Liberalization, Alienation or Exclusion?

The Liberal Intelligentsia and Liberal Economic Transformation in Hungary

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Abstract:

This article examines the impact of the intelligentsia on the course of liberal economic transformation in Hungary since its EU accession and looks into how the liberal intelligentsia seized the discursive power of economic and welfare reform from 2006 to 2010. Their discourse emphasizes eurozone accession as the primary means for finalizing economic transformation to complete integration with the EU. And subsequently, the discursive power of liberal intelligentsia provides substance to comprehensive neo-liberal transformation and affects economic priorities. While depicting the impact of the discursive power of the liberal intelligentsia, the article does not go as far as arguing that cultural capital causes action but still investigates the conditions of possibility whereby the circulation of discourses politically legitimizes certain policies. In order to illuminate how the intelligentsia determines the boundary of the reform discourse, this article primarily refers to Pierre Bourdieu’s (2004) theory of social space and symbolic power, as well as Foucault’s arguments about power and subjection, and finally revisits Herbert Marcuse’s evaluation of one dimensional society. In this effort, this article demonstrates how the intelligentsia maintained their impact in the social space after the EU enlargement through discursive practice calling for economic reform.
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Introduction:

This article probes into the process of social construction of the need for economic reform in Hungary. The reform rhetoric of the liberal intelligentsia is the main focus of this paper. The role of intelligentsia as the opinion-making intellectuals during East European transitions is extensively documented and studied. In its turn, this article examines the impact of the intelligentsia on the course of economic transformation in Hungary since its EU accession and looks into how the liberal intelligentsia seized the discursive practice of reform. The economic intelligentsia is a social group enriched with cultural capital (Zarycki 2009). Their discourse emphasized comprehensive economic reform in order to join the eurozone. This discourse pointed at reform as the primary means for finalizing the Hungarian economic transformation and complete integration with the EU. And subsequently, the discursive power of liberal intelligentsia affected economic priorities and has provided substance to comprehensive neo-liberal transformation. While depicting the impact of the discursive power of the liberal intelligentsia, the article does not go as far as arguing that cultural capital causes action but still investigates the conditions of possibility whereby the circulation of discourses fosters political legitimacy for reform (Kuus 2007: 246).

In order to illuminate how the intelligentsia determines the boundary of the reform discourse, this article primarily refers to Pierre Bourdieu’s (2004) theory of social space and symbolic power, borrows arguments from Eyal’s (2003) reading of Foucault’s arguments about power and subjection, and finally in its conclusion revisits Herbert Marcuse’s evaluation of one dimensional society. In this effort, this article demonstrates how the intelligentsia maintains their impact in the social space
in the Central and East European states, even after the EU enlargement, through discursive practice calling for economic reform.

My empirical research examined various Hungarian media sources. In choosing the available material, I limited myself with examining the rhetorical power of the liberal, and sometimes the left-liberal, intelligentsia bearing in mind their dominance in the course of economic reform in Hungary from 2006, when third SZDSZ (Alliance of Liberal Democrats) or MSZP (Hungarian Socialist Party) government was established, until the landslide victory of Fidesz (Alliance of Young Democrats) in 2010 election. While there may as well be discourses parallel to those of the liberal intelligentsia, such as the conservative-right wing, humanist or even the social democrat left wing, simply their discourses did not frame the reform rhetoric and associated economic transformation during the period under study. The opinions cited below are from notable Hungarian economic experts, who may have had a political affiliation with SZDSZ or MSZP at some time, but who were independent essayists to provide professional discourse in the written media outlets at the time of writing.

In concentrating the ideas of liberal intelligentsia, theoretically, I will re-instate the conditions of ideational change using Somers and Block’s (2005: 271 in Kus 2006: 500) work. Somers and Block argue that to convert one ideational regime to another, the challenger must meet three difficult requirements. The new theory must, by means of its own logic, be able to demonstrate why the currently dominant ideas can only fail to solve society’s problems. It must be able to explain how intelligent people could have been so misled. And it must be able to provide an alternative view of social reality by means of a more compelling public narrative”.

As I will show below, the liberal intelligentsia clearly follows the guidelines of Somers and Block (2005) in their discursive practices. According to Block and Somers (2005), ideas that meet these three requirements enjoy a ‘comparative advantage’, in effect an
‘epistemic privilege’ over available others in the battle to determine the direction of change. It is along the circulation of such ideas that the crisis and its policy solutions tend to be constructed.

The article offers also offers a contribution to studies on policy reform using social constructivism as well as the impact of ideas. Social constructivism increasingly finds proponents among the students of reform especially in welfare policies (Cox 2001, Ross 2000, Schmidt 2002) rather than more conventional approaches such as power-resources and institutionalism. Cox (2001: 472) notes that, “social constructivism is a label for a perspective that emphasizes cognitive factors in explaining behavior and social outcomes.” There is an impact ascribed to framing with regard to cognitive factors such that “artful leaders can manipulate a naïve and trusting public with slim resistance so long as they deploy a cogent set of frames. In Druckman’s words (1998 in Ross 2000: 172), “a common depiction of elite framing is that many citizens follow whichever frames they hear most frequently and or most recently. The implication is that nearly any elite can potentially use a frame to manipulate public opinion”.

Nonetheless, studies of policy reform mostly look into the front matter of frames, that is, discourses of politicians (Cox 2001, Schmidt 2002, Schmidt and Radaelli 2004)), rather than exploring how the intelligentsia frame the course of economic transformation in the background. Hence, through studying the impact of ideas on policy change (Blyth 2002, Campbell 2002) – the ideas which the intelligentsia provides both for public consumption as well as prevailing political rhetoric – this article will enhance the explanatory power of social constructivism with regard to policy reform.
In this effort this article looks behind the scenes of shop window of politics to discuss how reform objectives are produced, interpreted and permeated by the economic intelligentsia. The case under study is the Hungarian economic reform process during Ferenc Gyurcsány’s premiership from May 2006 until March 2009. At its inception and during the subsequent coalition of Gyurcsány’s MSZP with the liberal SZDSZ, economic transformation found notable proponents in the Hungarian public sphere. The intelligentsia and the politicians formulated a rare reform front utilizing eurozone accession of Hungary as a frame to justify transformation. How has eurozone accession become central to the process of liberal economic transformation? Accession to the eurozone is a challenge for the new EU member states (hereafter NMS). It is not only one of the most important aspects of Europeanization, but also a sign of civilization – even the final stage of return to Europe leaving economic and political authoritarianism behind. In a situation of global economic and financial crisis, belonging to the eurozone is a means to dispel the economic uncertainties and continue to attract foreign investment. In order to cultivate public support for tough but required economic measures, that is how, eurozone accession project resonates a “there is no alternative” slogan (Korkut 2010). This article sheds light on the association between liberal economic transformation in the NMS and eurozone accession, but does not discuss the alternatives to eurozone accession.

Therefore, the article, first, re-visits the historical role of the intelligentsia in the process of economic liberalization. It pays a special attention to the agency of intelligentsia during economic transformation, considering that the “opening up” of multiple dimensions of politics and society throughout the course of Europeanization makes the post-accession period in the NMS conducive to elite agency (Vanhuyssse 2008: 146). Subsequently, the article portrays the discussions around economic
transformation and reform in social policy in Hungary, especially since the April 2006 election in order to demonstrate why Hungary is a relevant case for this research. Finally, the article specifies the mechanisms of how discourses are circulated in the social space to make certain actions politically legitimate. In this last section, I will give a full account of my conceptualization of the impact of framing on policy reform.

According to Bourdieu (2004), social space is constructed in such a way that the agents, groups or institutions that find themselves situated in it acquire more common properties the closer they are to each other in this space. Symbolic capital, in essence, is a form assumed by different kinds of capital, such as social or cultural, when they are perceived and recognized as legitimate. The liberal intelligentsia’s symbolic capital is their cultural capital to narrate economic reform and transformation. During the period under study, this symbolic capital has had double impact on the social space: the first impact of this narrative was promoting competitive market economy as the foundation of economic transformation and the second was demeaning welfare expenses into an economic burden. In this context, through their symbolic power – derived both from historical legacies as well as their power to “put their ideas on the public agenda” (Stark 2007) – the liberal economic and political intelligentsia dominated the social sphere through the incessant mentioning of reform in public sphere. This incessant mention of reform provided shared predispositions for agents, groups and institutions of economy. Before I delineate the underlying mechanisms of my argument and discuss it further, I will briefly state in the next section why I choose Hungary as the case study for this discussion.

Economic Transformation Troubles in Hungary:
Research on the performance of economic integration of the NMS notes Hungary as a case with significant problems of convergence with the Maastricht eurozone accession criteria, granted the almost perennial “reform crisis” in the country since its EU membership in 2004. Associating successful economic transformation with eurozone accession, in Hungary, it has been common to point at the success of Slovenia and Slovakia in meeting the Maastricht economic criteria and swiftly earning access to the eurozone. According to proponents of neoliberal reforms towards eurozone entry, that was the left-liberal economic intelligentsia, the roots of Hungary’s economic woes could be found in its high inactivity rate, welfare bills, and the weight of the pension system on the state budget with the number of disability pensioners, tax-free pensions, free health care services, and “13th month” salary for retirees (Bartha 2006).

In relative terms, it is true that the Hungarian economic performance has been less capable to sustain growth and create new jobs. In contrast, the Slovak economic growth led to a visible increase in the total employment rate, from 57.7% in 2005 to 60.5% in 2009, according to Eurostat figures. There was a similar trend in Slovenia, with employment rising from 66% in 2005 to 67.5% in 2009. But Hungary’s 2009 rate is lower than its 2003 levels at 55.4%, after a slight increase in 2006 and a subsequent decline.\footnote{Employment and Unemployment, available at, http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/main_tables} The growth rate of real GDP per inhabitant shows Hungary trailing both Slovenia and Slovakia before their Eurozone accession. Slovakia saw 8.4% growth in 2006 and 10.3% in 2007. While Slovenia’s growth was slower at 5.5% in 2006 and 6.2% in 2007, it was still the most stable among the NMS. In contrast, the Hungarian rate went from 4.1% in 2006 to 1.4% in 2007 before finally
plunging to 0.8% in 2008. The Hungarian GDP contracted at the rate of 6.3% in 2009 and will further contract in 2010 (Losoncz 2009a). In 2010, the Eurostat forecast for GDP growth is at 1.2%.

The increase in inequality rates in Hungary since its accession to the EU is also noteworthy: from 2005 to 2006, Hungary performed the highest inequality increase in income distribution in the EU from an income quintile share ratio of 4 to 5.5, whereas inequality levels remained the same in Slovenia at 3.4, and almost the same in Slovakia at 3.9 and 4. This finding has also been proven by Heidenreich and Wunder’s (2008) Gini calculations on the basis of Eurostat figures. After Latvia, Hungary saw the highest increase in Gini-coefficient between 1995 and 2003. At-risk-of-poverty rate before and after social transfers also show that Hungary has poor performance vis-à-vis Slovenia and Slovakia. Hungary has 30% of its population at risk of poverty before social transfers in 2006, once again with the highest EU figure after Ireland. The figure falls down to 16% after the social transfers. That is why the income support to the needy is fundamental to maintain the level of poverty at a lower level in Hungary, despite inconsistencies and irregularities involved in the system (Szalai 2007). In brief, Hungary sticks out as a troubled case of economic transformation in comparison to its Western and Northern neighbors before their accession to the eurozone. The recent research on poverty also shows that in Hungary a certain group of the poor are getting marginalized and increasingly lacking the

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3 The share of persons with an equivalized disposable income, before social transfers, below the risk-of-poverty threshold, which is set at 60% of the national median equivalized disposable income (after social transfers). Retirement and survivor’s pensions are counted as income before transfers and not as social transfers.

4 The share of persons with an equivalized disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalized disposable income (after social transfers).
abilities to catch up with the rest of the population – even within their income quintile (Gabós and Szivós 2005, Kapitány and Molnár 2004, Tóth 2005).

The short depiction of poverty and economic development above shows that the Hungarian government needs a flexible hand to operate fiscal policies that would support industrial upgrading, accommodate rapid real economic convergence in living standards and foster social inclusion (Dyson 2007). As I will show in the coming section, the narrative of economic transformation, however, has emphasized the need for drastic cuts in social policies, flexibility in labor market as well as curtailing the role of state in economic and social development.

In order to delineate how this narrative dominates the social space and bonds policy-makers with the intelligentsia, this article examines the discursive strategies at work in various narratives which it analyzes. In determining the “perspective” of a particular group, as Mannheim (1936 in Ashcraft 1977) suggests, one can focus upon certain “traits” of thinking, such as an analysis of the concepts employed, the absence of certain concepts, the dominant models of thought, the level of abstraction, ontological presuppositions. Where do we find such traits of thinking? East Central European intelligentsia have been traditionally regarded as an external force located in the realms of cultural values, and outside the political system entirely controlled by the state. Their views are expressed in public and disseminated through oral or written media. While it is not possible to note here a full account of these complex debates, the empirical research of this article concentrates on selected outlets of Hungarian written media, such as Népszabadság, Beszélő, and Élet és Irodalom, in order to locate the symbolic power of the left-liberal intelligentsia in constructing the discourse of liberal economic transformation, accruing from their discursive strategies in the social space.
This discursive power of the intelligentsia has a significant impact on economic policies. Indeed, policies are made within a system of ideas and standards which are comprehensible and plausible to the actors involved. More precisely, policy-makers customarily work within a framework of ideas and standards that specifies the goals of policy and the kind of instruments that can be used to attain them as well as the very nature of the problems. This framework is embedded in the very terminology through which policy-makers shape their work (Hall 1993: 279). I associate Hall’s ideas regarding the generic format of policy-making with the historical inclination of the political elite in Eastern Europe towards guaranteeing the ideological support of the intelligentsia. My starting point, in this respect, is that the importance of the opinion making intellectuals, especially those in the media, has been far greater in post-communist conditions than the power of any similarly situated groups in Western democracies.

**Economic Liberalization and Discursive Practice of the Intelligentsia:**

Under state socialism the economic intelligentsia assumed a privileged position in some countries such as Hungary – and to a certain extent in Poland – as tolerated reformers. In both states, the transformation of historical gentry into intelligentsia was more evident than the other states of Central and Eastern Europe (Zarycki 2009). The intelligentsia did not have decision-making power, but their powerlessness permitted them to think critically and resist the regime. And their knowledge claims permitted them access to decision-making power (Eyal 2003: 7-8). Starting with 1989 some intelligentsia turned into the “lonely reformer”, as qualified by Greskovits (1998: 35), who had the privilege and responsibility of acting alone, beyond any political or societal control, in the political vacuum of the regime change.
Thereafter, the economic transition and Europeanization processes enhanced the power of the lonely reformers and provided them with relative autonomy from politics. The liberal intelligentsia, in this context, utilized their autonomy to put ideas on the public agenda to tell the “truth” regarding the need for reform.

How could the intelligentsia transform their cultural capital into symbolic capital? More precisely, how could they foster a social space which bonds the policy-makers and the market? Eyal (2003), referring to Foucault’s arguments about power, states that professional discourse is a form of power thanks to its “generosity”, that is, its capacity to offer others – and in particular policy makers and other professionals – a new and appealing terminology, a different way of seeing or posing questions. This power of the intelligentsia or the discursive strategy is best described, in Foucault’s terminology, as “subjection”. Subjection means the fixing of an identity and within it “a law of truth … [which] the subject must recognize and others have to recognize in him” (Foucault 1982: 212 in Eyal 2003: 20). Foucault emphasizes that subjection crucially depends on the production of true discourses, on “regimes of truth”, and these have an identifiable set of agents, similarly located in social structure and engaged in their production (Eyal 2003: 21). In the context of this article, these agents are the economic intelligentsia in Hungary who are active in fostering the discourse of reform and, hence, establishing a neo-liberal regime of truth.

Foucault’s concept of “discourse” is particularly suited to grasp the symbolic capital of the intelligentsia in the social space of economic transformation. First, Foucault insists that we think of discourse not as a system of ideas, but as a practice that is constantly generating opposing strategies. Second, discursive practice is truth-producing practice (Eyal 2003: 26-27). In effect, the more the economic intelligentsia proclaims that they merely “speak truth to power”, the more radical becomes their bid
to place themselves at the symbolic center of discursive space, in our case, of economic reform – not very dissimilar to the period before 1989. Eyal, Szelényi and Townsley (2000) discuss in detail how the intelligentsia maintained their own regime of truth after 1989 thanks to their symbolic capital acquired during communism. They put forward “managerialism” in order to indicate the ideology of the post-communist power elite – the main tenets of which is monetarism.

Monetarism relates to reduction of inflation, place fixed policy rules, maintain a tight-fisted fiscal policy and open economy to competition. Monetarism considers government intervention undesirable since it encroaches upon the freedom of individuals. Therefore, it offers a vision of order and the moment monetarism becomes a kind of a political-utopian program, it requires individual responsibility and initiative as well as individuals being entrepreneurial, efficient units of human capital (Eyal, Szelényi and Townsley 2000: 89). This political-utopian program promoted an affinity between the monetarist technocrats and intelligentsia. Thereby, both fractions of the power bloc came to perceive their role as that of pastors\(^5\) and civilizers (Eyal, Szelényi and Townsley 2000: 97), which promoted a post-communist spirit of capitalism. This spirit required everyone to sacrifice for the sake of “the future”, that is, society lived beyond its means under socialism and now it should come to terms with reality. The first purpose of such sacrifice became a way of saving for the future and building proper, virtuous citizens (Eyal, Szelényi and Townsley 2000: 102-103). In summary, Eyal, Szelényi and Townsley (2000: 149-151) point at the importance of the power bloc composed of the intelligentsia as well as technocrats and politicians in setting the narrative of economic transformation.

\(^5\) Modeled after the authority of the Christian pastor, the “good shepherd”, who takes care of his flock and thereby claims their submission (Eyal, Szelényi and Townsley 2000: 89-91).
While not being fully supportive, in Eastern Europe since the transition the general public has been complacent with the regime of truth of the 1990s. When the 1992 New Democracies Barometer asked citizens in nine former communist countries whether they were more worried about unemployment or inflation, unemployment lost out by a ratio of almost two to one (Baxandall 2004: 123). Similarly, post-communist survey data even show that public support of government responsibility for unemployment assistance is significantly weaker than for other social programs (Baxandall 2004: 123). Furthermore, Kornai and Eggleston (2001: 23) refer to another survey from 1993 to suggest that “it is remarkable that the idea of individual sovereignty and responsibility should lie close to a value system of much of the post-socialist region’s population”. One Czechoslovak Economics Minister famously quipped that if unemployment failed to reach high levels “it would be assign that the reforms were not working.” As the new prototype of successful employment policy, entreprenuerialship was celebrated and institutionally encouraged (Baxandall 2004: 124-125).

Since 1989 the narrative of economic transformation presented unemployment as purgatory. Thereby, people are being laid-off not only for the sake of the firm, but for their own sake as well. They are being given a chance to “retool”, acquire “human capital”, and work on their resumes anew. Things could not be done in the old way any more: people have sinned and now they will have to atone for their sins by becoming more efficient, flexible, responsible, and skilled (Eyal, Szelenyi and Townsley 2000: 106). Even in cases, such as Poland, where the intelligentsia established an alliance with the workers prior to the regime change, with the ascendance of Solidarity to power in Poland, the “myth of the worker” and the allied
intelligentsia is replaced by the myth of the entrepreneur and the middle class (Ost 2005).

In Hungary, the choice of economic liberalism as the route for transformation was the main engine of continuity of the three MSZP and SZDSZ coalition governments in 1994-1998 and later in 2002-2008. Beyond its minor coalition partner the SZDSZ, the MSZP leadership has also been ardent supporters of reform since 1994. A reform agenda more clearly dominated the last two coalition governments, especially since Péter Medgyessy was replaced as premier by Gyurcsány after a short coalition crisis in 2004. Since then, the MSZP-SZDSZ coalition governments have been held together by the general consensus around economic reform between Gyurcsány and János Kóka, first the economy minister in Gyurcsány’s cabinet and later leader of the SZDSZ, until June 2008 when he lost the party helm to Gábor Fodor.

The period after Hungary’s entry into the EU saw the liberal economic transformation rhetoric, represented by SZDSZ, streaming into the public sphere. Even before the 2006 election, the leadership of SZDSZ went to the extremes in terms of affiliating competitiveness with economic success. The previous Hungarian Minister of the Economy from SZDSZ—also one of the richest men in Hungary—János Kóka, for many years argued for the Hungarians’ need for a competitive EU. According to Kóka (2005), the left-wing, money-distributing European tradition has started to lose touch with the current fashion. In the left-wing tradition, the state interfered with people’s lives efficiently and cleverly for many years. Now the question should be how the state could intelligently and even-handedly leave the people’s lives. To this problem the whole of Europe looks for an answer. There is a need for change in the EU. While many French, German or Italian citizens worry that
the changes have been numerous and fast, the majority of Hungarians believes that the changes have been few and slow.

According to Kóka, the growing generation in Hungary was restless to catch up with the rest of Europe. Though Hungary was overtaking the EU standard in many areas, still the Hungarians were dissatisfied with current economic developments. At the same time, Hungarians still worried about the Hungarian competitiveness, despite success in climbing on the international list of competitiveness. Still, the real problem was that the state was too big, expensive, and slow. European administrative culture was sick, and the diagnosis was a chronic lack of competitiveness. Kóka also argued that the principle of solidarity was contrary to competitiveness, and in the end those who could rapidly cure their lack of competitiveness would win. If a state were to give priority to solidarity, the principle of equality and social cohesion over the ability to compete, in a few years money, produce, a qualified work force, services, and knowledge may have all drained away (Kóka 2005). What we see in this political narrative is that Europeanizer/modernizer political elite conveys the language of rationality and “dares” and “knows” how to trigger change. This elite talk the “hard truth” and all deviating narratives from this truth is from the start a pure fabrication (Szilágyi 2006). What is interesting for this article, however, is the background role of the liberal intelligentsia in the social construction of the need to reform (Cox 2001).

The unprecedented electoral victory in 2006 of then Prime Minister Ferenc Gyurcsány of the MSZP over his main rival Viktor Orbán, leader of the Fidesz-MPP, and the resulting MSZP-SZDSZ coalition government, held out the promise that the new government would carry out the economic reforms required for Hungary’s Eurozone accession. However, this euphoria did not last long. Gyurcsány’s April 2006 victory speech gave strong signals that his second term would be dominated by
reform. In contrast to his earlier messages of compromise between solidarity and economic competitiveness (Gyurcsány 2005), the reform policies of his second government implemented immediate tax hikes, reduced gas and electricity subsidies, and the introduction of fees for higher education and health care services. Despite opposing voices in his party, Gyurcsány stood by his reforms, even in health care, until the March 2008 referendum which brought an end to transformation of education and health care policies.\(^6\) After the referendum defeat and the subsequent end of the coalition government, Gyurcsány led an MSZP minority government. Ensuing his resignation in March 2009, the technocratic government of Gordon Bajnai took office in April 2009 with radical economic reform was still one of its central goals. Until the elections in April 2010, the Bajnai government was supported by both the MSZP and SZDSZ and was pursuing the strictest financial austerity measures in Hungary since the transition. Yet, MSZP and SZDSZ lost heavily to the conservative right-wing Fidesz in 2010 election.

Although it eventually came to an end, the alliance between MSZP and SZDSZ, especially after the 2006 election, for economic transformation has been extremely instrumental to place economic efficiency and welfare cuts rhetoric on Hungarian political agenda. As I suggested above, this article looks behind the political agenda to locate frames of liberal rhetoric in the public sphere. In the next section, I give an account of debates in the public sphere since these was the main arena where frames of reform have been cultivated and offered for the consumption of the MSZP-SZDSZ political elite.

**The Discourse of Reform and the Power of Ideas**

\(^6\) For further discussion on March 2008 referendum, see Korkut (2010).
What is so specific about the liberal intelligentsia and their narration of reform? Liberalism resolves contradictions by dividing societies into two groups of people, the enlightened and the unenlightened. The enlightened are the rational ones who have understood the truth. Their goodness, that is, their command of truth, comes from within; it is not dependent upon any social agency. These are the liberals themselves and the liberals are the reformers (Minogue 1963: 39). What makes the liberal discourse, in this context, a truth-producing practice is its inherent assumption that, as Minogue (1963: 10) wrote, “men are reasonable and will, in the end, come to agree upon the best social arrangements.” In this effort, the liberal intelligentsia is a “persuader “ – “somebody more prudent and more longsighted than we are, and since he is purporting to describe an objective situation, his vested interest is not at all obvious.” This kind of persuader is generally an idealist with a virtuous role to displace the vices of complacency or apathy (Minogue 1963: 124-125).

In the first part of this section, I will shed light on the discursive practice employed by the persuader, that is the economic intelligentsia, and how the intelligentsia generates the required symbolic capital, that is the ownership of reform rhetoric, to dominate the discussions of economic transformation in the social space through subjection. Hence, hereby, I will analyze how the intelligentsia speaks truth to power and generates opposing strategies. I will also deal with how the intelligentsia generates a new terminology for economic reform appealing for particular policy makers.

- **Welfare reform:**

“We cannot reverse the progress of history; the society is attached to once-gained social welfare programs. We can only change the course of the problems,
particular to ourselves, after a catastrophic bankruptcy.” Péter Mihályi (2009) argues that this is the first of three approaches central to the current welfare system change proposals in Hungary. The second is “there is no problem: the welfare state is a means of economic catch up with the EU.” And the third one is “we are in a difficult position, but there is a way-out. We can pay for the welfare expenses subsequent to instigating economic development.” Mihályi (2009) calls all these approaches wrong and labels these ideas as attempts of the welfare system looking for a self-justification in order to maintain its vast structure. In an attempt to demote the welfare system comprehensively, Mihályi (2009) refers to those post-socialist states with fast economic growth, such as China, the Baltic States, Slovakia, and promotes their serious course of reform, which devalued the attainments of the “prematurely-born” welfare state in these cases. Hence, as a panacea to the Hungarian economic woes, he generates a new and appealing terminology by “demeaning the prematurely-born welfare state”.

The symbolic power of Mihályi’s discourse is evident given his association with the widely-held belief among the Hungarian liberal circles that the Hungarian welfare state has been prematurely born and therefore deserves to be demoted. This discourse is central to Bourdieu’s (2004: 131-138) qualification of symbolic power as the power of creating things with words; symbolic power is a power of consecration or revelation, a power to conceal or reveal things which are already there. The power of imposing a vision of divisions, that is, the power of making visible and explicit social divisions that are implicit, is the political power par excellence: it is the power

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7 Péter Mihályi is the former State Secretary to the Ministry of Finance and advisor to the Ministry of Health, who is currently a visiting-Professor of Economics at Central European University in Budapest.
8 Following János Kornai’s earlier dictum, this is a general qualification attached by the liberal intelligentsia to welfare state under communism in Hungary.
to make groups, to manipulate the objective structure of society. In fact, the symbolic power, which Mihályi pursues, is also the opposing strategy of the intelligentsia while generating a new discourse for welfare reform. In his turn, Szelényi responds to the critics of the “prematurely-born” welfare state in Hungary pointing at the rural and urban poverty figures in the country and the emergence under-class. Therefore, as he states, rather than a smaller welfare system there is need for a better-targeted and efficient welfare state that would prevent the creation of an under-class in Hungary (Szelényi 2009). Both Mihályi’s and Szelényi’s suggestions, thereby, share an effort to fix the identity of the economic problem and, in this effort, concentrate on the boundaries of the welfare state.

- Economic Competitiveness:

The effort to fix an identity to the Hungarian problems is a common enterprise: László Békesi (2008) states that “the Hungarian economy resembles a feeble organism with a weak immune system.”9 And once the identity of the problem is fixed, the policy suggestion materializes: “Hungary can only trigger recovery with reform steps geared towards improving its competitiveness” as Tamás Bauer (2009a) recommends.10 While privatization in the 1990s made industries and trade efficient and marketable, in the public (and agricultural) sector similar transformation did not occur. The welfare system is spendthrift (Bauer 2009b) and the antonym of liberal reform is the protection of pensioners and the rejection of shock therapy (Bauer 2009a).

Therefore, looking at the discourse of these essayists, the identity of the Hungarian economic problem is its solidarity-oriented welfare state and almost related

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9 László Békesi is the previous MSZP Minister of Finance in 1995 and a lecturer at Budapest University of Economic Sciences
10 Tamás Bauer is a previous member of parliament from SZDSZ and an prevalent essayist in left and liberal media outlets.
uncompetitive economy. This is the “law of truth” for the liberal intelligentsia and the reform discourse is as follows: “The required reforms in education, healthcare, local governments, pension, and tax should be put into implementation as soon as possible and the pace of these reforms should be appended to a renewed timetable for eurozone accession with realizable deadlines.” (Békesi 2008) Mihályi (2008) also contributes to this discussion stating that the current pension system in Hungary removes the economic incentive of an ordinary Hungarian employee since “after s/he turns 65 if s/he had entered the work force, then s/he does not need to have a foresight of self-provision, saving or accumulation of reserves.”

To summarize these comments, a well-known social democratic essayist Gábor Miklós Tamás (2006) states that in Hungary “welfare policies are associated with budget deficit. There is a zero sum game between economy and the state. The more we take away from the state, the better it is for economy and, similarly, the more the economy loses, the more goes to the state. Therefore, any decrease in the welfare programs, administered by the state, is to the advantage of the economy.” Despite dissenting voices, such as Gábor Miklós Tamás, the discursive strategy of the intelligentsia reduces the opponents of the law of truth to irrationality. Miklós Losoncz (2009b), in this respect, states that “the rhetoric that the handling of economic crisis does not require austerity measures is not rational. These promises that are irrational from an economic point of view cannot be justified from a political point of view either.”

- **Rational Economic Policy**:

The main voice of the liberal regime of truth in Hungary is Lajos Bokros – a maverick politician who can promote his reform discourse both among the left as well

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as the right wing circles and attract their support. Keeping up with the underlying rationality embedded in liberal economic policies which I depicted above, Bokros (2005/2006) rationalizes economic competition as the main pillar of liberal economic policy, that is, the rational economic policy. In his words, the disappearance of old institutions of communism cleared many hurdles for liberal, broad-minded intellectuals. Liberalism has very important impact on institutional reforms, economic policy, and strengthening of democracy. Until now, the institutions of parliamentary democracy and market economy may have been already established, but real democrats and serious actors of market economy are still much missing.

The rationality embedded in economic liberalism is source of Bokros’ truth producing practice. As such, Bokros generates opposing strategies: “welfare systems are intrinsically too costly that they boost state spending and create obstructions for both the domestic and foreign investors who would otherwise boost growth and entreprenuerialship. [Even] if the rate of economic growth were to provide more funds for the state coffers, welfare spending is burdensome for the state to retain.” The mechanism of subjection is so evident in Bokros’ reform discourse that he deserves his central position in setting the Hungarian liberal regime of truth. Once Bokros fixes the identity of welfare problem such that “the state education and healthcare systems use up a bottomless amount of resources, directed for the existing establishment, and even waste the additional budgetary resources,” he promotes the liberal law of truth in his discourse such that “exclusively competition can provide visible enhancement in quality of welfare services […] without reform, it is not entirely sensible to spend more from taxpayers’ money towards education and healthcare.” (Bokros 2006)
What has been so typical to economic transition in the early 1990s, the purgatory of unemployment, is still a fundamental to the truth-producing practice of the liberal intelligentsia. Henceforth, closing inefficient workplaces, along with welfare cuts, is another discursive strategy for reform.

Politics in Hungary should make a choice between keeping workplaces alive and finding a prospective unraveling of the economy. If Hungarian politics show a preference for keeping all workplaces alive, then it chooses to drop back. Out of eighty thousand workplaces, you cannot keep all eighty thousand of them active – the weaker ones will go bankrupt. If not now, then a year later when the money diverted to protect them will be wasted. The justification of waste of resources cannot be safeguarding of workplaces. This is not possible and this cannot be a target. Let’s look at the public sector or public administration where we cannot raise the salaries given the current situation, but we cannot [politically] permit closing any positions either. But why, because there should be a decrease of at least hundred thousand of workers in this sphere – this can happen with some form of a reform and later taxes can also decrease (Békesi 2008).

There is a continuous attempt by the pastor or the public intellectual to fix the identity of the problem for Hungary as follows.

I have a very sad vision for Hungary: ten years later Hungary will become a country with relative stagnation or slow economic development, dropped behind the rest of the world, Europe, and its neighbors. The talented will go to the West to work, healthy and those able to work will go to Slovenia, Slovakia or other neighboring states, and in Hungary will remain an aging, stagnant, unsatisfied and sad state (Békesi 2008).

In order to come out of the purgatory, entrepreneurship is the virtue, which the Hungarian society should attain and strive to maintain. The neo-liberal individual, as consumer and entrepreneur, is beyond and superior to the solidarity aims of class identity. The neo-liberal imagined community of the market leaves no space for alternative class identities. The self-reliant capitalist entrepreneur becomes the identity model for all members of society who are meant to negotiate directly with their employers, exercise their consumer choices (Narayan 2000: 268). “If the entrepreneurs attribute their lack of competitiveness to high tax levels, in that case, it is worth seeing that behind [the high tax levels] there hides excessive state
expenditures (whose financing requires high taxes). That is why to improve competitiveness, there is a need for reform in the welfare system – which is financed by tax incomes – rather than simply a tax decrease (Bauer 2009a).

Inasmuch as economic competitiveness becomes a central aspect of the liberal truth-producing practice, the rest of the economic policies would be channeled to promote competitiveness. Hence, as Bokros continues,

without stepping up of our competitiveness with merit, there is no chance to maintain our global strength and impact. Without a re-interpretation and re-construction of social solidarity, we cannot keep the attractiveness of Europe. […] Europe needs structural reforms – and among these reforming the labor market is the most important. […] It is better if there is no obligatory minimum wage as it simply prevents employment. It is better if laying off becomes relatively easy, because then the business owners employ new staff. It is better if there are no obligatory working hours, because then the businesses can easily catch up with spontaneous peaks at work (Bokros 2008).

- Successful Economic Liberalization in Neighbouring Countries:

This truth-producing practice receives substance in the Hungarian public sphere with debate on economic transformation in the neighbouring states. It is also very common to refer to the relative success of other economies in economic transformation in the Hungarian reform discourse – especially to the Slovenian and Slovakian given their accession to the eurozone. Hence, thrusting comparisons among Hungary and its successful neighbors is the main means of promoting the liberal regime of truth. As Györfy (2009) suggests, “in Slovakia as well the healthcare reforms were unpopular, but coming back to Hungary if we get everything together, we see in front of us a ghastly vicious cycle – the cycle of low growth rates and creditability.”

In a self-reflective tone after Slovak accession to the Club, Hungarian commentator Tibor Kis (2008) wrote that the euro is a guarantee of stability and financial security, and that Eurozone membership contributes to countries’ self-
confidence while transforming them into “mature” European states. Slovenia and Slovakia entered the Eurozone in 2007 and 2009 respectively, while Hungary’s high budget deficit and recent inflation remain the main hurdles to its economy meeting the Maastricht criteria (László 2007). Other economic success stories, such as those of Finland or Ireland, are also elements of subjection mechanisms: “Our country is not “Pannonian puma” but a community which is bearing with an economy and society of bursting structure, fighting with an overweight, wasteful and inefficient state, and charged with a political society which is for the most part afraid of the future. […]

Our country does not follow the highly desired Austrian, Finnish or Irish development models, but the least efficient EU development models such as Italian, Greek and Portuguese (Bokros et. al. 2006).

How did economic competitiveness turn into a truth-producing practice for the economic elite of the new EU member states? This process is both a result of the global consensus on the assets of neo-liberalism in the 1980s – by the time the East European states instigated their economic reforms – and the current implications of globalization to attract and retain foreign investment. The standard definition of competitiveness in the 1980s was that a nation’s competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the tests of international markets while simultaneously expanding the real incomes of its citizens. The broader definition of competitiveness underpinned the claim that competitiveness was not an end in itself or a target but rather a powerful means to achieve rising standards of living and increasing social welfare – a tool for achieving targets (Fougner 2006: 173). However, competitiveness arguments go in hand in hand with the increasing appeal of neo-liberalism as an economic ideal. The implication of such ideal, as the discussion above suggests, is that limited government
and personal freedom empower the individuals and hence make them realize their potentials.

Overall, Anna Szilágyi (2006) contextualized the language that the Hungarian intelligentsia used in reference to the euro and the related austerity measures as the language of power. This language of power operates with a cold, unfriendly, severe technical language of economics. It suggests a distant, unreachable world to be realized through successful comprehensive reform and fills the general public with frustration, doubts, and insecurity. Since Hungary’s EU membership, the intelligentsia has created a paradigm around the euro as the primary means for a bright economic future. We can sum up Hungarian depictions of the euro as follows: beyond a currency unit, the euro is a sign of civilization. Even if it entails hitting the economic bottom or a Mohács-scale disaster – the Hungarians’ 1526 defeat in Mohács by the Ottoman Empire is still their shorthand for total collapse – the political elite should be responsible enough to maintain the accession goal. Hungary’s fulfillment of the Maastricht criteria should receive priority and is independent of developments required in other areas. In order to guarantee further foreign capital investment, any modification of the euro target date should be avoided (Hegedűs 2005; Bod 2005; László 2005; Kun 2005; Duronelly 2005). Certain commentators such as Lajos Bokros, a forefather of Hungary’s neoliberal economic reforms since his 1995-1996 stint as finance minister, believes that the NMS’ entry into the euro club has repercussions for the Union as a whole. Bokros argues that enlargement of the Eurozone is an organic element of the EU’s economic competitiveness. But how do these discourses circulate into the social space and legitimize political action?

**Conclusion: From Ideas to Policies**
While this paper does not go as far as claiming that the MSZP-SZDSZ political elite has been in captivity by the liberal intelligentsia, it still notes that Hungary is one of the NMS whereby the liberal intelligentsia had the most evident impact in the social space since its accession to the EU and in effect to welfare reform. In this the liberal discursive practice the need for a renewed stability for the Hungarian economy and society to escape from the state captivity has been numerous times expressed” (Bokros et. al. 2006). This practice provided legitimacy for the reform program of the MSZP-SZDSZ coalition when the 2006 election brought to government a particularly reform-oriented government which committed itself to a comprehensive economic transformation for Hungary to accede the eurozone. March 2009 saw the formation of the “Reform Alliance” by László Békesi along with the previous president of the Hungarian Academy of Sciences E. Szilveszter Vizy and the Head of the Hungarian Chamber of Commerce and Industry László Parragh. This alliance stated clearly, logically and in an imposing manner what the economy needed in order to break out of the economic crisis. Their suggestions once again underlined the tenets of neo-liberal reform in monetary policy, welfare system and tax reform (Szalay 2009).

One explanation for the impact of the intelligentsia is that, as Kornai (2006) states, “politicians are afraid of reform; they defer and are not eager to start reform”. While debating health care reform, Kornai and Eggleston (2001: 31) argue that political parties in real life seldom expose their ideas on the welfare sector. This avails the grounds for interference by the intelligentsia. As the section above demonstrates, the liberal intelligentsia in Hungary engaged in public discussions on economic and welfare reform vociferously. To this extent, they could, indeed, foster a social space that bonds the policy maker. In order to understand this process, however, one should
go beyond the politicians’ hesitancy on reform and look into how the liberal intelligentsia exploits their relative monopoly of cultural capital as a means providing legitimacy for reform. In other words, what is the link between discourse and policy change?

As I noted above, professional discourse is a form of power thanks to its “generosity”, that is, its capacity to offer others – and in particular policy makers and other professionals – a new and appealing terminology, a different way of seeing or posing questions (Eyal 2003). This discourse may come to prominence during the periods of crisis as well as uncertainty. The economic problems in Hungary, certainly since the country’s EU accession, avails the conditions for an extensive discussion on and introduction of reform. And earlier research demonstrated that epistemic communities are most important during the periods of uncertainty when they can influence a key politician (or politicians) by providing a road-map to a politically salient solution. Crises situations as such would provide epistemic communities with the chances to frame and identify salient points for negotiation, and thereby emulate a new paradigm in effect to the operations of the institutions (King 2005).

These paradigms are crucial. Hall (1993) portrays economic policy-making as a process that takes place in a realm of ideas and principles that are institutionalized in the form of policy paradigms. Hall elaborates (1993: 279) that like a Gestalt this framework is embedded in the terminology through which policy makers communicate about their work, and it is influential precisely because much of it is taken for granted and not amenable to scrutiny as a whole. According to Hall, policy change takes place in the form of ‘social learning.’ Policy-makers deliberately adjust the goals or techniques of the policy in the light of past experience and new information. In other words, policy learning as ‘social learning’ is shaped by external
changes on the one hand, and ‘policy legacies’ on the other. This paper concentrates on how the intelligentsia contributes to the establishment and the emulation of a new social space for policy change, in this respect, through generating new discourses.

Yet, where is the precise link between bundle of ideas and set of policies? Kus (2006) contends that the ‘missing link’ problem – as she illustrates evident in Hall’s (1993) framework – can be solved by problematizing the nature of the institutional crisis that prompted nations to turn to neo-liberal ideas. The discourse, which I portrayed above, shows that the liberal intelligentsia uses ‘crisis’ in an objective sense; as if the nature of the economic crisis were an obvious, universal reality, as were the solutions to it. Hence, they dominate the social space with their claims to universality and provide new paradigms with claims of universality. While some policy actors insist on interpreting problems through the existing paradigm, others are more receptive to new perspectives that often challenge the existing premises. As problems seem more severe and traditional tools seem less apt, challengers gain more power intellectually and politically (Kus 2006: 500).

Schmidt and Radaelli (2004: 192) argue that discourse is fundamental both in giving shape to new institutional structures, as a set of ideas about new rules, values, and practices, and as a resource used by entrepreneurial actors to produce and legitimate those ideas. This article showed the function of discourse in the stages of, to use Cox’s (2001) terminology, “social construction of an imperative” around reform. In this effort, as I stated in the introduction as well, the article takes the use of discourse in policy studies further. Hence, rather than “an understanding that discourse is whatever policy actors say to one another and to the public more generally in their efforts to construct and legitimate their policy programs” (Schmidt 2002: 169), this article showed that discursive practice is a truth producing practice.
carried out by the intelligentsia not necessarily at the front window of politics but mostly in the background.

Hereby, policy and elite studies meet at what may seem to be a rare juncture. The truth-producing practice of the liberal intelligentsia can indeed emulate into public policies, providing a system of models for the production of practices and a system of models for the perception and appreciation of practices – or else in a *habitus* as Bourdieu (1990) stated. This habitus is a system of classificatory models conditioning the agents and providing judgments, hereby, for the policy makers. Thus, via the habitus, there comes a world of common sense, a social world which seems self-evident. In conclusion, the universalizing tendency of the liberal intelligentsia in their policy prescriptions is inclined towards dominating the world of classificatory judgments of agents, common sense, or else the habitus of expected policy practices towards economic transformation. Above, my overview of debates on economic reform shows how the social space is dominated – or perhaps compromised – by the liberal intelligentsia by the virtue of their symbolic capital to foster truth-producing practices. Minogue (1963), presenting the liberal intelligentsia as the persuader, states that the liberal reformer is the appropriator of common good. Minogue (1963) conceives the habitus which the liberal intelligentsia strives to foster as follows:

The mistakes of the past resulted from no one ‘finding the will’ to put them right; people preferred to drift. But now things reached a crisis point and our survival is at stake. The pronoun ‘we’ is an outstanding feature of the persuader. By means of it, the reader or listener is beguiled into an implicit alliance with the persuader. The theory of the common good has the effect of showing that no individual can retreat from the community set by the liberal reformer (Minogue 1963: 124-125).

Hence, the persuader can safely use his two key terms – crisis and survival – as absolutes affecting everybody. Problems acquire a spurious objectivity; they are presented as social problems, and are everybody’s business. In this way, the persuader
has a moral claim upon the attention of everyone; inattention becomes a sin. Symbolic power, in essence, is a “power of worldmaking”. Worldmaking consists in separating and reuniting in carrying out a de-composition or analysis, and a composition or synthesis, often by the use of labels. This power is the liberal intelligentsia’s power of constitution: that is, a power of keeping or transforming the objective principles, a power of conserving or transforming present classifications that are used to designate or to describe individuals, groups or institutions (Minogue 1963).

In this effort, the legacy of managerialism is a truly specific symbolic capital for the intelligentsia in the East Central Europe. Symbolic capital is a credit; it is the power granted to those who have obtained sufficient recognition to be in a position to impose recognition. This is the power of constitution, a power of making a new group, by mobilization, by speaking on its behalf, as an authorized spokesperson and can be obtained only at the end of a long process of institutionalization (Bourdieu 2004: 131-138). The authorized person, as Kornai (2006) states, “wants to serve with reforms economic growth, advancement of competitiveness and efficiency, broadening of the citizens’ selection possibilities, strengthening the society’s feeling of security, providing equity and justice consistently”. These reforms cannot be “half-reforms”, “reform-splinters”, because Hungary deferred the necessary reforms for more than 10 years, for a decade politics feared from all unpopular decisions”: catching up with Europe is only possible through performance enhancing (Békesi 2008).

This picture is almost reminiscent of Marcuse’s One-Dimensional Man. Though written in a different time frame, Marcuse’s work deals with certain basic tendencies in contemporary industrial society and the civilization they indicate. These tendencies have engendered a mode of thought and behavior. The chief characteristic of this new
mode of thought and behavior is the repression of all values, aspirations, and ideas which cannot be defined in terms of operations and attitudes validated by the prevailing forms of rationality. The consequence is the weakening and even the disappearance of all genuinely radical critique, the integration of all opposition in the established system (Kellner 2002, xiii). The current discussions around economic transformation in Hungary shows that the neo-liberal course of reform is an all-encompassing truth generated by the practices of the liberal intelligentsia facilitating and legitimizing economic reform policies.
References:


