

Halfway Through, Halfway There: Sixteen Years of Hungarian Economic Policy

Welcome by the Editor-in-Chief



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Hungarian economic policy since 2010, defined here as the Hungarian Model, has broken its ties to with neoliberal practice. It is now built on a more active role for the state and makes use of non-conventional instruments. We see the essence of the model introduced after 2010 in the state's market-shaping role and in the strengthening of regulation and oversight. We question the assumption that free markets automatically ensure full employment. Instead, we see the solution in public works programmes, government incentives for foreign direct investment, and budgetary support for domestic enterprises – at least until the public finances and the market sector have gained strength and the economy enters a phase of sustained expansion. In line with John Maynard Keynes¹, we regard state intervention unavoidable in periods of crisis – such as those that had emerged by the end of the first decade of the 2000s and, under the impact of external shocks, after 2020 (COVID-19, the energy and currency crises linked to the Russia–Ukraine war, and discriminatory measures from Brussels).² We reject the approach to economic governance – copied by neoliberal governments for more than two decades and rooted in Milton Friedman's principles³. In other words, we are not proponents of a free and unregulated market. Contrary to the teachings of the Chicago School, we do not consider it appropriate to address inflation and economic growth primarily by regulating the money supply. This may once have been feasible during periods of expansion and in advanced market economies, but today – even there – the role of the state cannot be minimised and the principles of the Washington Consensus cannot be applied without limits. The world has changed. In China, state-led and politically directed capitalism has become dominant; in the United States, a protectionist orientation has prevailed – and these tendencies are spreading globally. We also view with some scepticism Friedrich August von Hayek's⁴ thesis, formed in a different geopolitical and intellectual context, that excessive state economic governance inevitably leads to the loss of personal freedom and to dictatorship. For instance, why – and in what sense – would the hundreds of thousands of Hungarian families, entrepreneurs, and municipalities whose foreign-currency loans were consolidated by the state and the Hungarian Central Bank in the 2010s feel that their personal freedom has been curtailed? The information mechanisms that regulate markets function differently in Central and Eastern Europe than in the West. They do not necessarily allocate resources efficiently or keep markets in equilibrium. We take a mixed view of Paul Samuelson's⁵ neoclassical synthesis – both its

mathematical foundations and the linking of micro- and macroeconomic theories – and of its reputation as a breakthrough success. If economic processes were so readily plannable and predictable, how could another global economic crisis have emerged in 2007–2008? Today, the models of Olivier Blanchard’s models aimed at optimising central banking, together with Dani Rodrik’s⁶ institutional matrix and theses that advance institutional thinking, appear more applicable. In Central and Eastern Europe, information asymmetries among market participants are sharper still. The consequences of free-market fundamentalism and globalisation – free movement of capital, money, labour, goods, and services – can be more destructive, particularly for less developed or emerging countries such as Hungary. We must therefore set limits on the unrestricted operation of free markets; interpret the role of the state in a broad economic sense; and, in a social context, take the social consequences of economic decisions more critically into account. Consider here Joseph Stiglitz’s⁷ core argument: markets are often inefficient on their own, and state intervention is therefore necessary in the interest of social justice. In Hungary’s economic, social, and national environment – shaped by delayed phases of settlement and state formation, lost wars, and failed revolutions – this is even more true.

Although we changed economic policy models after 2010 – despite numerous foreign and domestic opponents – our successes became increasingly tangible. Through a Keynesian economic philosophy built on stronger state leadership, a neo-Weberian model of the state, and a reinvention of state-led Hungarian capitalism reminiscent of the second half of the nineteenth century, we departed markedly from the wild-capitalist, neoliberal approach that prevailed before 2010.

The Hungarian Model’s principal value and core pillar lie in a work-based society: expanding employment instead of reliance on welfare. This includes the extension of public employment schemes; job protection programmes; an active, pro-business support policy; and more flexible forms of employment. Fiscal stability and tax reform have gained importance: the introduction of a flat personal income tax alongside a shift in emphasis from income taxation towards consumption taxes. The tax base has been broadened by imposing special taxes on banks, the energy sector, telecommunications, and multinational food retail chains. Economic sovereignty has been strengthened through the handling of Eastern Opening and through the treatment of European Union relations on the basis of Hungary’s national interest. Strategic sectors have been brought back into national, domestic ownership. Public utility services have been brought under state regulation. Society has been protected from market monopolies through price regulation and the introduction of caps on retail markups. A family-centred economic and social policy has been pursued, in which state support for childbearing and child-rearing plays a dominant role and demographic challenges are addressed through domestic instruments and measures. External vulnerability has been reduced both in the public finances and in the financial management of firms and households. Foreign-currency loans have been phased out, and domestic effective demand – wages, pensions, and additional social income – has been increased steadily.

In taking stock of our results, we are once again confronted with the principal challenges of the twenty-first century that also confront us: aligning sustainability with technological transition; climate change; ecological constraints; the digital revolution; and the application

of artificial intelligence. We face the Central European effects of a world shifting from globalisation towards regionalisation, new geopolitical alignments, the impact of wars, and a weakening European Union. We must acknowledge that the unipolar world has come to an end; new actors have appeared on world markets; and we are witnessing the waning of liberal democracies – while demand for state involvement remains constant.

The changing practice of economic governance worldwide is also reflected in civic governance, and the incorporation of these new elements into governance in Hungary is therefore a positive development. Indeed, the hyperactivity of the Hungarian government is striking. Yet solid scientific foundations aligned with the substance of governance are still lacking as a basis for Hungarian practice.⁸ Hungarian social science – academicians in law and economics, who stand at the top of the organisational pyramid of Hungarian scholarship and could provide the scientific background to governance practice – does not adapt to domestic needs, to international standards, or to changed realities. Moreover, it avoids – or is hostile to – the scientific analysis of governance practices emerging from our own shared economic-ideological space, especially those emerging in Hungary. In terms of capabilities and in their research and publications in leading international journals, they lag behind the world average by 88 per cent.⁹ The scientific isolation of the Hungarian civic government's public policies is therefore conspicuous in academic circles, even as they themselves remain on the periphery of international scholarship.

There is tension between research conducted within the intellectual sphere dominated by academics and governmental decision-making. As a consequence, governmental achievements are more difficult to channel into economic practice and into society's thinking, behaviour, and attitudes towards governance. Although it is established that there is demand – and receptiveness – for integrating economics and governance studies grounded in national values into the international academic sphere, non-academic researchers are achieving notable results in this area. The traditional Hungarian academic evaluation system, however, excludes these new types of research and researchers.¹⁰

In economic policy, a clearly value-creating experiment is under way, centred on strong state intervention in markets, and a work-based society – together constituting the Hungarian Model. The non-conventional methodology of governance generates debates in theoretical discourse, which significantly reduces its social acceptance, recognition, and ultimately its effectiveness. Although the academic elite of Hungarian economics belongs only marginally to the frontier of international scholarship, its positive spillover effect on the development of domestic governance is scarcely measurable.¹¹

An additional complicating factor is that the diversification of theoretical approaches within the bastion of scholarship – Hungarian Academy of Sciences – is hindered to a great extent by the dominance of academics with weaker performance indicators over academic (and university) public opinion. In this sense, the Academy's practice may be described in terms of the classic sociological phenomenon of *gatekeeping*, whereby a currently inward-looking – one might say insular – intellectual circle maintains gatekeeping mechanisms. In the case of Section IX, a certain type of (outdated and superseded) conception of science continues to prevail. Those operating in this sphere are hostile to research and researchers who

elevate the study of non-conventional economic governance to an international scientific level, regardless of quality or recognition parameters. The current domestic system of scientific qualification – far from necessarily resting on scientific prestige and objective merit – excludes new types of economic and governance approaches even when they are recognised internationally. At the same time, this reproduces the scientific periphery: a peculiar and dogmatic triumph of mediocrity.

Our struggle will be long-term. The strengthening of national economic and political sovereignty and of the civic character of the state is our most important task – within which the replacement of the academic elite and the institutionalisation of a state-led, nationally grounded economics constitute the next leap. Overcoming and transcending outdated ideas can sometimes take longer and consume more energy than reforming a tax system or a central-bank mandate framework. Yet in the pages of *Civic Review*, we also strive to present today's economic and social conditions and governmental results, through scientific analysis – and to continue building civic economics.

Enjoy reading *Civic Review*.

Professor Csaba Lentner
Editor-in-Chief, *Civic Review*

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NOTES

- 1 Keynes, J. M. (1936): *The General Theory of Employment, Interest and Money* <https://www.marxists.org/reference/subject/economics/keynes/general-theory/>
- 2 Milton, Friedman (1962): *Capitalism and Freedom* <http://pombo.free.fr/friedman2002.pdf>
- 3 Milton, Friedman (1962): *Capitalism and Freedom* <http://pombo.free.fr/friedman2002.pdf>
- 4 Hayek, A. Friedrich (1944): *The Road to Serfdom* <https://mises.org/library/book/road-serfdom>
- 5 Samuelson, Paul (1958): *Linear Programming and Economic Analysis* (with R. Solow, R. Dorfman) <https://ia601400.us.archive.org/4/items/in.ernet.dli.2015.137776/2015.137776.Linear-Programming-And-Economic-Analysis.pdf>
- 6 Rodrik, Dani (2015): *Economics Rules: The Rights and Wrongs of the Dismal Science*, *W.W. Norton*, New York <https://www.economicas.uba.ar/wp-content/uploads/2016/03/Economics-Rules-Dani-Rodrik.pdf>, D. Rodrik (2007): *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*, *Princeton Press* <http://ndl.ethernet.edu.et/bitstream/123456789/3509/1/127.pdf.pdf>
- 7 Stiglitz, Joseph (2002): *Globalization and Its Discontents* https://www.researchgate.net/publication/4755241_Joseph_E_Stiglitz_2002_Globalization_and_Its_Discontents
- 8 There have been courageous efforts in this direction – such as the MNB's New Type of Public Thinking Programme, the separation of the research network from the Hungarian Academy of Sciences, and our new university programmes in economics and governance – but, given the short time available and other factors, their impact is still difficult to assess.

- 9 Csaba Lentner (2025): *For the Renewal of the Hungarian Academy of Sciences II* (A Magyar Tudományos Akadémia megújításáért II). *Polgári Szemle*, Vol. 21, Nos. 4–6, pp. 5–29. DOI: 10.24307/psz.2025.0901. The study addresses both distorted performance evaluation at the Academy and the politically motivated disqualification of those considered undesirable or associated with other intellectual currents.
- 10 Unfortunately, the academic evaluation and tendering system remains rather insular, even in strictly professional terms. Professor Imre Fertő's quantitative analysis made it clear that scientific performance (publications, citations) plays only a minor role in Section IX under review. The main role is played by informal networks: successful nominations are consistently backed by strong support networks. The selection process therefore does not operate primarily on the basis of meritocratic principles, but on the basis of informal deals and social capital. The study confirms that serious institutional reforms are needed to ensure that academic selection is to be based on scientific performance rather than informal connections. Fertő, Imre (2025): *Meritocracy or informal networks? On the mechanism for awarding corresponding membership of the Hungarian Academy of Sciences*. *Külgazdaság*, vol. LXIX, November–December 2025, pp. 78–113. <https://doi.org/10.47630/KULG.2025.69.11-12.78> Katalin Bella's research confirms that the publication performance of the members of Section IX of the Hungarian Academy of Sciences, as measured by Web of Science, shows significant variation and does not reveal a uniform, Q1-dominant pattern of excellence. The historically evolved closed nature of academic institutions, the strong role of regulation (in the absence of independent initiatives), and the importance of personal networks all contribute to appointments not only reflecting but actively reproducing the scientific periphery. Bella, Katalin (2026): *On the International Periphery? The State of Hungarian Economics as Reflected in Bibliometric Data* (Nemzetközi periférián? A magyar közgazdaságtudomány helyzete bibliometriai adatok tükrében). MCA. Under publication.
- 11 It is a fact that they do not provide a value-creating scientific background to civic governance; however, independently of this, their research – grounded in a different intellectual orientation – could still appear in the international academic arena far more than it does at present.