and political lessons.

This chapter relies on articles published in Geoforum (Scheiring, 2019a), Sociology (Scheiring, 2020), and a more recent one accepted for publication in International Sociology (Scheiring & Szombati, 2020).
The Causal Narrative

Let us face the ‘whodunnit’ question right away: who brought down liberal democracy? The answer that this book presented is relational. It is not just demagogic political rogues. It is not foreign powers and not merely global capitalism. It is definitely not the masses with a purported anti-liberal serf-mentality. The answer lies in a changing field of power that can be summed up in one long sentence. Exploiting the countermovement of the working class that was left behind by the transition, by the liberal elites and by the political left without any possibility to control new capitalist social relations or express their anger using a class-based narrative, the weak but growing national bourgeoisie, propelled by a desire to get on an equal footing with the dominant transnational capitalists, allied with nationalist politicians to prop up capital accumulation, pre-empting the dissent of the victims of the new accumulation strategy with a political cocktail of institutional authoritarianism and authoritarian populism.

Figure 8.1 presents an overview of the causal mechanism behind the retreat of liberal democracy and the rise of the accumulative state. The levels of international structures, social mechanisms and institutions, and observable political phenomena are represented separately, with two double lines indicating critical turning points. The figure also presents the most critical policies through which political actors influence deep structural mechanisms. The starting point in the figure is 1990, but this does not mean that the legacy of state socialism is irrelevant. The book and the figure focus on the processes that ensued after the regime change, which are crucial to decipher Hungary’s authoritarian turn.

Dependent integration into the global capitalist economy provides the broad international structural background, interacting with domestic political processes and policies. This interaction—the governance of dependence—generates the two crucial social mechanisms overlooked in the literature: the countermovement of the working class and the national bourgeoisie. Rooted in misgoverned dependent development, this countermovement created the structural conditions that paved the way for the accumulative state. The political class played a constitutive role in this
Fig. 8.1  Overview of the causal mechanism behind the retreat of liberal democracy
process. On the one hand, the postsocialist political class failed to institutionalise a social-democratic social coalition to stabilise liberal democracy. This resulted in deficient industrial policies and the formation of a vestigial welfare state. On the other hand, the illiberal right was instrumental in giving political weight to the countermovement of the working class and the national bourgeoisie.

International economic integration, without adequate industrial policies, led to domestic economic disintegration and the polarisation of the business class. The national bourgeoisie could not catch up with the international capitalist class, nor could it break into the high value added segments of the market. A weak but growing national capitalist class thus clashed with the power bloc of transnational capital and technocrats, who acquired dominant positions after the regime change and institutionalised the competition state and the simulated liberal democracy.

The other crucial mechanism is social disintegration, which happens in the absence of a capacity enhancing developmental state. The working class was not part of the democratic class compromise. Workers experienced the transition to capitalism as class dislocation. The vestigial welfare state could stabilise this simulated liberal democracy only temporarily. By the second half of the 2000s, the pension system was no longer suitable for pacifying younger generations, employment and wages stagnated and debt-driven consumption (foreign currency loans) also proved unsustainable. This facilitated the countermovement of the working class and the erosion of the postsocialist liberal hegemony.

The leaders of Fidesz recognised the strategic opportunity that these two structural processes opened. They used it to fundamentally rearrange the institutional infrastructure and change the dominant power coalition. All this, by emancipating national capitalists and forging a new pact with transnational capital, positioning themselves as representatives of the national bourgeoisie and disgruntled workers. However, after 2010, the new accumulation strategy increased the vulnerability of the working class and the subproletariat. The accumulative state is relying on authoritarian political solutions to prevent a countermovement of the victims of capital accumulation, involving an institutional bricolage to tilt the playing field towards themselves and to hinder political competition
(institutional authoritarianism) and exploiting non-class moral hierarchies to legitimise its rule in the lower classes (authoritarian populism).

Using a wide variety of new empirical data as a result of extensive mixed-method research, the book outlined a causal mechanism—a chain of interlinked causal components—behind the retreat of liberal democracy in a puzzling case, Hungary. This causal mechanism is relevant beyond a single case. The book followed the approach of theory-building process tracing, where the empirical analysis of the causal mechanism within a case serves the development of generalisable theoretical knowledge. The intention was not to offer a sufficient—that is, full—causal explanation of the retreat of liberal democracy in Hungary but to build a theory that presents a specific set of interlinked causal components behind democratic backsliding in the context of dependent development. What are these theoretically relevant, interlinked components of the causal mechanism?

The Competition State and Simulated Liberal Democracy

Chapter 3 examined the competition state by analysing a new database on the economic policy elite, following the methodology of power structure analysis (Domhoff, 2006). Right-wing and left-wing economic policy elites were embedded in the two factions of the capitalist class in different ways. The chapter revealed the existence of robust revolving doors between transnational capital, the banking sector and the left-wing economic policy elite. Within the bureaucracy, there is a distinction between the block connected to the Western sector, and the one that is tied to the domestic sector, with the former becoming dominant (Szalai, 2001, p. 190). Market fundamentalist technocrats were particularly strong on the left. The revolving doors between the right-wing economic policy elite and national capitalists emerged only gradually from the second half of the 2000s. Despite these differences, transnational capital enjoyed an undisturbed privileged position between 1990 and 2010 (King, 2007). The power bloc formed by transnational corporations
(TNCs) and local technocrats institutionalised the competition state (Drahokoupil, 2008a, 2008b).

Globalisation does not happen to the state but is constructed by actors who enter and exit through the revolving doors (Cerny, 1997). The dominance of transnational capital is not only a consequence of its structural power, that is its role in employment and growth. The revolving doors that connect transnational capital and the banking sector with the policy elites translated the structural power of capital into the tactical field of institutional power. The dominance of transnational capital and the careers of market fundamentalist policymakers are closely linked: economic policymakers passing through the revolving doors simultaneously secure power positions for themselves and for transnational capital as well.

Economic policy experts competed against each other for financially and symbolically profitable relationships with transnational corporations. This ideological bidding war is a struggle for recognition in the symbolic order dominated by transnational capital. Thus, transnational capital generates competition between members of the policy elites as well, not only between states. Those who proved to be good local managers of the world order based on transnational capital, who understood the language, the cultural codes and technologies of the new symbolic order, had the highest chance of finding jobs at transnational corporations, international banks and financial institutions.

Under the hegemony of transnational corporations, neoliberal economics is the preferred symbolic currency. In its struggle for recognition, the economic policy elite uses market fundamentalist discourses in the symbolic field of global power (Bockman & Eyal, 2002; Eyal, 2000; Gagy, 2016; Szalai, 2001). Bureaucrats, driven by their need to justify their commitment to the West, compete within the state bureaucracy for connection with the transnational, cosmopolitan ‘world’. They generate ideologies that they present as the norm, claiming that these are in the universal interest of society. This normalises the hegemony of transnational capital. As Konrád and Szelényi (1979) highlighted it in their classic work, *The Intellectuals on the Road to Class Power*, intellectuals of every era describe themselves ideologically. This means intellectuals present themselves according to their partial interests. Although these interests may differ during specific historical periods, the common interest of
intellectuals is always to pose their partial interests as humanity’s common interests.

Chapter 3 showed that the views of market fundamentalists led to a mix of economic policies that provided multiple advantages to transnational capital, limiting the formation of national capital and eroding the financial and social capacities of the state. This ideological bidding war pushed the Hungarian state—and most other East-Central European states—to behave like the vanguard of neoliberalism, implementing avant-garde neoliberal policies beyond the direct expectations of TNCs (Appel & Orenstein, 2018). Transnational capitalists actively lobbied for tax reductions, fuelling the race to the bottom on taxation. However, transnational capital involved in technology-intensive production supported the development of education and healthcare systems, as well as corporate and state social welfare policies to retain educated labourers. Technological TNCs also demonstrated more tolerance for trade union activity and provided higher wages than domestic companies. These policy preferences did not always meet with the policies of market fundamentalists. In short, market fundamentalists’ competition for recognition led to public policies that went beyond the policy expectations of transnational capital.

The competition state was not a developmental state. It did not seek to reorganise or modernise state-owned companies. On the contrary, the competition state’s policies were directly responsible for the bankruptcy of a large number of integrated companies. It failed to enforce technology spillover from transnational corporations to the domestic economy. Finally, postsocialist policy elites failed to install a capability enhancing developmental state that builds on long-term investments in education and healthcare (Evans, 2014). Instead, they relied on a vestigial welfare state to temporarily pacify the victims of the market transition, as per the politics of patience (Bohle & Greskovits, 2012; Bruszt, 1998). As a consequence, the competition state failed to prevent domestic social and economic disintegration in the wake of dependent international integration.

The competition state is, of course, a theoretical construct. The states and governmental practices that exist in reality always show a more complex picture. Before 2010, the Hungarian state was not a pure competition state; competition for international capital was not the only
determinant of its operation. The working class provided external support for the ruling power bloc, which affected government decision-making. The national capitalists were also not merely victims of the pre-2010 regime. The initial capital and income redistribution related to privatisation allowed the emergence and wealth accumulation of the Hungarian propertied class. However, national capitalists remained weak, and the dominant power bloc lost the external support of the workers. The competition state proved to be insufficient to counterbalance the domestic disintegration rooted in dependent international integration.

Dependent Development: International Integration, Domestic Disintegration

Liberal theories of the market transition suggested that economic liberalisation, privatisation and the abandonment of industrial policy would generate positive processes both in the economy and in society (Fischer & Gelb, 1991). Market fundamentalists speculated that, by dismantling the socialist economy, deindustrialisation would result in growth in the short term, as higher productivity and profitability of the new transnational capital trickles down and spills over (Lipton & Sachs, 1992, p. 214).

Chapter 4 showed that the expected positive spill-over effect of transnational capital did not happen. Contrary to neoclassical growth theory but in line with the structuralist theory of premature deindustrialisation (Rodrik, 2016), the disintegration of vertical relationships in the manufacturing industry not only contributed to the economic crisis after the regime change but also undermined the growth potential of the economy in the long run (Blanchard & Kremer, 1997). The financial capacity of the Hungarian state declined, while the idea of industrial policy became stigmatised. The lack of industrial policy is a crucial factor behind the misgovernance of dependency. This highlights the need to build theories of democratisation on structuralist economics (Amsden, Kochanowicz, & Taylor, 1994; Andor & Summers, 1998; Evans, 1979; Stiglitz, 1999;
Wade, 2005), as opposed to neoclassical economics preferred by market fundamentalists.

However, dependent integration into the capitalist world economy does not automatically produce domestic disintegration (King, 2000). Burawoy, for example, emphasised that the consequence of integration into the international economy is dis-accumulation (Burawoy, 2001, p. 280). David Harvey (2005a) called the international integration of postsocialist economies accumulation by dispossession. Technological decline and the increased competition that ensued after the economic liberalisation did cause damage to Hungarian-owned companies in the first half of the 1990s. However, from the second half of the 2000s, the technological complexity of TNCs increased. This played a significant role in export-driven economic growth and engendered a partial reindustrialisation (Barta, Czirfusz, & Kukely, 2008). These positive economic effects of transnational capital are not consistent with the strong version of dependency theory but fit in well with the theory of dependent development put forward by Cardoso and Faletto (1979) and Evans (1979).

The weakness of the domestic manufacturing industry has long-lasting adverse consequences for the economy and the polity (Ellingstad, 1997; Hirschman, 1958; Kaldor, 1981; Myrdal, 1957; Wade, 1990). The economic sector dominated by foreign investors can manufacture products of high technological complexity for export, while Hungarian-owned companies cannot get on an equal footing with transnational capital. National capitalists were pushed back to the labour-intensive sectors and supplied low-value-added inputs (construction, agriculture, tourism, logistics, food), relying on cheap wage labour. In line with the theory of new economic geography and unequal development (Fujita, Krugman, & Venables, 2001; Harvey, 2005b), regional differences were also remarkably high in Hungary before 2010. This disintegrated economic structure led to the polarisation of the business class and provided the structural background for the countermovement of the national bourgeoisie.

Transnational companies carrying out knowledge-intensive manufacturing demand more skilled labour, and they are more tolerant towards trade unions and less opposed to education and welfare services than Hungarian companies. By contrast, Hungarian-owned companies engage in labour-intensive production, and high wages retard their growth
prospects, have less demand for skilled and cooperative labour and are less tolerant for trade unions. Unskilled workers are involved in global production networks as cheap and vulnerable workers, often working in companies producing for the local market. In-work poverty is increasing among them, and they suffer from downward mobility (Standing, 2010).

The postsocialist political class pacified the victims of the market transition through a robust unemployment benefit system, prolonged state ownership in some sectors and through various forms of early retirement. These policies played a significant role in stabilising the transition, as the theory of the politics of patience suggests (Bohle & Greskovits, 2012; Bruszt, 1998). This welfare state was far from premature; its expenditures were below the international level in almost all categories, even though Hungarian welfare systems had to tackle far more severe social problems than their Western European counterparts. The ensuing vestigial welfare state was not hindering liberal reforms. On the contrary, it was their primary safeguard, as it ensured the temporal legitimacy of simulated liberal democracy.

These strategies were no longer sustainable in the second half of the 2000s. The financial capacity of the Hungarian state was continually decreasing due to the downward tax competition. At this point, politics tried to boost consumption by facilitating private lending. However, this strategy also exploded with the 2008 financial crisis, and it did not provide a solution for the youngest, who had the highest unemployment rates and were thus strongly pitted against the liberal status quo. Workers grew disillusioned with the market transition and the political class but not with democracy.

As Bohle and Greskovits concluded in their recent essay, ‘the dominant perception proved to be illusory in that it exaggerated the blessings and downplayed the inherent risks of rapid integration’ (Bohle & Greskovits, 2019b). These structural problems were not limited to public and private debts (Bohle, 2018), encompassing deeper social and economic processes. The chapter highlighted these deeper social and economic processes relying on the so far neglected notion of disintegration, borrowed from earlier waves of Latin American dependency and structuralist scholarship (Evans, 1979, pp.14–55; Hirschman, 2013 [1977]; Sunkel, 1973). The stability of democratic social coalitions in semi-peripheral economies
depends on how they use the state to address the tensions emanating from dependency. International integration leads to domestic disintegration if the political class misgoverns dependency.

**The Countermovement of the Working Class**

Chapter 5 presented the results of a computer-assisted qualitative thematic analysis of 82 interviews conducted in four mid-sized towns in the Hungarian rust belt. Extending Polanyi’s theory of commodification and countermovement, the chapter followed a geographically and culturally sensitive class concept. It relied on Barrington Moore’s (1978) notion of the implicit social contract to capture the complex entanglement of economy, culture and changing narrative identity. The results show that socialism institutionalised an implicit social contract comprising morals regarding authority, the division of labour and the distribution of goods and services. This moral framework embedded workers’ everyday experience of economic change, as they compared their experience to their past, their future and relevant reference groups.

Following existing research (Bartha, 2011), the chapter showed that in the early 1990s, the majority of workers readily accepted capitalism and expected their living standards to improve with the arrival of transnational corporations. However, the majority of workers experienced the postsocialist commodification rooted in the market transition as a process of class dislocation. The liquidation of socialist companies hastened the dissolution of local communities, local cultural and sports life and eroded workers’ place-based identities. The long-lasting shock of the ‘half-life of deindustrialisation’ transpired strongly through every interview, long after plants closed down. This echoes workers’ experience in deindustrialised towns in the West, where research has found a similar long-lasting degradation (Strangleman, 2018), and fits in well with the research on the everyday experience of austerity (Hall, 2019). The results are also in accordance with the research that has shown that the expansion of the private sector has led to a rise in income inequality (Bandelj & Mahutga, 2010; Mahutga & Jorgenson, 2016), as well as mortality inequality (Scheiring et al., 2018; Scheiring et al., 2019).
The interviews also revealed that workers’ sense of control also waned. Large-sample surveys carried out in the first years of the transition confirm this loss of control (Simon, 1993, pp. 232–234). This sense of powerlessness is also similar to the experience of workers in Western Europe or the United States, as the success of the slogan ‘taking back control’ during the Brexit campaign also shows. The combination of the multiscalar perceptions of injustice, the feeling of being left behind and powerlessness fuelled workers’ desperation and overall disappointment with postsocialist capitalism in the second half of the 2000s (Pew Research Centre, 2009).

Several interviewees saw the working class as the victim of the transition, abandoned by the Socialist Party and trade unions. The collapse of companies and the concomitant erosion of place-based identities and company communities further contributed to the disintegration of the working class and the decline of the sense of control. The dominant power bloc that institutionalised the simulated liberal democracy and the competition state did not recognise working-class demands as legitimate (Buchowski, 2006), and concentrated instead on identity politics, remediying the grievances of the ethnicised subproletariat (Friedman, 2003; Gowan, 2001). The ensuing technocratic and cosmopolitan discourse of democratisation was in contrast with workers’ everyday experience (Grzebalska & Pető, 2018).

The Socialist Party, governing with technocratic liberals, was perceived to be deeply involved in implementing the commodifying reforms. Trade unions were also weak. As a consequence, the symbolism of the class language lost its power. Workers’ shared experience of class dislocation did not lead to the development of a shared class-based narrative about the market transition. This also means that the conditions for a progressive countermovement to emerge in response to the crisis of neoliberalism were dim—Hungary did not experience the rise of movements like the Occupy movement in the West or the anti-austerity movements in Mediterranean countries (Toplišek, 2019).

At this point, the nation became the collective narrative identity that not only provided a sense of community and belonging for those feeling left behind but also gave workers a language to tell their stories about the transition in the first-person plural. The nation as a moral community
involves rules about the distribution of power, assets, status and rewards, thus has the potential to act as a discursive container to hold the elements of the implicit social contract. Qualitative research among white Londoners showed that English nationalism is also associated with a sense of cooperation and community (Leddy-Owen, 2014). Nationalism is a powerful tool to create a perception of commonality of interests and bridge working-class subcultures in different regions, acting as a robust master frame.

Despite the associations between nationalism and solidarity, the interviews also showed strong indications of a two-pronged exclusion as proposed by the theory of neo-nationalism (Gingrich & Banks, 2006). Different types of elites appear to threaten the nation as a solidarity community from above, such as transnational capital, cosmopolitans, liberal reformers and corrupt politicians. Workers also assessed national and international capital differently. This moral double standard might explain why workers can empathise with the revolt of the national capital against transnational capital, even if this involves high-level corruption or redistribution of resources to the top at the expense of workers. The post-2010 alliance of transnational and national capital and nationalist politicians can exploit these ambivalences of working-class neo-nationalism.

Some workers also grew increasingly hostile towards the subproletariat comprising the long-term unemployed, precarious workers of the informal economy, migrants and various minorities. Thomas, Busher, Macklin, Rogerson, and Christmann (2017) found a similar tension between inclusion and exclusion in white working-class communities in a small English town. As Barrington Moore (1978, p. 35) summarised the vast historical experience, ‘the person who is being deprived of his or her property by impersonal social forces is often the one most eager to apply severe social sanctions against the idler, even though both of them may be suffering from the same set of impersonal social forces.’

This way, neo-nationalism became intertwined with racism. However, as Flemmen and Savage (2017) also pointed out using survey data, the nationalism of the ‘disenfranchised’ is anti-establishment nationalism. The interviews analysed in this book also show that anti-elite sentiments and the experience of downward mobility are intertwined with the
cultural distinctions that workers are making. The distinction between worthy and unworthy workers is a tool to achieve recognition.

Fidesz also had a constitutive role in creating a new hegemonic alliance exploiting and feeding workers’ neo-nationalist countermovement. Szombati (2018) highlighted that the competition between Jobbik and Fidesz profoundly contributed to the mainstreaming of avant-garde fringe-nationalism in a hegemonic culture in Hungarian villages. The migration crisis that hit the country in 2015 also provided an opportunity for Fidesz to connect global economic and migratory turbulences (Bocskor, 2018), and the favourable economic environment also contributed the legitimacy of the new hegemonic alliance. However, the interviews have shown that neo-nationalism is an ‘emplotted narrative’ (Somers, 1994) built on the lived experience of the working class as the market transition violated the implicit social contract. Neo-nationalism did not arise from a historically determined anti-liberal legacy as some suggest (Dawson & Hanley, 2016; Ekiert, 2012; Rupnik, 2016; Skidelsky, 2019). In contrast to the proposition of some elite-based accounts (Fukuyama, 2012; Müller, 2011), neo-nationalism is also not just artificially constructed from above by political demagogues. Neo-nationalism is a response to the experience of class dislocation.

Critical modernisation theorists (Ágh, 2016; Krastev, 2016) and world-systems analysts came closer to understanding the relevance of working-class dislocation as a crucial factor behind illiberalism. However, the failure of liberalism to deliver or the structural constraints of the world economy are never directly translated into particular identities and agency. Victims never revolt automatically driven by objective indicators of deprivation. Remedying this conceptual shortcoming, Chap. 5 emphasised the role of lived experience and the implicit social contract (Hann, 2010; Moore, 1978).

Poland was the first country to experience the rise of illiberal right as a countermovement to postsocialist neoliberalism. However, these right-wing populist movements did not challenge neoliberalism but transformed it into a new, nationalist variety, paradoxically co-opting workers into the neoliberal project (Gökariksel, 2017; Shields, 2014). Kalb’s (2009) fieldwork among Polish workers in Wroclaw uncovered quite similar processes behind the rise of working-class neo-nationalism as
shown in Chap. 5 of this book, including community decline, outmigration, criminal privatisations, the perception of powerlessness and the betrayal by formerly trusted political elites. Elsewhere, Kalb also highlighted the role of Hungary in upscaling illiberalism from a national to regional strategy in East-Central Europe (Kalb, 2018). Ost (2006) also described the increasing gap between trade union organisers and increasingly anti-labour liberal politicians. Ost (2018) also emphasised the lack of a class-based working-class language as a precondition for the success of illiberalism. He differentiated between the industrial working-class that supports illiberalism and white-collar labourers in large cities that tend to oppose it. Hann (2019) identified similar social dynamics in rural areas in Central Hungary, showing that disillusionment with postsocialist liberals and liberalism is a crucial factor behind the popularity of the right in rural small towns. A new strand of qualitative research in the wake of the Trump and Brexit shocks has also shown that working-class populism in the United States and United Kingdom also reflects rising social and regional polarisation, the sense of being left behind as new regional economic centres emerge (Hochschild, 2018; McQuarrie, 2017).

At the intersection of global processes and local political-cultural path dependencies, local instances of the neo-nationalist countermovement take various forms. However, reading these works together, it becomes evident that Western and Eastern European neo-nationalist populisms share similar roots and are related to the lived experience of class in the context of globalisation. As most Eastern European states went further in adapting avant-garde neoliberalism (Appel & Orenstein, 2018), they are now the avant-garde of the neo-nationalist countermovement, but the roots are similar (Kalb, 2019).

**The Countermovement of the National Bourgeoisie**

Modernisation theorists hoped that privatisation might give rise to a new propertied class that would have a vested interest in political liberalisation, the security of property rights and a predictable political
competition; thus it would demand a liberal institutional system and liberal economic policy (Balcerowicz, 2002; Boycko, Shleifer, Vishny, Fischer, & Sachs, 1993, p. 147). They also hypothesised that dependent industrialisation, through foreign investment, would facilitate democratic consolidation and that a domestic bourgeoisie can be replaced by capitalists ‘imported’ from abroad. However, Chap. 6 pointed out that this ‘dependency optimism’ and the belief in the inherently pro-democratic, pro-liberal nature of the bourgeoisie was unfounded.

Chapter 6 relied on dependent development theory (Cardoso & Faletto, 1979; Evans, 1995; Wade, 2003), and differentiated between national capitalists and transnational capital. The national bourgeoisie was not dissolved in the new, global capitalist class (Robinson, 2004; Sklair, 2001). The chapter also identified the five major factions of the national bourgeoisie supporting Fidesz: (1) political capitalists, (2) committed conservatives, (3) emerging capitalists, (4) co-opted capitalists and (5) passive acquiescing capitalists. Political capitalists are party loyalist oligarchs whose accumulation strongly depends on Fidesz. Their stories can be well analysed relying on state capture theory. However, the other factions of the national bourgeoisie require an approach that goes beyond neo-utilitarian corruption research and the notion of crony capitalism.

The money lavishly distributed by the Fidesz governments does not explain the right-wing affiliation of committed conservatives. They approach their business on an ideological basis, and political connections were less important in their capital accumulation than in the case of political capitalists. The majority of emerging capitalists are garage entrepreneurs who started small; most of them made their wealth in the socialist second economy, and proudly declare that they did not take part in privatisation. Their preference for Fidesz is rooted in their economic nationalism, their fierce competition with transnational capital and the economic policies of left-wing governments that were hostile against national capitalists. Some co-opted capitalists allied with Fidesz because of their economic nationalism as well, while other co-opted capitalist applies a simple cost-benefit analysis and regard the price of dissent too high. Finally, the passive, acquiescing group includes capitalists whose political preferences are unknown, but they do nothing to prevent the
evolution of authoritarian capitalism, thus in this sense they contribute to the stabilisation of Fidesz’s power.

The chapter also demonstrated that 94% (50 people) of the 53 right-wing capitalists in the database employ unskilled labour, or the technological complexity of the work processes does not play any role in their companies. The concentration of national capitalists in non-tech sectors underscores the highlights of the relevance of analysing the interests of economic actors based on their sector-specific production profiles, as structuralist economists suggested (Domhoff & Webber, 2011; Greskovits, 2003; Hirschman, 2013 [1977]; Kinderman, 2008). Companies participating in labour-intensive production, or production that does not require technology, have a vested interest in an institutional structure that enhances the vulnerability of the labour force and decreases the tax burden, as they do not require skilled labour, nor do they use complicated technology. National capitalists are also considerably more hostile to wage increase than transnational capital. Instead, they are more interested in cutting down educational, healthcare and social expenses. They also place less emphasis on institutional quality (transparency, fight against corruption, predictability), and they strongly oppose unilateral support for transnational capital. National capitalists expect the state to support them in their efforts to successfully compete with TNCs.

Chapter 6 showed that in the second half of the 2000s, the national bourgeoisie turned against the power bloc institutionalising the competition state, and it began to embrace economic nationalism. Fidesz actively strived to infuse dispersed dissatisfaction among national capitalists and to organise their political representation. From 2002, Fidesz carried out an economic-nationalist turn, sidelined the market fundamentalists who were close to the party before and developed a new programme promising to boost national capital accumulation. Thus, the ambivalent relationship between national capitalists and the political right, one of the main characteristics of the 1990s, transformed into mutual support, while the left preserved its privileged relationship with transnational capitalists.

Therefore, the emergence of illiberal social coalitions, in part, depends on how well semi-peripheral developmental states can mitigate the disintegrating effects of global economic integration. Without effective
industrial policies, dependent development leads to domestic economic disintegration and might fuel an economic-nationalist countermovement among the domestic bourgeoisie. The polarisation of the capitalist class, that is, the increasing differences between transnational and domestic capital can prompt the domestic bourgeoisie to abandon earlier alliances to seek the protection of illiberal nationalist politicians.

World-systems analysts were able to predict the social and political problems arising from dependency (Amin, 1977; Böröcz, 1999; Burawoy, 2001; Lane, 2013). However, they did not always differentiate between the institutional preferences of international and national capitalists, which is best exemplified by Wilkin (2016). In short, the dominance of transnational capital does not lead directly or automatically to the retreat of liberal democracy. The political class has a crucial role, partly due to the way they used the state, partly in connection to how the political class contributed to the emergence of a new class coalition.

In contrast to Hungary, the main opposition party in illiberal Poland, the Civic Platform (PO), has excellent connections to national capitalists and used the state apparatus to facilitate the growth of domestic businesses while in government (Naczyk, 2014). Polish governments were more inclined to utilise developmental state policies throughout the transition years (Bruszt & Karas, 2019; Bruszt & Langbein, 2019). Therefore, the Polish economic elite was less polarised, and there was less room for Kaczynski’s party to organise disillusioned capitalists.

The polarisation of the business class is taking place in the capitalist core as well. The US economy is polarised between the new economy/old economy elite, as well as between domestically oriented and internationally oriented segments, with the two partially overlapping. Domestically and internationally oriented capitalists also show divergent interests in Russia, the latter being more open to Putin’s neoliberal opposition (Lane, 2017). Future research should analyse in more detail how illiberal leaders can attract the support of locally oriented economic elites outside the globalised economic segments.
The Accumulative State

Chapter 7 presented further evidence that the stability of the post-2010 illiberal regime rests, in part, on the support of a broad segment of the national capitalist class, going beyond political capitalists, including emerging co-opted and passive capitalists as well. Unable to challenge the dominance of transnational capital (Bohle & Greskovits, 2019a; Gerőcs & Pinkasz, 2018), the national bourgeoisie and nationalist politicians entered into a new class compromise with TNCs. Foreign capital in the technological sectors is also an important pillar underpinning the stability of the post-2010 regime.

Incorporating the national bourgeoisie into the dominant power bloc resulted in a tighter fusion of economic power and state power, launching a series of new political instruments to prop up capital accumulation. This new state regime is a reinvention of the historical model of the accumulative state (Staples, 1991; Wolfe, 1977), fitting well into the world of authoritarian state capitalisms. The accumulative state replaced the competition state, which rested on an alliance between transnational capital and domestic technocrats and as a growth model, prioritised the extensive accumulation of foreign capital.

In the process of constructing the accumulative state, Fidesz became a corporative state party. Fidesz as an organisation, the state and the channels of interest representation all merged in a strongly corporatist way. Loyalty to the political class is the dominant coordination mechanism in the state apparatus. This is fundamentally in conflict with the rationalism of rule-based Weberian bureaucracy, the backbone of the developmental state. The accumulative state subordinated the operation of the state to the wealth accumulation of the three main segments of the new power bloc (Fidesz, national capitalists, transnational capital). Without an autonomous, rule-based Weberian bureaucracy, the state cannot implement long-term goals and cannot withstand the short-term pressures from the power bloc. Therefore, in contrast to some arguments (György, 2017; Wilkin, 2016), the accumulative state is not a developmental state.

Chapter 7 identified 11 major instruments designed to prop up capital accumulation supporting each segment of the business class. Public
procurement is the only instrument that primarily favours political capitalists. However, public investments also have a significant role in making up for the dwindling foreign capital; thus, they contribute to stabilising the economy, which favours every capitalist. Property rights actions and new surtaxes primarily favour political capitalists, co-opted capitalists and emerging capitalists, but disadvantage transnational capitalists active in non-technological sectors. New revolving doors strengthen the position of political, emerging and co-opted capitalists. Direct financial subsidies (Special Government Decisions) also show a decisive move towards increased support for national capitalists, although transnational capitalists also receive more money than before 2010. At the same time, new economic partnerships directly pacify transnational capital. Concerning the race to the bottom on corporate taxation, the accumulative state went further than its predecessor, transforming Hungary into a veritable tax haven (9% corporate tax).

The new flat income tax (15%), as well as the restructuring of social protection, aids the embourgeoisement of the upper middle class redistributing resources from low-income to high-income strata. Increasing the supply of low-skilled labour serves the needs of national capitalists. Ensuring flexible labour supply and reducing trade union rights are beneficial for both international and national capitalists. The expansionary monetary policy and the strictly enforced austerity regime benefit every segment of the business class.

Except for the public procurement system, the instruments of the accumulative state are impossible to interpret on the grounds of neo-utilitarian state theory. It is a gross misunderstanding to label the accumulative as an illegitimate ‘mafia state’ (Magyar, 2016), or as pure crony capitalism (Tóth & Hajdu, 2016). Weberian theories that do not presuppose the anti-business character of the state and the superiority of liberal capitalism are more consistent with the results presented in Chap. 7. These approaches emphasise the strengthening of patronage and patrimonialism, without questioning that authoritarian turns are embedded in the structure of capitalism (Csillag & Szelényi, 2015; Sallai & Schnyder, 2020; Szanyi, 2017).

However, the emancipation of national capitalists and the strengthening of patrimonial political loyalty as a coordination mechanism
weakened the autonomous, rule-based bureaucracy thus eviscerating the developmental capacities of the state. Long-term development requires investment in human capital and technology. However, after 2010, higher education enrolment rates plummeted, so did the performance of primary and secondary education institutions, the knowledge intensity of the economy and the technological composition of exports. Despite the extra resources allocated to national capitalists, the disintegration of the Hungarian economy did not decrease, and the gap between the productivity of foreign capital and national capital even increased slightly. The new accumulative state prioritises short-term accumulation focusing on the labour-intensive mode of production of national capitalists. Hungary thus remains locked in its role as low-value-added assembly platform in global technological value chains.

Being involved in labour-intensive production, the accelerated capital accumulation of national capitalists rests on cheap and flexible labour, and access to markets dominated by transnational corporations in non-tech sectors. To achieve the accelerated capital accumulation of national capitalists and the embourgeoisement of the upper middle class, the government systematically interfered with the existing structure of property and social rights. The government moved from the vestigial welfare state to a pro-natalist workfare state, dismantled trade unions and all major institutional forms of the interest representation of the socially vulnerable. This economic-nationalist turn went against a significant part of the working class, transnational companies in the non-tech non-tradable sectors and some smaller domestic entrepreneurs, who were in the way of national capitalists.

To stabilise the new illiberal hegemony, Fidesz adopted an authoritarian strategy combining institutional authoritarianism and authoritarian populism (Scheiring & Szombati, 2020). Institutional authoritarianism serves to limit the rise of a competitive civic and political opposition by recourse to a hybrid institutional bricolage, which preserves the façade of democratic institutions but tilts the political playing field to the advantage of the ruling party (Bozóki & Hegedűs, 2018).

Authoritarian populist initiatives—such as pro-natalist and workfare policies, the securitisation of the Southern border, and moralising social protectionist discourses—spur competition and prevent inter-class
alliances, while also fabricate a shared sense of identity by superficially creating looming external threats. These authoritarian populist tactics address real problems, but in a way that represents these problems within a logic of discourse (social Darwinism), which systematically pulls them into line with policies and class strategies of illiberal power holders. While most Hungarians are critical of the wealth accumulation of the regime, the discursive and policy tactics policies mentioned above have made Orbán’s politics tolerable to broad segments of the electorate. Orbán has successfully polarised politics along the nationalist–cosmopolitan axis, articulating a neo-nationalist vision.

After the 2008 financial crisis, the restructuring of global value chains generated an upswing. This was also fuelled by an unprecedented liquidity boom created by the world’s leading central banks, which also helped to stabilise the illiberal hegemony by contributing to economic and wage growth. Wages and the employment level began to increase; the financial vulnerability of families declined. In turn, the number of precarious jobs increased and income and wealth inequalities skyrocketed. Except for the top 10%, the income gap between the West and Hungary did not decrease. The value of financial assets held by the richest increased by almost 70%, while the wealth increase of the bottom 80% of society did not significantly exceed 10% between 2010 and 2017.

Although Orbán’s illiberal state does not seek to close the structural gap between core and semi-periphery through development policy and does not promote social mobility to help individuals, the regime provides a minimum of social and identarian protection and a sense of belonging to those who live on the ‘periphery’s periphery’. The combination of the upward economic cycle, institutional authoritarianism and authoritarian populism offers a potent mix to stabilise the post-2010 regime.

Although Fidesz prides itself on breaking with liberalism, and in the realm of political institutions the break is indeed fundamental, the new regime’s socio-economic policies have radicalised certain neoliberal tendencies. They abandoned some elements of the pre-2010 accumulation strategy in their economic policies, but at the same time, they also enhanced competition for transnational capital in technological sectors. Their social policy underfunds healthcare and education, dismantles universal social protection and curtails labour rights. In this sense, the
argument that illiberalism is a new authoritarian form of neoliberalism is an accurate description of the post-2010 regime (Bruff, 2014; Fabry & Sandbeck, 2018; Stubbs & Lendvai-Bainton, 2019).

Finally, Chap. 7 also showed that the state is not a mere instrument serving capital, as instrumentalist Marxists claimed (Miliband, 1969). The political class is a social group with its own interests and internal logic, whose power derives from direct control over the state apparatuses. The political class and the various factions of capital have a conflict-ridden relationship. To capture the conflict between capitalists and the political class, Chap. 7 suggested Hirschman’s model of exit—voice—loyalty. Exit is an option for transnational capitalists, and many of them have been using it in the energy, banking and media sectors. A large segment of national capitalists benefits from the system, therefore they remain loyal. Those who do not benefit have so far failed to voice their criticisms. The political class acts demonstratively against national capitalist’s expressions of dissent, thus driving up the perceived cost of dissent, which also contributes to maintaining loyalty as a dominant strategy.

Varieties of Authoritarian State Capitalism

The interventions of the accumulative state are not a deviation from some kind of natural, liberal equilibrium. It is a way to manage semi-peripheral capitalism, incorporating many elements of the neoliberal agenda into a new authoritarian accumulative strategy. Hungary’s economic model after 2010 is a form of hybrid authoritarian state capitalism. There is a renewed interest in state capitalism after 2008 as new forms of state intervention became increasingly prevalent (Bloom, 2016; Nölke, 2014). However, not all forms of state capitalism are authoritarian. State capitalism relies on significant ownership or control of capital to steer economic development (Alami & Dixon, 2020), while authoritarian capitalism is a variant ‘state intervention that denies certain individual’s fundamental political and economic rights’ (Sallai & Schnyder, 2020, p. 3).

The political economy literature has identified many forms of authoritarian state capitalism. Where is the post-2010 Hungarian regime located on this map? In what way is it similar to, and how does it differ from
other models? Table 8.1 shows the similarities and differences between the varieties of authoritarian state capitalisms according to the structure of the power coalition institutionalising the state and the nature of the accumulation strategy. The table contains ideal types; in reality, the states are more diverse. The bottom line of the table shows how the accumulative state is similar to and different from other authoritarian state capitalisms.

The variety of authoritarian state capitalism least similar to the accumulative state is the bureaucratic authoritarian state (O’Donnell, 1973). Bureaucratic authoritarian regimes were a response to the exhaustion of the import-substitution modernisation strategy to manage the unpopular process of international economic integration, relying on the military’s oppressive apparatus. Bureaucratic authoritarian systems aimed to open up the closed and corporatist import-substitution model, which relied on the alliance of the national bourgeoisie, the working class and populist politicians. Increasing external competition, exports and transnational capital penetration required the exclusion of the popular sector that was activated in import-substituting states and the positive discrimination of transnational capital against domestic capital and workers. Thus, the emphasis shifted from domestic capital formation to capital imports.

The late-socialist regime in Hungary—that implemented economic liberalisation relying on the power of an authoritarian state—was a bureaucratic authoritarian regime (Árva, 1989). By contrast, the post-2010 regime aims to achieve a nationalist correction of the former liberal development model, with more emphasis on domestic capital formation, incorporating national capitalists in the power coalition. Moreover, Hungary’s illiberal state also gives a more profound role to patrimonial organisations than a bureaucratic authoritarian system. In Hungary, interpersonal relationships are built on political loyalty in the provision of goods and resources.

The accumulative state is not a developmental state either (Evans, 1995; Wade, 2005). There are some similarities between the two models: the working class is not part of the power coalition in either of them, both rely on economic interventionism, maintain a repressive labour regime and their accumulation strategies do not rely on military rivalry. However, Hungary’s illiberal state does not retreat from the system of
| Power coalition       | National capitalists | Transnational capitalists | Security apparatuses | Workers | Charismatic leader | Interventionism | Foreign capital inflow | Domestic capital formation | Repressive labour regime | Military rivalry | Bureaucratic coordination | Patrimonial coordination | Natural resource extraction | Accumulation strategy |
|----------------------|----------------------|---------------------------|----------------------|---------|-------------------|-----------------|------------------------|---------------------------|------------------------|----------------|-------------------------|-------------------------|--------------------------|-----------------------|
| Bureaucratic         | −                    | +                         | −                    | −       | +                 | +               | +                      | +                        | +                      | +              | −                       | −                       | +                        | Interventionism |
| authoritarianism      | Developmental state  | Import-substitution populism | Fascist state       | Postsoviet hybrid resource capitalism | Historical accumulative state | New accumulative state |                        |                          |                        |                |                         |                         |                          |                      |
|                      | +                    | −                         | −                    | −       | −                 | −               | +                      | −                        | +                      | −              | −                       | −                       | −                        | Accumulation strategy |
|                      | +                    | +                         | +                    | −       | −                 | −               | +                      | +                        | −                      | +              | −                       | −                       | −                        |                      |
|                      | +                    | −                         | +                    | +       | +                 | +               | −                      | −                        | +                      | −              | +                       | +                       | +                        |                      |
|                      | +                    | +                         | +                    | +       | +                 | +               | −                      | −                        | −                      | +              | −                       | +                       | +                        |                      |
|                      | −                    | −                         | +                    | +       | +                 | +               | −                      | −                        | −                      | −              | +                       | +                       | +                        |                      |
|                      | −                    | −                         | +                    | +       | +                 | +               | −                      | −                        | −                      | −              | +                       | +                       | +                        |                      |
|                      | −                    | −                         | +                    | +       | +                 | +               | −                      | −                        | −                      | −              | +                       | +                       | +                        |                      |
|                      | −                    | −                         | +                    | +       | +                 | +               | −                      | −                        | −                      | −              | +                       | +                       | +                        |                      |
|                      | −                    | −                         | +                    | +       | +                 | +               | −                      | −                        | −                      | −              | +                       | +                       | +                        |                      |
| Similarity            | 6                    | 7                         | 7                    | 8       | 8                 | 8               | 10                     |                          |                        |                |                         |                         |                          |                      |
| Difference            | 7                    | 6                         | 6                    | 5       | 5                 | 5               | 3                      |                          |                        |                |                         |                         |                          |                      |
external dependencies in the world economy. The focus of economic and social policies has shifted to supporting national capitalists, but this does not mean that transnational corporations no longer play a crucial role in the power bloc. Also, in many instances, developmental states were often backed by the military (South Korea) or received explicit support from the US military (Taiwan). The security regime does not play such an essential role in the emergence of Hungary’s hybrid authoritarian capitalism. And contrary to Hungary’s regime, developmental states rely on strong bureaucratic traditions and the leader’s charisma does not play an essential role in their legitimacy. In Hungary, the massive centralisation of state apparatuses increased hierarchical dependencies, and the logic of patrimonialism suppressed the logic of rational, rule-based bureaucracy. Bureaucratic autonomy is a crucial component of developmental states, whereas Hungary’s contemporary illiberal state relies on patrimonial relations.

Import-substituting, populist state capitalisms (such as Peronism), which preceded the Latin American bureaucratic authoritarian regimes, are similar to the accumulative state in some respects, but differ in many others (Amin, 1991; Cardoso & Faletto, 1979). Both emerge in response to global economic vulnerability, both give preference to the national capitalists, they have charismatic leaders and patrimonialism is prevalent. At the same time, the working class and the urban and rural poor were essential parts of the power coalition in Latin American populist regimes, often referred to as the ‘popular sector’ (Collier & Collier, 1991; O’Donnell, 1978; Oxhorn, 1998). In the age of nation-building following colonial times, the military also played a more significant role than it does in the Orbán regime. The primary goal of economic development in these populist regimes was boosting domestic consumption and production, so there was no need for a repressive labour regime. By contrast, the post-2010 Hungarian regime intervenes in the system of economic and political rights at the expense of the working class and the poor in urban and rural areas, in alliance with the national bourgeoisie and international capital.

According to Barrington Moore (Moore, 1993 [1967]), fascist states can also be considered as variants of authoritarian state capitalism. The political representation of weak but emerging national capital, the
repressive labour regime, the emphasis on domestic capital formation, economic interventionism, the central role of a charismatic leader and the primacy of patrimonialism make the fascist state similar to the new accumulative state. However, the Hungarian accumulative state is more integrated internationally than the fascist state was, and the role of transnational capital is also more profound. Finally, in the first half of the twentieth century, military expansion had a prominent role in economic development, and the military rivalry for external resources significantly influenced economic development. These characteristics are missing in post-2010 Hungary, which is a significant difference. Because of these differences, post-fascism is a misleading analogy (Tamás, 2015).

Finally, charismatic leadership and national capital are essential parts of the power coalition in post-Soviet hybrid, resource capitalisms, such as Russia, Ukraine, Belarus (King, 2002; Kretzschmar, Simpson, & Haque, 2013; Lane, 2007) and in Hungary’s authoritarian capitalism. Both models pursue interventionist economic policies. Besides, both Putin’s regime and Orbán’s emerged as a countermovement to the chaos caused by neoliberal reforms (Appel & Orenstein, 2018; Orenstein, 2001). Therefore, the importance of foreign capital inflow is smaller in both models compared to their predecessors. A common element is that the bureaucratic capacity of the state is weak and patrimonial and even prebendal relations are strong (Csillag & Szélényi, 2015). However, the two systems differ in that Putin exercises more power over the oligarchs than Hungary’s accumulative state. Putin consolidated his power by relying on the security apparatuses as an integral part of the power coalition. The international military rivalry is also an essential element of Russian resource capitalism. Natural resources play the most critical role in hybrid resource capitalism in all the models (Kretzschmar et al., 2013), which is a significant difference compared to Hungarian state capitalism. Relying on the extraction of natural resources allows the dominant power bloc to constrain the power of transnational capital, which therefore cannot be considered to be a part of the power bloc in Russia, contrary to Hungary. Putin successfully stabilised social conditions compared to the turbulent 1990s, wages increased dramatically, while unemployment remained low. Although the right to strike is limited, Putin, nevertheless, maintains a partnership with formal trade unions, and there has been no tightening of the labour
market as was the case in Hungary (Christensen, 2016; Gimpelson & Kapelyushnikov, 2011).

The post-2010 Hungarian variety of authoritarian capitalism is most similar to the historical accumulative state, adjusted to the contemporary semi-peripheral context. National capitalists and domestic capital formation play an integral part in both. The labour-intensive national bourgeoisie in the new accumulative state plays the role of agricultural capital of the classic accumulative state. The security apparatuses do not play a role in these models to such a degree as in fascist states. Workers are not part of the power coalition either. The accumulation strategy does not rely on the inflow of new foreign capital, and military rivalry or natural resources do not play a significant role. Repression of labour and patrimonial coordination is present in both variants of the accumulative state.

In sum, Hungary’s authoritarian capitalism is not an exceptional, Hungarian phenomenon. In the world of authoritarian state capitalisms, the Hungarian case is not unique. All these varieties of authoritarian state capitalisms emerged in response to some significant economic modernisation challenge, as a result of the alliance between certain factions of capital and the political class, and used suppressive political mechanisms to manage the costly conflicts generated by forced economic modernisation and capital accumulation. The strategies used by Hungary’s accumulative state follow historical practices of other authoritarian state capitalisms.

The state played an essential role in economic development in virtually every variety of capitalism, not just in authoritarian capitalism. However, interventionist state capitalism is not necessarily authoritarian capitalism (Alami & Dixon, 2020; Sallai & Schnyder, 2020). States also play an active, market-making role in democratic capitalisms. As the liberal world order weakens, the alliance between capital and the state is strengthening in many parts of the world, with the model of ‘state-permeated capitalism’ gaining increasing prevalence (Nölke, ten Brink, May, & Claar, 2019). This does not necessarily entail a complete authoritarian turn, but it can bring about a democratic decline if the new pact with capital brings new conflicts with the working class and those living on the margins of society.
The United States is an excellent case in point. Donald Trump gave more space to the lobbyists of the business class than any administration ever before, while he successfully maintained the popularity of ‘billionaire populism’ among his working-class supporters by attacking the technocratic cosmopolitan elite (Chua, 2018). The American state under Trump took several steps to boost capital accumulation, such as corporate tax cuts, downsizing Obama care, or the trade war against Huawei to protect the crumbling US monopoly in high-tech industries (Sachs, 2018). Trump’s economic nationalism is gaining traction among capitalists, who increasingly see the state as a dominant partner in propping up declining profit margins. The working class pays the price for the increasingly robust oligarchic alliance between capital and the nation-state.

In the case of fierce conflicts and sharp polarisation, this growing economic nationalism may lead to democratic backsliding (Lieberman, Mettler, Pepinsky, Roberts, & Valelly, 2019; Mickey, Levitisky, & Way, 2017). The quality of democracy has been declining in the United States, according to Freedom House scores, with Trump himself mingling the concerns of his business empire with his role as president. The United States retreated from its traditional role as ‘democracy exporter’ (Posen, 2018) amid an accelerating decline in American political rights and civil liberties (Freedom House, 2018). With some modifications, the causal mechanism concentrating on the relations between various factions of the business class and illiberal politics could also be applied to the United States.

Insights for the Theory of Illiberalism

Building on three years of empirical data collection, new databases, thorough content analysis and extensive qualitative in-depth interviews, the book followed a mixed-method process-tracing approach. It showed that the accumulative state emerged as a result of a new class compromise in response to the exhaustion of the extensive phase of dependent development. The causal narrative presented in this book is compatible with other explanations that emphasise the role of political elites, cultural heritage or institutions, insofar as they recognise the importance of class
dynamics deriving from the structure of dependent capitalism. The notion of the accumulative state is not an alternative to the theory of hybrid regimes, to the sociological versions of state capture theory but a political-economic extension on them. The causal narrative presented here, however, is at odds with theories that deny the role of structural imbalances that dependent development generates.

The decline of Hungarian democracy is not an isolated phenomenon, nor an exceptional incident, but the local manifestation of a global trend. The structural crisis of dependent liberal capitalism is not merely a post-socialist feature. Many other semi-peripheral countries had a similar experience, where the working class was not involved in the democratic compromise, and where the national bourgeoisie had an interest in establishing a tighter relationship with the nation state. These processes of polarisation are particularly robust on the semi-periphery, but the intertwining of capital with the state and the neo-nationalist turn of the working class are present in the core countries as well. For illiberalism to have a decisive breakthrough, the polarisation of both the working class and the capitalist class is necessary. Revealing the techniques used to channel these tensions can significantly enrich our understanding of the global crisis of democracy. What are the broader theoretical takeaways from liberal democracy’s retreat in Hungary?

First, recognising political regimes as compromises between conflicting social classes offers a uniquely productive opportunity to analyse the decline of democracy. Through the lens of Hungary, the book’s empirical chapters and the theoretically grounded, causal mechanism demonstrated the power of this approach. This makes relational class analysis highly relevant with a high potential for significant added value to the existing literature. The relational approach to class relies on the joint analysis of economic structure, the state, political agency and symbolic structures channelling the perception and expression of the lived experience of class. Individual-level perceptions of class are entangled with the changing economic geography of particular locations, crosscutting general perceptions of injustice in the context of geographically uneven development (Hall & Savage, 2016; Smith, 2010). At the same time, politics is not merely a servant of the business class. However, the political class is not omnipotent and has to abide by the rules dictated by capitalist structures.
Second, competitive pressures of globalisation are translated into policy by economic policymakers competing for recognition, which significantly constrains domestic policy autonomy. The strongest pressure to liberalise in Hungary did not come from powerful states or from powerful transnational corporations. Of course, they had a part in it. But the real pressure came from technocrats and market fundamentalist policymakers competing for recognition by international markets, often going beyond the direct demands of transnational corporations. The revolving doors connecting the business class and the state allow policymakers to use their government positions to showcase their fitness to govern neoliberal capitalism and land well-paying jobs in the private sector. Technocrats not only compete with each other for recognition but as decision-makers, they also aggravate the competition between states for capital.

The structural root cause of this competition is the free flow of capital as capital controls were lifted in the 1980s (Abdelal, 2007), further amplified by the collapse of the socialist block and the eager desire of Eastern technocrats to prove they are good pupils. As long as rewards (investments at the level of states, well-paying jobs at the level of policymakers) are distributed to the winners of this competition, and as long as failure to comply with the rules of the competitive game is severely punished, the pressure to liberalise stays, even if temporary divergence from it is possible (Alami, 2019). Viktor Orbán’s illiberal state is not an exception. Orbán goes to great lengths to prove his capacity to withstand pressures from other states—and his actions have proven that there is a possibility to diverge from the Washington Consensus—but remains an ardent participant in the race to the bottom on taxation. This cemented Hungary’s role as low-value-added assembly platform in the global production networks of transnational corporations. Thus, every progressive political movement must face this competitive pressure as a limitation on progressive policy space, which makes international and European cooperation more urgent.

Third, the existence of a bourgeoisie is no guarantee for democracy. A weak but growing national bourgeoisie might be particularly prone to support anti-democratic economic nationalism. Some historical examples highlight that the state can promote the emergence of an internationally competitive national capitalist class that has an interest in technologically
intensive production, which can acquire a greater share of the value added in global value chains. In these cases, the national bourgeoisie may support democracy. It is easier to forge a democratic class alliance in integrated economies than in disintegrated ones. In disintegrated economies, the weak but growing national bourgeoisie might be a strong supporter of illiberal economic nationalism.

However, the transnational capitalist bourgeoisie also does not necessarily support democratisation. Transnational capitalists in Hungary demonstrate spectacular flexibility in adjusting to different state structures. European capitalists played a particularly important role in securing international political backing for Orbán’s illiberal project. European capital satisfied with the economic opportunities offered by Hungary’s authoritarian capitalism contributes to the quiescence of the European elite concerning democratic backsliding in Hungary. Despite the occasional verbal condemnation, Europe’s political elite seems to be much keener in putting down democratic attempts at redistributing money from top to bottom (Syriza) than authoritarian governments ensuring lucrative opportunities for the business class. Transnational corporations were able to reach an agreement with the national bourgeoisie by consolidating the role of their Hungarian subsidiaries in the global value chains as low-value-added assembly plants. The technological structure of Hungarian export deteriorated, and the share of low- and medium-technology products increased compared to high-tech assets. Transnational corporations did not actively lobby for cuts in education or social services, but they were able to adapt flexibly to the new regime, thus remaining an integral part of the new authoritarian power coalition.

Fourth, the working class is not inherently anti-democratic and nationalist. The working class provided temporary, external support for the power coalition that institutionalised the competition state. In exchange, the political elite temporarily mitigated the marginalisation of the working class, relying on the politics of patience. The disillusionment of the working class with the political left and its neo-nationalism are results of class dislocations caused by the market transition. The majority of Hungarians supported liberal democracy. They did not grow disillusioned with democracy but with dependent capitalism. Workers did not vote for authoritarianism but the correction of liberal capitalism. The illiberal
politics of Fidesz is successful because it is rooted in the lived experience of class dislocation and the lack of a left-wing class-based narrative.

Fifth, the long-term political consequences of dependency hinge on how domestic political classes govern in such a context. Therefore, we need to examine the changing field of local power relations and conflicts to understand why capitalism leads to authoritarian solutions in some countries but not in others. Contemporary capitalism is more likely to lead to authoritarianism if capitalists are interested in strengthening the links between the state and economic power at the expense of the power of the masses. There are no universal, historical laws that determine where and when this happens. At the same time, it is clear that some of capitalism’s inherent tendencies contribute to the increasing polarisation of society and intensify the polarisation of the business class. More specifically, this book demonstrated that in the case of Hungary the exhaustion of the extensive phase of dependent development, managed by the competition state, led to the partial transformation of the dominant power bloc and the rise of a new accumulation strategy and state formation.

Changing class relations shatter the foundations of democratic interclass coalitions even in core countries but especially in socially and economically disintegrated dependent economies (Bresser-Pereira & Ianoni, 2017; Sunkel, 1973; Wade, 2003). In disintegrated economies, the stability of democratic class coalitions between producers of complex mass consumption goods for internal demand, producers in tech-intensive sectors and cooperative skilled labourers is more problematic. Nevertheless, states can contribute to maintaining higher levels of integration and thus stabilise democratic social coalitions (Evans, 1995).

Dependent integration into global capitalism produces illiberal politics if it is misgoverned and the political class fails to establish a capability enhancing developmental state and forgoes industrial policies. The Hungarian case illustrates what happens when the state neglects domestic economic interests. Lopsided external economic integration led to internal disintegration and to the ensuing revolt of the national bourgeoisie. The postsocialist competition state was too weak, unable to function as a developmental state. It lacked the capacities to counterbalance the natural propensity of transnational companies to disintegrate the economy. Simulated liberal democracy meant that the working class was not an
active part of the democratic class compromise and Hungary’s welfare state only functioned as a vestigial welfare state, not as a social investment state. This political failure is an essential factor behind the neo-nationalist countermovement of the working class.

The insights for political practice are sobering but not disheartening. The long-term stability of the regime in part depends on its continued ability to maintain support across broad sections of the capitalist class. A tightening of the EU budget and a worsening of the global economic climate could potentially destabilise this alliance. In the same way as the global upswing after the financial crisis helped to stabilise authoritarian capitalism, global or European economic slow-down might pose serious challenges. The world economy has been showing signs of running out of steam in 2019. The coronavirus pandemic was unfolding as the manuscript was finalised. Another major global recession seems to be inevitable at this point. It is impossible to tell how the crisis will affect the stability of the regime (March 2020). Hungary’s healthcare is in shambles as a consequence of a decade of cuts, which could fuel popular discontent. On the other hand, extraordinary crises often strengthen the incumbent leader. Moreover, Orbán’s recent power grab (rule by decree) allows him to evade criticism and stabilise his position.

Another challenge could come from an opposition movement that organises the victims of accumulation. The 2019 local government election showed the first sign that Orbán’s opposition can win in major towns (Scheiring, 2019b). The opposition can also exploit the fractures within the national bourgeoisie and hasten the emergence of dissenting capitalists. However, the authoritarian measures employed by the state to suppress dissent have so far successfully hindered the emergence of a capable opposition at every national election. The continually declining organisational capacity of the opposition makes it harder to challenge Orbán in an increasingly authoritarian political environment. Institutional authoritarianism aims to pre-empt organised dissent by political parties, trade unions and NGOs, while authoritarian populism reframes distributive grievances into questions of culture and identity, thus generating conflicts in fields where Fidesz can prevail. In short to medium term, the accumulative state in Hungary appears to be a conflict-ridden but solid strategy to manage dependent capitalism.
The accumulative state enjoys the support of a broad segment of the capitalist class. Nationalism remains a more attractive political identity among the working class and the underclass than the technocratic modernisation narrative of international integration. EU subsidies and embeddedness in global value chains provide the regime with a significant source of external funding. The looming global economic crisis, however, could destabilise the illiberal power coalition and the opposition should prepare for this with alternatives and with a political strategy that can attract the victims of the regime, not only urban liberals.

The task of the political opposition is to find the most effective political strategy within the structural confines explored in this book. The opposition should be ready to lead Hungary back towards a democratic and inclusive development model. The chances are dim, but light shines through the fractures of the illiberal hegemony. I can only offer Karl Polanyi’s words as consolation:

Uncomplaining acceptance of the reality of society gives man indomitable courage and strength to remove all removable injustice and unfreedom. (Polanyi, 2001 [1944], p. 268)

Notes

1. Éber, Gagyi, Gerőcs and Jelinek (2019), Gagyi (2016) and Gerőcs (2019) combine the world-systems and dependency theories, and offer a multicausal explanation of the authoritarian turn in Hungary.

2. The resource curse is a well-known thesis in political economy, which implies that the abundance of natural resources can be detrimental to the development of a country in the long run, and is more likely to lead to a one-sided economic structure, an oligarchical political system, and contribute to the emergence of authoritarian systems (Ross, 2015).

3. With the exception of the domestic aftermath of the global financial crisis of 2008–2009.
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