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Article

How Orbán won? Neoliberal disenchantment and the grand strategy of financial nationalism to reconstruct capitalism and regain autonomy

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Abstract

Disenchantment with global finance in Central-Eastern Europe enabled financial nationalism to emerge as a counter-hegemonic strategy. In Hungary, Prime Minister Orbán put forth his explicit aim to increase domestic ownership in banking to over 50% and legitimized the ensuing re-nationalization of the financial sector with resentment over neoliberal banking practices. The article describes how the financial crisis created an opportunity for Orbán and his allies to usher in a new era of financial ownership structures. It provides a critical political economy analysis of how the Orbán government selected economic sectors to target and how it used a network of associated private actors in its quest to re-nationalize and then re-privatize major banks to a newly created elite, the 'national capitalists'. In this, financial nationalism constituted a grand strategy to reconstruct Hungarian capitalism in order to regain autonomy and assure long-term political survival within a liberal EU context.

Key words: political economy, finance, varieties of capitalism, Eastern Europe, dependency

JEL classification: P16 political economy

1. Introduction

Ever since the government of Gyula Horn took office in 1994, the Hungarian political economy of finance had been characterized by a 'modernization consensus' between post-communist and neoliberal political groups (. . .). This consensus prescribed the encouragement of foreign direct investment as a remedy for almost all ailments that plagued the emerging finance capitalism in Hungary. This model led to a decade-long 'golden age' for the

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banking sector as profits reached levels substantially exceeding the EU average (Bohle, 2018b).

However, by the mid-2000s, the shortcomings of this development model came to the fore and the Great Financial Crisis (GFC) decidedly put an end to this irrational exuberance. Mortgage debts denominated in foreign currencies, a key driver of the upswing, became non-performing loans (NPLs) on a massive scale. The omnipresent practice of unilateral amendments to loan agreements initiated by financial conglomerates benefited the banks even more and undermined trust in the fairness of the political economy. While they offered a new batch of—limited—regulations to ease the state capture by business interests (…), the parliamentary majority comprising of the Socialist Party and the neoliberal SZDSZ did not take decisive measures to rectify these widely resented injustices. Eventually, this disenchantment with neoliberal practices prevalent in domestic finance proved to be a major factor in their landslide defeat in the 2010 parliamentary elections.

Fidesz-KDNP, the right-wing populist party alliance of Viktor Orbán, won a two-thirds majority of seats in parliament and immediately began to implement a nationalist-conservative, 'illiberal' policy agenda. In relevant research the post-2010 policy transformation of Hungary under Orbán has often been treated as a seminal case of financial nationalism (Johnson and Barnes, 2015; Mérő and Piroska, 2016; Mérő and Piroska, 2017) or, along similar lines, economic patriotism (Naczyk (2014), Gerőcs and Szanyi (2019). While treatments of this nationalist turn in financial policy, together with the international environment that enabled it and the domestic actors which benefitted from it (Scheiring, 2020), shed light on some preconditions for the emergence a counter-hegemonic project, an analysis of the macro-level and international strategy and micro-level motivations, as well as the tactics and sequence of how the subjugation of Hungarian finance proper took place is yet to be presented.

In this article, our aim is to contribute to both the theoretical understanding and empirical analysis of financial nationalism by the investigation of a key case. In terms of theory, we outline the features of a grand strategy which betrays a complexity seldom associated with Orbán's 'crony capitalism' in corruption-centred examinations. We show how finance was a particularly suitable target due to its high profitability, to its pivotal role in finance capitalism by providing investment funds to other sectors, and to the fact that capital—due to a crisis or otherwise—is nimbly allocated across borders with its relatively low levels of fixed investment (cf. (Király, 2019). In our empirical analysis, which covers Hungary between 2010 and 2018, we provide a qualitative case study that presents the logic of changes implemented and the extensive tactical repertoire that the governing party deployed to transform the prevailing ownership structure of the Hungarian banking system. Our contributions to financial nationalism as a concept and our analytical framework of the various steps in such a strategic logic can be applied to other cases, for instance Poland or Russia—Slovenia reveals the opposite trajectory of banking privatization and neoliberal policies (Piroska and Podvršič, 2020), though the open collaboration of its right-wing prime minster, Janez Janša, with Orbán might suggest otherwise.

Our presentation begins with a review of the relevant literature. Then we proceed to outline the theory and research design undergirding our study. Next, our main analytical section starts with a brief description of the rise of neoliberalism in Hungarian finance, as well as the widespread disenchantment with its practices in the late 2000s. This is followed by a dissection of the strategic blueprint for and the empirical steps of the consolidation of

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financial nationalism in Hungary. A case-by-case analysis reveals how Orbán's control was extended over individual financial institutions by using both state and market players aligned with the governing party. The final section draws comparative conclusions from the analysis and considers avenues for further research.

2. Theory

In this article, we present an argument which explains why and how Orbán was able to restructure Hungarian finance capitalism despite the dependent economic development trajectory of a political economy situated on the EU semi-periphery. In this section, we discuss the relevant literature and our theoretical propositions related to three main questions. What were the root causes of financial nationalism and how do they relate to the well-established limitations in Hungarian policy autonomy in the financial domain? What is financial nationalism and how is the Hungarian case both unique and generalizable? And finally: Why can we consider financial nationalism to be the grand strategy of Viktor Orbán to restructure Hungarian finance capitalism and regain policy autonomy?

2.1 The origins and explanation of Orbán's transformation of Hungarian finance capitalism

The Hungarian political economy is conventionally approached in reference to (one of) several typologies seeking to capture the broader, systemic variations of capitalism that emerged in Central and Eastern Europe (CEE). Most often grouped together with its Visegrád peers, Hungary's post-transitional mode of capitalism and its institutional arrangements are seen as having equilibrated onto a specific capitalist type variously described as 'embedded neoliberalism' (Bohle and Greskovits, 2012), 'dependent market economy' (Nölke and Vliegenthart, 2009) or an 'foreign direct investment (FDI)-based (second-rank) market economy' (Myant and Drahokoupil, 2010). Key differences between these authors aside, they all emphasize the dependent, semi-peripheral nature of the Visegrád economies. This can be—to a large extent—applied to finance as well (given the capital and know-how needs of domestic banks in line for privatization in the 1990s which set up an era of foreign dominance—with the notable exception of OTP Bank—up until the early 2010s)–see also (Epstein, 2017) on the uniquely high penetration of foreign finance in CEE and its developmental consequences.

Yet, this brand of literature either had a pre-crisis vantage point or set aside the fact that the political economy of global and European capitalism underwent a transfiguration due to the GFC and subsequent sovereign debt crisis. Correspondingly, due to the economic and social cost of the crisis, the regulation of financial markets was no longer deemed to be exclusively a question of 'good governance'—the basic tenets of neoliberalism came into question, financial elites were now seen as unfit to self-regulate (Engelen *et al.*, 2012). This overall disenchantment with the extant form of finance capitalism allowed a diverse group of political entrepreneurs and movements (from Syriza in Greece to Trump in USA) to seize the opportunity and mount a [left-wing or nationalist—Worth (2002)] counter-hegemonic challenge.

The integration-oriented Hungarian economic model experienced an upheaval commensurate with the blights caused by the collapse of the mortgage market. As we show below, it was a major factor in precipitating the downfall of the socialist–liberal coalition and paving

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the way for the 'unorthodox' and 'illiberal' policies of the second Orbán government (which entered into office in 2010). This development was not lost on a second wave of the pertinent literature, which now directly juxtaposed the relationship between the evolution of the type of capitalism with the realignments in political systems. Building on several studies which described the retrenchment of liberal democracy and the emergence of a hybrid or quasi-authoritarian political system (Pogátsa, 2009; Sedelmeier, 2014; Ágh, 2015; Bozóki, 2015; Csillag and Szelényi, 2015; Greskovits, 2015), political economy scholars understood these developments in Hungary as a new populist or authoritarian model of state capitalism [e.g. Rogers, 2020; Scheiring (2020)].

Others posited that instead of creating a new mode of capitalism, Orbán constructed an 'extractive' political regime. Concepts such as the 'mafia state' (Magyar, 2016) or 'clan state' (Sallai and Schnyder, 2018; Szanyi, 2019) highlight the weak ideological intent behind the policies as well as the importance of building out a loyal network of oligarchs (Stark and Vedres, 2012) and the distorting consequences of both in post-2010 Hungary (see e.g. Laki's (2020) work on the fastest man on Earth to become a dollar millionaire, Orbán's childhood friend, Lőrinc Mészáros).

Yet, many of the central concepts in the emerging literature are either not directly applicable to the unprecedented changes in the financial system of a developed nation (such as authoritarianism, democratic backsliding) or ignore some key issues of the transformation of Hungarian finance capitalism by their singular focus on corruption. Conceptually speaking, banking nationalizations (or subsequent re-privatization) are not inherently anti-democratic nor necessarily cause degression on the political front—though indirectly they can contribute to backsliding processes. Rent-seeking alone is not a satisfactory explanation for the wide variety of strategies and institutional forms used throughout the process—and it cannot explain a slew of loss-making projects which served, nevertheless, to be pivotal components in the grand strategy (such as buying and financing banks with a large share of distressed loans, see MKB Bank case below). This literature is also seldom in conversation with the altered nature of the dependency of the Hungarian political economy.

For example, Sedelmeier (2014) argues, true dependencies turned into illusionary ones as the older EU Member States lost most of their leverage over new members after their accession. Fiscal discipline was not observed by France, Italy and most notably by Greece (while Hungary eventually escaped the Excessive Deficit Procedure), infringement procedures targeted all members regardless of tenure in the club, and the consensual decision-making rules in the Council created veto points that 'rogue' states could leverage in their own defence. Foreign Direct Investors in Hungary, and particularly German automakers, were pleased with the lax regulatory environment and considerable tax subsidies which created a mutually beneficial relationship instead of a one-sided dependency structure. The so-called Eastern opening by the Hungarian government towards China, Russia and the Arab world initiated a gradual (and admittedly, slow) loosening of economic ties to the transatlantic core countries.

All the aforementioned steps formed part of a grand strategy by Orbán to remodel Hungarian capitalism, diversify international relations, regain policymaking autonomy and ultimately ensure that electoral competition would be stacked in favour of the governing party. One of the key elements of this grand strategy was the transformation of the domestic financial system which both allowed for the decoupling from international finance capital and the establishment of new funding sources for the wholesale restructuring of Hungarian

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capitalism. Due to this long-term and ideology-laden character of Orbán's financial nationalism, we disagree with those who argue Orbán's approach is rather a matter of pragmatic, short-term 'bricolage' which objectives are at best 'quasi-ideological' (Körösényi *et al.*, 2020).

2.2 The concept of financial nationalism and the Hungarian case

In the domain of finance, Hungary's deviation in this period from the orthodox-neoliberal convention is best characterized by a form of financial nationalism. In 2013, Orbán appointed György Matolcsy, his right-hand man on all economic matters, as the governor of the Hungarian central bank (Matolcsy-headed Hungarian National Bank, MNB). Together with their international enablers (Johnson and Barnes, 2015), political entrepreneurs such as Matolcsy jointly laid the ground for a massive shift towards financial nationalism. Theirs was, however, an idiosyncratic brand of financial nationalism and their strategy was aimed at a sweeping transformation of domestic finance, making use of tactics which are normally not associated with 'traditional' financial protectionism.

Financial protectionism—understood as favouring domestic owner-groups (Young, 2014)—is far from unheard of in Western European political economies (Epstein and Rhodes, 2014, p. 3). But the scale and innovative nature of the Hungarian metamorphosis from the pre-2010 status quo represented no less than a crucial case and ideal type of the disenchanted, post-crisis transformation of banking in CEE and beyond (Johnson and Barnes, 2015; Mérő and Piroska, 2016; Mérő and Piroska, 2017; Piroska, 2017). Unlike the 'liberal financial nationalism' identified by Deeg (1999), the Hungarian case is a form of nationalism that is unequivocally critical of global capitalism, one might describe it as a form of 'illiberal' financial nationalism. In this sense, together with Poland in the mid-to-end 2010s, it marks a distinct model (which in some other sector was characterized by a 'conservative developmental statism' (Bluhm and Varga, 2020).

Orbán's financial nationalism stands in contrast to Estonia's, for example, where the efforts to achieve political and economic independence from Russia have resulted in a neoliberal form of financial nationalism (Johnson and Barnes, 2015, p. 564). For Hungary in particular, the new course has been based on a grand strategy that involves the initial nationalization (Voszka, 2018) and then re-privatization of the given assets into the hands of regime-friendly capitalists—accompanied in both cases by the criticism of economists identifying with the previously dominant ideology (Király, 2016). In this, the Hungarian case represents a unique, yet generalizable brand of 'radical' financial nationalism the logic of which is not yet elaborated to its full extent.

Johnson and Barnes (2015, p. 536) specify financial nationalism as 'an economic strategy that employs financial levers including monetary policy, currency interventions, and other methods of interaction with local and international financial systems to promote the nation's unity, autonomy, and identity'. The authors define the concept of financial (or banking) nationalism as a subcategory which emphasizes monetary and financial policy instruments as tools in the service of realizing a nationalist project (2015, p. 537). While many of these points are well-applicable to the Hungarian case, some essential aspects of its uniqueness are glossed over.

On the conceptual level, the broader debate in international political economy on the definition of economic or financial nationalism [or patriotism, Clift and Woll (2012)] remains unresolved. Simplified, this boils down to a disagreement between those who treat the

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concept in a narrower and policy-based fashion (i.e. any financial protectionism qualifies) and those taking the interpretative view and focusing on the specific nationalist ideology determining the policy's character (e.g. neoliberalism as nationalist). The more encompassing interpretation of economic nationalism as a political doctrine of the national collective interest is central to successive authors following Shulman (2000) when discussing the nation–state in relation to globalization (Helleiner, 2002; Pickel, 2003; Abdelal, 2005; Helleiner and Pickel; 2005, Harmes; 2012)

This brand of the literature, however, is criticized by Pryke (2012) who claims that 'these writings are not, in fact, so much about economic nationalism as much as the nationalist motivation of economic policy'. Pryke's own definition—'a set of practices designed to create, bolster and protect national economies in the context of world markets, [which are] not necessarily antithetical to external economic activity, but (...) opposed to allowing a nation's fortunes to be determined by world markets alone'—is more precise, but also remains unsatisfactory.

In a sense, this is a reformulation of Cohen's interpretation, which differentiates between benign and malign forms of economic nationalism. In Cohen's (1991) view, '[b]enign nationalism acknowledges a connection between self-interest and systemic interest; malign nationalism ignores or denies it'. This general approach is also shared by a string of authors (Helleiner, 2002; Helleiner and Pickel, 2005). Yet, this categorization problem complicates empirical analysis, which leads some to develop varieties of economic nationalism for clarity's sake (see e.g. Šćepanović (2019)).

Johnson and Barnes' (2015) analytical framework, which is directly relevant for our purposes as it was applied to the Hungarian case, oscillates between these viewpoints and definitions and therefore is not an ideal stepping-stone for understanding the big picture of Orbán's restructuration of finance capitalism. Although they provide an overview of '*most typical* manifestations of financial nationalism' (pp. 538–540—such as monetary sovereignty, central bank politicization or the preferential treatment national insiders) covering many of its parameters, their approach does not specify the *cui bono* question. Neither does their theoretical account explain how insider preferentialism, for instance, private ownership restructuring towards national capitalists, is legitimated and fits into an overall domestic and international political strategy.

In our view, different agent categories, varying interconnections between the private and public sphere (both agents and ownership structures) and the mechanisms of public legitimation are necessary components of the logic at play, as is a fuller understanding of multilevel fiscal governance in the EU context. Furthermore, Johnson and Barnes generally overlook the connection between financial nationalism and institutional power/capacity.[1] For instance, controlling finance allowed for controlling large swathes of the media as state-guaranteed or private loans were secured to take over the second biggest commercial TV channel (TV2) and multiple dozens of newspapers and magazines which were integrated into a Fidesz-controlled foundation. For Orbán, the constitutional parliamentary majority also eliminated constraints and veto points to policymaking which allowed for the regulatory and policy overhaul needed to implement the restructuring of Hungarian finance capitalism. This circular logic allowed for the gradual extension of financial nationalism from an

1 We thank the anonymous reviewer for highlighting this point.

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ideational outlook to an overarching principle and reality in the Hungarian financial domain.

2.3 Financial nationalism as a counter-hegemonic strategy

Epstein and Rhodes (2014, p. 15) interpret financial nationalism as part of a broader political plan to retain financial power. The complexity of financial capitalism is readily apparent in their narrative, which describes how Western European national champions emerged and how national governments supporting them are simultaneously promoting an internationalist regulatory agenda. This framework allows for a power and capital-centric analysis of the Hungarian case in a critical political economy framework. Such an approach finds easy connection with different aspects of the neo-Gramscian approach to international political economy, which allows for a theoretically richer analysis of the role of Hungarian financial nationalism.

Specifically, the work of van der Pijl (2008) and Macartney (2011) are directly relevant for the construction of such an approach, because they direct our attention to the crucial role elites and ideologies play in creating this counter-hegemonic movement against prevailing neoliberal doctrines and power structures. Yet an encompassing account cannot do without focusing on the interplay between capital and power which necessitates the consideration of various other authors, and notably Apeldoorn, associated with the Amsterdam School (Overbeek, 1993; Jessop and Overbeek, 2018).

Assisted by these contributions, we first observe that while Orbán's financial restructuring was just one aspect of his general uprooting of the extant socio-economic order (Van Apeldoorn, 1998), it nonetheless amounted to a wholesale 'reconfiguration of the state-capital nexus' (Van Apeldoorn *et al.*, 2012). Secondly, as Van Apeldoorn et al. remark, 'it must be recognized that neoliberalism is no longer a hegemonic project and, in that respect, might be reaching (...) the end of its life-cycle' (Van Apeldoorn *et al.*, 2012, p. 479). This erosion allowed for Orbán to regain sovereignty (Lupo-Pasini, 2017)—and, therefore, in more theoretical terms, policymaking autonomy in the financial sphere and served as the intermediate target towards his eventual goal: a perpetuation of his grip on political power.

Through this lens, Orbán's financial nationalism reveals itself as a counter-hegemonic project which seriously reckoned with the role of capital in underpinning contemporary political and economic structures. But focussing on the *specific* relations between domestic elites and capital, our analysis also corresponds to calls for the Amsterdam School to be more grounded in locally relevant facts (Bohle, 2019, p. 178). Orbán, quite the historical materialist, realized that his political survival was dependent on the reconstruction of domestic capitalism and the untying of his fortunes from the most destructive forces of capitalism: global finance. Johnson and Barnes were right to highlight the role of international creditors in this process—this was also borne out by later developments related to the notable project financing of the PAKS nuclear plant extension (Russian loan) and the Budapest–Belgrade railway (with its Chinese financing). Yet, Orbán's international grand strategy was more comprehensive than just securing development loans from parties who attached no strings to the deals in terms of domestic politics or financial policy.

Rather, it was rooted in the widespread domestic disenchantment with international financial institutions and the transnational classes which generated political legitimacy for his project to convert his temporary room for manoeuvre to a long-term survival in a liberal (and therefore: hostile) EU context and extant financial dependency (see Sections 3.1 and

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3.2). Why Orbán made some progress in his difficult quest to change the prevailing EU ideology on multiple matters (most notably: the sharing the burdens of mass immigration), the eradication of financial dependency was a more realistic target for his grand strategy. It was also the more rewarding one as domestic and some international micro-level motivations were aligned with it (most importantly: those of the new class of 'national capitalists', German automakers as well as the aforementioned 'international enablers' in global finance).

Hence Orbán's grand strategy entailed the (a) the restructuring of capitalism via state power in a context of eroding legitimacy of the status quo (b) in order to regain autonomy (c) which assured long-term survival, within the liberal EU context. Domestically, financial nationalism provided the capacity (d) to entrench this legitimacy through the occupation of the public sphere by private media acquisitions and university reform which (e) further limits the opposition and civil society to mobilize against the new, Fidesz dominated status quo. Financial nationalism as a grand strategy is also generalizable to other contexts where false or weakened dependencies (see the notion of the withering of neoliberalism in Apeldoorn et al., 2012) may create such historic junctures. In sum, our theoretical framework relies on the insights derived from the literature review in its effort to further explore the concept of financial nationalism as a framework for empirical analysis.

3. Empirical analysis

As we explained in our theoretical framework, financial nationalism privileges certain economic agents and institutions, both public and private, over others, who in different ways support the political strategy and the hegemonic project. In this section, we 'descend from the lofty heights of the transnational to survey the local and everyday' (Bohle, 2018a) and describe both the empirical logic and the concrete steps of how Orbán's counter-hegemonic project restructured Hungarian finance capitalism.

Our general thesis is examined in a qualitative case study, which offers a useful approach to analysing complex processes and strategic interactions by self-interested actors. In this setting, the explanandum is the transformation of the financial political economy and the consolidation of a new hegemony in the period between 2010 and 2018. Since the emerging model of political economy (including its regulatory, market structural and profitability elements) are themselves to a substantial extent a function of the grand strategy, we consider all aspects relevant to tell the story of the reorganization of ownership in Hungarian banking.

First, our empirical analysis covers one of the major preconditions for the success of the counter-hegemonic project (neoliberal disenchantment). We next present the intellectual origins of Orbán's financial nationalism which are rooted in the early 1990s. This is followed by a description of the general logic of accumulation in the Fidesz regime and that of financial accumulation strategies specifically. Finally, we analyse the political tactics used to support the financial nationalist strategy with a detailed analysis of the various cases of ownership restructuring. For reasons of scope, however, we cannot spell out the final phase of how these financial resources enabled Fidesz to entrench its legitimacy by occupying the media landscape through private media acquisitions, the public media, university and academic reform etc.

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3.1 A precondition: Neoliberal finance from the 'golden age' to disenchantment

The financial regulatory paradigm of the 1990–2010 era was characterized by what might be called a *modernization consensus* (...) between post-communist and neoliberal forces which resulted in an embedded form of neoliberalism (Bohle and Greskovits, 2007). The shared values of the post-communist Hungarian Socialist Party (MSZP) and liberal Alliance of Free Democrats (SZDSZ) parties as well as their satellite elites included a preference for Westernization, European Union and NATO and -accession, and the adoption of the 'SLIP' agenda: stabilization, liberalization, institution building and privatization (Kolodko, 2018, p. 60).

When it came to financial markets, these values demanded the rapid re-capitalization and privatization of state-controlled banks to foreign multinationals. As the MSZP–SZDSZ coalition won an overwhelming majority in the 1994 parliamentary elections, a major re-alignment of the ownership structure of the Hungarian banking system was just a question of time: the 'cement uniting the coalition' was liberal economics (Andor, 1995). The self-interest of key figures of the emerging capitalist class involved in the revolving door of bank management and policymaking was also crucial in accelerating the process of internationalization in the Hungarian banking sector (e.g. Lajos Bokros). Following a series of privatization deals, the market share of multinational banking interests duly jumped from a value of 12% in 1993 to 61% by 1997 (Várhegyi, 1998, p. 917). With a massive influx of FDI, the Hungarian banking sector quickly turned from 'a money-losing state-owned drain on public resources in the 1980s' into a privately owned business 'operating at Western European standards by the late 1990s' (Akbar and Mcbride, 2004). What followed was a 'golden age' for the Hungarian banking sector (Banai *et al.*, 2010; Müller *et al.*, 2014, p. 73).

Regulation and oversight were light, and banks were given free rein in introducing new products, even some that entailed significant credit or currency risks. These included products associated with wide-ranging financialization, such as foreign-exchange-denominated mortgage or consumer loans (Brown and De Haas, 2012). At the same time, in some cases, the return on assets for Hungarian subsidiaries of major international banks was up to 100% higher than the profitability of their parent companies (Banai *et al.*, 2010, pp. 114–115). According to Bohle (2014), average annual credit growth between 2003 and 2008 was almost 20% in Hungary, and the outstanding debts of households to banks tripled between 2004 and 2008 (Banai *et al.*, 2010, p. 117).

The financial crisis resulted in a severe depreciation of the Hungarian forint vis-á-vis major loan currencies (notably the Swiss franc), and, along with surging unemployment, this led to a housing loan bust (Bohle, 2018b, p. 208). The issue of NPLs became highly politicized and turned into a symbol of the ineffectiveness and unfairness of the policies pursued by the socialist–liberal coalition. By 2010, the political landscape was set for a major policy switch.

The rhetoric and policy proposals of Fidesz fit the bill: as far back as 2004 it had denounced the MSZP–SZDSZ coalition as a 'banker's government'. Despite these omens, conventional wisdom never foresaw the magnitude of the policy changes that ensued with Viktor Orbán's electoral sweep in 2010. Indeed, the financial elite and most commentators considered such a U-turn from a policy paradigm that had been dominant for well over a

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decade unfeasible. They saw it as something the international financial elites would frown upon,[2] which would make it impossible to implement.

In the event, the reforms of the new government surpassed event the wildest of imaginations. In the midst of fiscal turmoil, the second Orbán government implemented a banking levy and financial transaction tax to retrieve revenue from financial institutions and over Hungarian forint (HUF) 2000 billion forint in mandatory private pension savings were 'reclaimed' by the state (Naczyk and Domonkos, 2016).[3] Mortgage loan holders—especially those with higher than average income/wealth—received multiple rounds of bailouts (Bohle, 2018b, p. 209, Csizmady and Hegedus, 2016). The thrust of these interventions was aimed at the predominantly foreign-owned banking sector, which eventually footed the bill in almost every case when it was called upon to do so. One hugely important side effect of these manoeuvres was that they created a fertile ground for taking over the local subsidiaries of multinational financial conglomerates, which were buckling under the massive burden they carried as a result of the government's policies. Thus, a period of financial nationalism begun.

3.2 Financial nationalism as grand strategy and counter-hegemony

During the early 2000s, Fidesz started a counter-hegemonic process to strengthen the legitimacy of a nationalist–conservative political discourse in Hungary's by supporting civil society actors such as the Századvég think tank and the Civic Circles movement (Bluhm and Varga, 2018; Buzogány and Varga, 2018; Greskovits, 2020). Moreover, Fidesz expanded its media reach by private businessmen either founding or acquiring papers, radio and television stations (e.g. Lajos Simicska). These businesses were attractive assets, and in exchange for the pro-Fidesz content the owners of such outlets would be rewarded with public contracts, advertising money, etc. when Fidesz took office.[4] In these years, Fidesz, however, only haphazardly attacked the banking sector and the financial interests of Hungary's political elites (although anti-'government of the bankers' rhetoric was prevalent from 2002 on). From the onset of the 2008 crisis, it more vocally politicized the international financial system and Hungary's position in it.

2 See, for example, an early 2010 report by Rabobank, which renders a typical example of this line of thought: 'Several statements indicate that Fidesz does realize that reversing the recent reforms will jeopardize Hungary's position with the IMF and international investors—and Hungary is certainly in need of both', accessed at https://economics.rabobank.com/contentassets/d3ebd2f1ef624b038e888cff21f731fb/hungary-201002.pdf

3 Most major banks had a private pension arm within the overall conglomerates, such as OTP Magánnyugdíjpénztár (dissolved in 2012) or that of Budapest Bank and MKB (both still in business). Private pension funds were one of the most profitable institutions and market segment in general of the financial system. A report by the Hungarian central bank called the fees in the mandatory private pension system 'exceedingly high' even in regional comparison, see: Mnb.hu. (2018). [online], accessed athttps://www.mnb.hu/letoltes/mt-48.pdf

4 Lajos Simicska is exemplary for how private business enabled the Fidesz rise to power. Closely related to Orbán and Fidesz, Simicska used his economic clout to gain control over various media outlets (e.g. Heti Valasz, HirTV, Magyar Nemzet) that supported the Fidesz message. In return, Fidesz made Simicska a central oligarchic person in the Fidesz economic network—that is, until he fell out of favour with Orbán and was practically replaced by Lőrinc Mészáros, see below.

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Despite these developments in the 2000s, Orbán was keen on replacing the post-communist/liberal political and economic elite and revamping the political economy model as early as the mid-1990s. For many key strategists at Fidesz, the economic perspectives were already geared towards economic nationalism. Importantly, Orbán and his right-hand Matolcsy recognized that Hungary's position in the global economy is not that of a country in equal competition with advanced market economies. In light of the unbalanced relations in global financial capitalism, they viewed the restoration of policy sovereignty as their crucial challenge, particularly because they realized major foreign banks constituted a systemic risk for financial stability when parent banks are negatively exposed elsewhere (besides the ongoing process of dividend repatriation—'profit transfer'—which Matolcsy (1997) criticized from the mid-1990s on).

The key historical source in this context is a book by the former Member of Parliament (MP) and public intellectual József Debreczeni (1998), for which he interviewed the then opposition MP Viktor Orbán in 1994 in the context of a book about the recently deceased Prime Minister József Antall. The idea that one needs to lay the material—besides that political and ideational—groundwork for electoral and government success was already expressed here. Just as with respect to restructuring media relations in Hungary, Orbán already had a clear strategic plan for replacing the Hungarian model of capitalism. Talking about Antall, Orbán expressed a criticism of his political strategy:

> He should have identified the 8–10 major businessmen who would be designated to become Hungary's leading tycoons. There aren't many more of these out there. And these people should have been supported in attaining that role, not by governmental means but simply by providing them with banking contacts. These are the people that he should have built personal relationships with, which they could then have exploited as a competitive edge in the market; their relationship, that is, with the Hungarian prime minster and his innermost circle. Yes, in certain economic areas the nation would have become subject to the economic interests of 8–10 tycoons. (...) If he had been able to hold on to the support of half of them even in a situation when he was losing, then that would be a huge achievement. But you see, not a single tycoon stuck with MDF [the Hungarian Democratic Forum, the party of former Prime Minister József Antall] during the election campaign. They all switched sides. That was not preordained, it could have gone differently had the ties had been sufficiently strengthened before. Then they would not have had to switch sides. That's what should have happened.'

Orbán was also very clear on the technical means that needed to be deployed to create this national class of major capitalists:

> We should make it clear to the bankers that these are our 8–10 people. And then you can let the business logic sort out the rest. Maybe we could have helped with the development funds and tenders, but only cautiously, careful not to transgress against the public sense of what's in good taste. (...) He lacked the talent and inclination to implement this. He was completely ill-suited for this!' (Debreczeni, 2009, pp. 107–108).

In light of the above, it is hardly surprising that, as Prime Minister Orbán looked at the banking system as an important terrain for designing the new model of Hungarian capitalism following his return to power in 2010. In fact, regarding the financial sector, Orbán unequivocally laid out his objectives in July 2012: 'One aspect of the government's new economic model is that fifty percent of the banking system needs to be in Hungarian

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hands'.[5] This figure he subsequently raised to 60% or higher in November 2014. But the goal was not to nationalize the Hungarian banking system but to make sure that they are under 'Hungarian control'. As Orbán put it in 2014:

> (With the Budapest Bank transaction) Hungarian ownership in the banking system has surged to well above fifty percent. We can feel more or less secure now. The point is not that a bank should be state-owned—I'd be cautious in this respect—but the point is that they are under Hungarian control. That is why the question how long the banks we have now acquired will stay in state ownership, whether they will be merged with other banks and how they will be privatized if such a decision were made, are all questions that we cannot answer yet. But the government's goal is not to create a humongous mammoth of which the state is a majority owner. Our interest is a national banking system that is in Hungarian control and belongs to Hungarian owners.

Policy sovereignty also drove Orbán's motivation for his so-called 'war of liberation' against the fiscal control exercised by the EU's Excessive Deficit Procedure and International Monetary Fund conditionality. The early years of Orbán's second government were marked by whipping off this yoke, notably through the quasi-nationalization of the assets of the mandatory private pension funds. Like the banking taxes, this message resonated with popular sentiment against foreign finance and dependency. The strategic purpose of financial nationalism deeply ran through all other areas of finance including the transformation of the Hungarian National Bank (MNB) (see . . .). It created excess development capital—through the Funding for Growth Scheme, a programme of low interest business credits (see below)—which benefitted cash-strapped national capitalists.

But the success of the counter-hegemonic project of financial nationalism required far more sophisticated techniques than the blunt quasi-nationalization of private pension accounts or banking taxes. While we cannot explore here this other major aspect of neo-Gramscian theory, we note the intellectual and material resources mobilized with priority funding from the budget, EU grants and MNB's substantial profits which were mostly turned over to its 'corporate social responsibility' foundations. These were also used to create 'new wave' economics or 'geopolitics' departments and programmes at multiple Hungarian universities to raise a new elite of organic economists (. . .). The ascendant class of national capitalists played an important role in this process as they became the owners and/or managers of the capital accumulated for the financial nationalist project.

3.3 The nationalist logic of capital accumulation and its application to finance

The logic governing the process of creating a class of national capitalists can be reconstructed based on five successive steps. The first is the selection of targeted industries. Experience shows that three key considerations informed the government's decisions: Which industries produce above average profits? Where is the state significant as a procurer? And which industries offer the possibility of influencing voters' financial situation or political opinions? These considerations are additional to those related to the structural power of economic sectors and their relative importance to the national growth model—as Ban and Bohle (2020) argue for Hungary, finance has been of lower

5 Accessed at http://www.kormany.hu/hu/a-miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-beszede-a-fidesz-magyar-polgari-szovetseg-xxvii-kongresszusan

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structural importance and domestic capital was in this sector capable of overtaking its operations.

Examples of how the first criterion was applied were the selection of banking and tourism. The second factor is explained by the fate of the construction industry. The third criterion applied most conspicuously to the media market but also to energy, particularly for the utility consumption price reductions (Böcskei, 2016). It was thus highly characteristic of the overall approach that Orbán spoke as follows about his government's strategic success: 'We have put the majority of the media, energy and banking sectors into Hungarian hands'.[6]

The banking system has been among the most profitable segments of the national economy over the past decades. In the early 2000s, the average return on equity was in excesses of 20%, while in the old EU Member States this value was typically under 10%.[7] Unlike retail, for example, financial markets—and especially the banking sector—are far more concentrated: a substantial portion of the resources and of the clients is controlled by a few major players. Correspondingly, that makes them easier to control from a regulatory or taxation perspective. Moreover, the financial crisis provided an unprecedented opening for implementing in-depth and lasting ownership changes. During the crisis, the international parent banks were continuously forced to recapitalize their Hungarian subsidiaries, and their situation subsequently worsened by the considerably higher tax burden than during the profitable modernization consensus. Adding the political hostility against the parent banks at home (e.g. German *Landesbanken*), this opened up a historical opportunity for taking control of the banking sector.

The second step was picking the winner. Reliability was the most important consideration: The favoured players were the former college roommates and military comrades of Fidesz's top leaders, whom they had met in the party's founding period when they were in opposition to the communist regime, along with Fidesz politicians' kin, friends, colleagues, acquaintances and trustworthy business partners. In the financial sector, there is overlap between these players and the cadres of what Fidesz refers to as the 'System of National Cooperation' (NER in Hungarian). This refers to the business class constitutive of the new model of Hungarian capitalism, as Orbán detailed at the start of his 2010 government. The recruitment of these 'national capitalists' was largely based on personal relations rather than on meritocratic considerations. The top Fidesz-made oligarch is Lőrinc Mészáros, an Orbán protégée who became Hungary's wealthiest individual through incorporating various companies allocated by Fidesz confidantes into an expanding media, energy, construction and financial conglomerate.

Although not exactly an alien concept to have important financial institutions managed by confidantes of political elites, the transformation of Hungary's banking sector was built on a complex and evolving web of personal entanglements with the Fidesz leadership. As we noted above, there are different categories of agents. The banks integrated into the NER are headed by insider frontmen—including CIG Pannónia Insurance Company (Orbán's former minister of finance Zsigmond Járai), the Gránit Bank (Sándor Demján), the Széchenyi Bank (István Töröcskei), MKB (Ádám Balog) or Budapest Bank. Insider status is conditional

6 Accessed at http://www.kormany.hu/hu/a-miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-beszede-a-fidesz-magyar-polgari-szovetseg-xxvii-kongresszusan

7 Accessed at https://www.portfolio.hu/finanszirozas/bankok/magyar-bankszektor-kiemelkedo-jovedelmezoseg-nemzetkozi-osszehasonlitasban-is.49350.html

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though. The Spéder case of the Takarek savings cooperatives shows that closeness to major figures in Fidesz insufficiently protects against repercussion for frustrating the leadership's strategy.

Beyond frontmen and executors, agent positions involve different levels of autonomy and complicity. The relationship between Mihály Patai and Matolcsy is a case in point. As CEO of UniCredit and the president of the Hungarian Banking Association (HBA), in 2013 Patai defamed the foreign currency-denominated mortgages policies of Orbán's 'authoritarian government'.[8] Moreover, Patai almost resigned from his HBA position in a 2013 conflict when Matolcsy prolonged the banking taxes. At the same time, this did not stop Patai from publicly lauding Matolcsy's book, while the MNB president reciprocated by introducing Patai as one of the 'country's three musketeers' and appointing him as his vice president.[9]

To its competitors and outsiders, the NER system is rather pragmatic about selecting the right agents to collaborate with. In setting the 50% target for Hungarian ownership, Orbán specifically included Hungary's largest bank, OTP, while omitting to mention that on account of its large free-floating share its exact ownership structure is unknown (though likely substantially foreign) and that OTP is in a close partnership with the French insurance company Groupama. A similar tongue-in-cheek flexibility to foreign ownership was shown when the MNB agreed to sell a substantial stake in MKB to the presumably Chinese and Indian investors behind the Blue Robin capital fund[10] (which, of course, was orchestrated by Orbán's inner circle). Ultimately, the definition of Hungarian capital in Orbán's system is *capital that cooperates with the NER*, which means the majority of the shares in a company do not have to be controlled by the state or Hungarian citizens. A minority stake or offshore arrangements can also lead to the suitable outcome from the perspective of NER operatives.

The third step is that winners are provided commissions and loans, and thus indirectly with profits and future capital investments. Government procurements and EU funds allocated through the tender system make up one of the vital pillars in the rise of the national capitalists. According to the investigative portal Átlátszó, such outside funds made up 83% of the revenue generated by the companies owned by Mészáros and his family.[11] These commissions must, however, result in at least an acceptable level and quality of actual delivery because the absence thereof provides a line of attack not only for the opposition parties and media but also for EU authorities.

Grand investments or bank acquisitions can only be realized with bank loans, and those in charge of creating the NER are clearly aware of the importance of credit. The balance sheet total of the banks that were part of the NER network at the beginning was negligible, until the impetus in the process of restructuring was provided by state funds—with OTP also cautiously involved. Pre-eminent among these were the varied involvements of the state-owned Hungarian Development Bank (MFB) and of EXIMBANK. These public institutions are subjected to political control for clientelist rather than their traditional developmentalist

8 Accessed at http://bbj.hu/economy/patai-political-elite-have-taken-over-from-financial-elite_69019; http://privatbankar.hu/penzugyek/patai-a-szocialis-problemakat-nem-a-banknak-kell-megoldania-261218

9 Accessed at https://www.portfolio.hu/gazdasag/bankok/matolcsy-ok-harman-magyarorszag-testorei.214986.html

10 Accessed at https://www.reuters.com/article/us-hungary-mkb-exclusive-idUSKCN0WW2AO

11 Accessed at https://atlatszo.hu/2018/01/05/2017-ben-szijj-laszlo-cegei-nyertek-a-nemzeti-tokesosztaly-kozbeszerzesi-versenyet/

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purposes [for details, see (Piroska and Mérő, 2020)]. In fact, as shown below, EXIMBANK loans were used to enable the first round of TV2 acquisitions by MKB. Finally, the profits of NER-compatible enterprises are also boosted by fiscal policy. Cutting corporate taxes and targeted tax relief policies have had a substantial impact on the profitability of the companies in question.

The fourth step was to make sure that regulation is adjusted to the needs of the players who were preparing for market entry. Government decision makers can interfere in market relations with either hard or soft instruments or both. With the expressed goal of reducing financial risks, which evidently fulfilled the intended transformation of ownership, the state institutions implemented a coordinated action plan. A new bank recovery authority was created, which made its debut in the MKB case, and the banks' tax burdens increased massively compared to the modernization consensus period.

The financial supervision authority—now integrated into the MNB—and the Competition Office became far more active in reviewing market activities. The fact that they consistently levied higher fines against market players with substantial foreign ownership, including OTP, had a deleterious impact on these companies' profitability, regardless of whether the fines were justified. The Banking Association itself was also the subject of a fine on account of its information dissemination practices. Still, the biggest items were not the fines and the taxes, but the government measures aimed at 'bailing out' persons with foreign currency dominated loans. Overall, these shaved off hundreds of billions of the affected banks' balance sheets. Further, tax relief was used to reward and strengthen insiders. These include the 'Lex Jarai' insurance tax relief which benefitted insiders CIG Pannónia and MKB as well as the relief from the direct bank levy as extended to the saving cooperatives the government later integrated.

The fifth step creates the link between the economic and the political subsystem, whereby the NER forges its own political economy. If such a relationship did not take shape, then the national capitalists would essentially get a free economic transfer. In Orbán's capitalism, however, there is no such thing as a free lunch. Nationalized assets are re-privatized to players within the NER's network, yet the national capitalists are obliged to funnel back a portion of their proceeds. These are used to sustain the political system and ideology that made the creation of these profits possible, as well as to expand the range of its possibilities for future returns. Financial assets and profits in fact became a prime source of legalized funding for various methods serving to consolidate the governing party's political dominance. The acquisition of media enterprises figures prominently here too (see MKB below).

3.4 Building the new capitalism of financial nationalism: a case-by-case analysis

As the ultimate result of the process that had commenced in 2010, by 2018 three larger groups had emerged in the banking market: the network of banks controlled at least in part by the government or by entrepreneurs with close ties to the NER, the fellow travellers OTP and Erste, and finally the remaining subsidiaries of multinational banks (Table 1). The government intervened in seven bank ownership structures. Four are among those with the highest balance sheet total (MKB, Budapest Bank, Erste and the integrated Takarék Bank), which are complemented by a few smaller banks. Table 1 lists and details these operations. Below we consecutively specify these cases and review how the 'national banking system' was established.

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Table 1 Banking interests aligned with the government's strategic plan

Bank	Previous owners	State measures	New (beneficial) owners
MKB Bank	Bayerische LB	Nationalization, recovery, re-privatization	Mészáros Lőrinc (Metis-Konzum), Szemerey and (until 2018) Balog (Bankonzult, Promid)
Budapest Bank	GE Capital	Nationalization, re-privatization plans	Corvinus Inc. (MFB Group)
Takarékbank integration	DZ Bank (until 2012), Takarék cooperatives	Central organization to integrate the network, assumption of ownership rights. State acquires ownership stakes (of varying magnitude)	MFB, Magyar Posta, (pro tempore) FHB, Takarék cooperatives
GRÁNIT Bank	West LB then Wallis	Minority stake acquisition by the state (49%), then sold to management	Éva Hegedüs, MKB Group
Széchenyi Bank	Offshore holding	Minority stake acquisition by the state (49%), then bankruptcy	István Töröcskei
NHB Bank	Kulturbank, Indosuez, Hanwa	MNB deposits, transfer of clients from Buda-Cash	Tamás Szemerey
Erste Bank	Erste Group	Minority stake acquisition by the state (15%)	ERSTE Group, EBRD, Hungarian state (Corvinus Inc.-MFB)

MKB The recovery and subsequent privatization of MKB is not only one of the most expensive instances of the general process of transforming ownership structures in the Hungarian banking sector but it was also the primary terrain of the institutional innovation jointly implemented by the government and the NER entrepreneurs. Based on its balance sheet total in 2014, MKB was the fifth largest commercial bank in Hungary at the time.

Since the crisis its owner, the German Bayern LB, sought to divest from its unprofitable subsidiaries. An annual loss of 100 billion forints, exacerbated by the new bank tax, prompted a deal in which the Hungarian state ultimately acquired the bank in September 2014 for the price of €55 million. The Bavarian parent bank viewed this price—along with the transfer of a substantial stock of NPLs—as a very positive outcome, especially in light of the several rounds of capital infusions into MKB which exceeded €700 million.[12]

While the Hungarian state became the owner of MKB, the bank's recovery was finally launched in December 2014 under the aegis of the Hungarian National Bank, which exercised the state's ownership rights. As part of the recovery programme, roughly HUF 100 billion in stock of the bank's 200 billion worth of NPLs was transferred to the newly created Recovery Fund.

12 Accessed at http://www.azenpenzem.hu/cikkek/az-mkb-ugyfele-vagy-viszi-az-allam-a-bankod/1966/

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The Fund gradually sold these assets but those remaining were acquired by the Hungarian-American INDOTEK group in a confidential business transaction. The privatization of MKB, gradually relieved of its bad loans, began in June 2016. The transaction netted a revenue of 37 billion forints and the new owners became a group of investors comprising three players.[13] Apart from the Pannónia Retirement Fund, neither the Singapore-based Blue Robin nor the Metis Private Capital Fund was known in the domestic banking scene. Ultimately, the figures behind Blue Robin turned out to be Tamás Szemerey, who is a major businessman and first cousin of Matolcsy, and Ádám Balog, a former vice president of the central bank who was appointed the new CEO of MKB. In the meanwhile, one of Lőrinc Mészáros' investment funds, Konzum, materialized behind Metis and raised its stake in MKB to 49% in two steps. To partially consolidate the new ownership structure, Ádám Balog also assumed a management position at Konzum.

In accordance with an agreement concluded with the European Commission in 2015, a 20–30% stake in the bank was to be sold at the Budapest Stock Exchange. Simultaneously though, MKB's growth plan and several interviews with the owners raised the idea that the bank might acquire other Hungarian credit institutes as well, notably Budapest Bank. Meanwhile, MKB extended substantial loans to fund its owners' interests in other businesses, as well as other acquisitions linked to the sprawling NER empire, including the second largest commercial television channel in Hungary, TV2.

Budapest Bank Similar to the MKB situation, the foreign owner of Budapest Bank, the American GE Capital Corporation had been looking for a way out of the Hungarian market ever since the crisis began. As the country's eighth largest commercial bank—which turned a profit, unlike MKB—Budapest Bank was an important target of acquisition for the government. Thus, once GE decided to sell the bank in 2014, the government entered the stage as a buyer through one of the members of the Hungarian Development Bank (MFB) group, the Corvinus Inc. Unlike MKB's sale price in 2015, at $700 million 1.7 times higher than the bank's book value, the price tag on Budapest Bank was not discounted at all; it became one of the costliest acquisitions in the history of the Hungarian state.[14]

As part of its agreement with the European Commission about the acquisition, the Hungarian state undertook to privatize the bank within 3 years. However, preparations for the privatization were prolonged until November 2020, when the state concluded a merger of Budapest Bank with MKB Bank and the Takarék group (under the auspices of the new 'Magyar Bankholding Zrt.'). Meanwhile, the bank's management was stuffed with loyal Fidesz cadres, including András Puskás, who had previously served as deputy mayor of Budapest's downtown district under then mayor and current Orbán cabinet minister Antal Rogán, who is widely considered one of the architects of Fidesz's media and communication policies.

The Takarék integration The path towards the integration of the fragmented domestic network of Takarék saving cooperatives and its integration into a coherent structure was far bumpier than the acquisition of the Hungarian subsidiaries of international banks seeking to divest themselves. We focus exclusively on the first stage of the process here, which is

13 Accessed at https://www.napi.hu/ingatlan/az_indotek-csoport_vette_meg_az_mkb_bank_szanalasakor_atvett_portfoliot.665557.html

14 Accessed at http://www.portfolio.hu/finanszirozas/bankok/alairtak_az_allame_a_budapest_bank.210208.html

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associated with tycoon Zoltán Spéder, while leaving out the ongoing incorporation of the consolidated structure into the NER.

Accompanied by the Postal Services, Spéder's FHB Bank was designated to integrate the network of 121 independent saving banks. The stakes of this integration process are high, since they are aimed at turning the underlying cooperatives into a commercial bank. Publicly unacknowledged, the emerging bank group would wield a large enough volume of revenue and branch network to compete with OTP, which operates autonomously but as a NER fellow traveller. In 2012, Orbán referred to the Hungarian Development Bank (MFB) and the Hungarian Postal Services shared acquisition of a stake in Takarékbank as 'part of a large-scale military operation.' To manage this process, Orbán selected Zoltán Spéder, who has been friends with several major Fidesz figures ever since their days together in the Rajk László College for Advanced Studies. At the time, Spéder polished his skills as bank manager as the right-hand man to OTP's CEO, Sándor Csányi.

During the first stage, in 2014, Spéder's FHB Group acquired a stake in Takarékbank.[15] At the same time, the government created the Organization for the Integration of Cooperative Credit Institutions, which the FHB also joined, making it a part of the country's fourth largest bank syndicate. FHB Group and the government acquired a majority stake in Takarékbank to effectively price the cooperatives out of their own assets. Since the government exacerbated this by compelling them to become part of the integration and by removing the independence of their managers, the affected cooperatives turned to the Constitutional Court arguing that the security of their private property rights were being violated. The protests were led by Sándor Demján, a magnate who served as the president of the umbrella organization for cooperatives, and gradually fell out of line with Fidesz, argued that the 'assets (...) had been seized and expropriated', and that a 'clique of private persons' had seized control of the sector.[16]

Simultaneously though, several events led Orbán to remove Spéder from the centre of the integration process. One major issue was that despite the prime minister's express wishes, Spéder had lowered the state's ownership stake in FHB by increasing the company's capital stock. The other was a 100 million bonds issuing by FHB in 2012, officially to foreign investors (but in reality to the Hungarian state), which caught the attention of the EU oversight institutions. This was followed by other capital infusions, including the acquisition of a stake in the bank by the Hungarian Postal Services, the income of which was used to buy back the bonds.[17] Crucially, Spéder used his media outlets (notably portfolio.hu and index.hu) to criticize the government. Spéder's position in both banking and media thus eventually posed a too high risk in the NER system.

Finally, after a character assassination campaign, Spéder left FHB in October 2016, thereby absolving his role in the integration of savings cooperatives. The two main companies of the FHB group were soon rechristened which resulted in the FHB brand disappearing from the market. The new major figure in the integration process, the chairman and CEO of

15 The full official name of the company was Magyar Takarékszövetkezeti Bank Inc, or Hungarian Savings Cooperative Bank Inc.

16 Accessed at https://www.napi.hu/magyar_gazdasag/demjan_sandor_elmondta_mirol_beszelt_orban_viktorral.616311.html

17 Ultimately, the bond package in question was acquired by Spéder in June 2016.

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the Takarékbank Inc., became József Vida, who is linked to Mészáros by a thousand threads (e.g. as board member of Mészáros' main corporate vehicle Opus).

As a result of the integration, a far more simplified institutional structure took shape. The new management is clearly in a dependent position vis-à-vis the state as an owner and financial supervisory, while in terms of its personnel make-up, the company management is massively intertwined with the NER economy's innermost circle. From a political perspective, this stable but fragile result is obviously more favourable than using state resources to create a whole new private bank. Over time the Takarékbank (after its integration in 2020: the 'Hungarian Bankholding') could emerge as a potent rival to OTP.

Hungarian banks In part due to the ambitions of their owners and in part owing to the position they occupy within the NER, the smaller Hungarian-owned banks have emerged as legitimate players in the reconstructed banking system. One of the characteristic features of financial nationalism is that the specific winners of the process can only hold on to their positions as winners if they continue to play the role they have been assigned. For those who control, a large slate of potential agents implies having alternative options to draw on if any single player does not behave in the way they are supposed to. If any particular group of players drops out, then other alternative business circles who already have the requisite banking experience can be promoted instead.

The story of Gránit Bank aptly illustrates this scenario. Although it has taken different legal forms over the decades, it only attained the shape it presently has when financial nationalism became the dominant paradigm. The bank was acquired after the parliamentary elections, by the magnate Sándor Demján, who renamed it after his own TriGránit group and entrusted Éva Hegedűs—a former executive at FHB and OTP and deputy state secretary—with the bank's management. In 2013, the Ministry for National Economy acquired a 49% stake in the bank through a capital increase of 2.58 billion forints, as 'a business investment'. In 2015, it added another 1.7 billion to its initial investment, and it was joined by the Pannónia Retirement Fund, which invested a further 1.4 billion. Simultaneously, Demján sold his remaining stakes in the bank to Hegedűs' company.

The acquisition of the Pannónia shares was followed by another round of capital increases, this time jointly with the MKB Retirement Fund (headed by Kristóf Szatmáry, a former state secretary in the ministry of economy), a member of the recently reprivatized MKB group. The cross-ownership quickly took shape when both Gránit and MKB simultaneously acquired stakes in the Pannónia-CIG Investment Fund Management Inc.

Following these integration measures, the Hungarian state divested itself from the bank at the end of 2017. It sold its shares in the company with a slight loss in real terms to Hegedűs, who was the minority shareholder at the time. Press reports said that MKB likely provided Hegedűs with the credit for this transaction, while at the same time the MNB foundations also appeared at the bank as major depositors for ~7 billion forints. Consequently, by 2018, Gránit has emerged as a considerable player in the Hungarian banking system, connected to the NER and actively extending credit to enterprises with links to the NER.

Another acquisition of a minority stake by the state, in the Széchenyi Bank which was part of the business domain of the mogul István Töröcskei, occurred simultaneously to the Gránit purchase but was less successful. Töröcskei is one of Fidesz's key financial background operators and he was part of the team that launched HírTV, becoming a vital player in the Fidesz media approach when in opposition. In addition to his position at the

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helm of the Government Debt Management Agency (ÁKK), Töröcskei also acquired and rechristened the Széchenyi Bank just before the election, jointly with Imre Boros, another Fidesz tycoon with a background as a former cabinet member in an earlier Orbán government.

In line with the NER's general bank sector strategy, the government acquired a 49% stake in the bank in 2013 for a price of 3 billion forints.[18] As one of the brokers for the aforementioned MNB's Funding for Growth Scheme, the bank's balance sheet total quickly grew to over 50 billion forints. Therefore, it seemed likely that with the proper management, Széchenyi Bank could have followed a similar trajectory as Gránit. In early 2014, it even made a bid, reportedly of €1, to acquire the Hungarian subsidiary of Raiffeisen. But from the start of the decade there were numerous fishy deals Széchenyi appeared caught up in, and they always involved the cross-financing of Töröcskei's other business interests. Ultimately, the bank filed for bankruptcy. The Hungarian state now had to spend billions of forints in budget funds to cover the bank's clients and partners. Initially, the former bank executive had not been asked to testify in the investigation concerning the bank's dealings which means he enjoys considerable protection. (As of late 2020, Töröcskei and several others were prosecuted for the misappropriation of financial losses, yet their prison sentence might be waived if they plead guilty.)

The third small bank affiliated with the NER is NHB, the Growth Credit Bank. Previously, the bank had operated under various foreign brand names (e.g. Hanwa Bank), until 98% of its shares were acquired by the BankKonzult Ltd, which is one of the most important segments of Tamás Szemerey's corporate empire.[19] As starting capital, the foundations of Matolcsy's central bank also kept accounts worth billions at the NHB.

Because of its relatively late start, the bank was left out of the spree of state acquisitions in 2013, but thanks to the MNB accounts, the transfer of the clients of the bankrupted Buda-Cash and the acquisition of other financial service providers (Quantis Alpha and Solar Capital), the bank expanded quickly, multiplying its balance sheet in subsequent years. Nevertheless, the process was not halted even by press reports saying that like the Széchenyi Bank, NHB had also extended credit to businesses controlled by its owners. Moreover, with Szemerey's acquisition of a stake in MKB, new potential synergies opened up between the two government-friendly banks.

OTP For a long time during the period investigated Hungary's largest bank, OTP, was unlike its market competitors, only a fellow traveller of the NER. After 2010, CEO and partial owner Sándor Csányi was watching Mészáros gradually overtaking his top spot of wealthiest Hungarians. Csányi continued to operate as an autonomous player, just as he had before. As Csányi famously said, 'he helped wherever he could', but only as long his interests were not adversely affected.[20] His new role as president of the Hungarian Football Federation and other positions were either rewards or incentives for his constructive attitude, as they are likely influenced by the prime minister's strategy.

18 Accessed at https://hvg.hu/kkv/20200625_Az_egesz_NERnek_kinos_a_Szechenyi_Bankbotrany_mert_sok_benne_a_mikutyankkolyke

19 Accessed at https://index.hu/gazdasag/2018/12/18/hogy_nem_volt_eleg_ennyi_hatszel_sem_szemerey_tamasnak_es_az_nhb-nak/

20 Database of the Hungarian Comparative Agendas Project (cap.tk.hu): nol.hu, 2000: 10837.

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Despite these, the relationship between Orbán and Csányi was fraught with numerous (in)direct conflicts. For a long time, Csányi's main governmental antagonist was Orbán's chancellery minister, János Lázár, having harsh words for one another. However, behind the rhetoric, there was also a clash of some very real interests: the increased tax burdens on the banks, as well as the 'bailout' of those who held loans denominated in foreign currency. The fraught relationship between the two protagonists was finally settled in 2015.

Besides momentary tensions and clashing interests, the cooperation between Orbán's and Csányi's respective empires always continued, and many signs pointed to peaceful coexistence. For one, OTP's strategy of international expansion has been in line with the government's broad policy and plans for creating national champions, with potentially a regional reach as well. Moreover, OTP's list of clients also included numerous businesses connected to the NER: the investigative journalists of Átlátszó estimated that only MKB and Eximbank had a greater degree of financial entanglement with such businesses than OTP.[21]

OTP's financial relations are indeed complex. For instance, the flagship company of the Mészáros family business, Mészáros & Mészáros Ltd, has received a credit line in the volume of billions of forints from OTP, but so have—indirectly—some agricultural companies that compete with Csányi's own business interests. And yet, earlier partial distance between the players emerged into new rapprochement: in 2018 the OTP group began making investments in the companies controlled by Mészáros. These steps made it apparent that Csányi is also betting on the latter's long-term success and wants a piece of the economic fruits.

Erste Bank The government also continued expanding by investing in other major banks. In an attempt to make amends, Hungary signed an agreement with the European Bank for Reconstruction and Development in which each bought a 15% stake in the Erste's Hungarian subsidiary.[22] In return the government would, among others, reduce the bank levy to the European average, stop preferentialist policies to financial institutions and forsake its majority positions in local banks. Orbán clearly indicated that lowering the rate would be fine since after the initial 2-year cut Hungary would still be in first place, ahead of Slovakia, in terms of the bank's tax burden.

Speaking for the parent bank, CEO Andreas Treichl stated that 'this agreement is very important for Erste Bank, which has been through difficult years' recently.[23] The deal was ultimately concluded almost a year and a half later, in the summer of 2016. By way of Corvinus Inc., the Hungarian state paid 38.9 billion forints for its 15% share in the company. According to Hungarian Erste CEO Radován Jelasity, not a whole lot has changed as a result of the transaction, but 'we have demonstrated the depth of our commitment'.[24] Consequently, with such dispersed ownership and a limited government stake, Erste's position in the NER structure is ambiguous, though plausibly the operation to acquire it is merely temporarily halted.

21 Accessed at https://atlatszo.hu/2018/01/25/veszelyesen-eladosodott-a-nemzeti-tokesosztaly-bankcsodoket-hozhat-egy-kormanyvaltas/

22 European Bank for Reconstruction and Development, 2015. Memorandum of Understanding between the Government of Hungary and the European Bank for Reconstruction and Development—Cooperation in Support of the Banking Sector and the Retail Sector in Hungary, February 9, 2015.

23 Accessed at https://civilhetes.net/orban-a-kormany-es-az-ebrd-tulajdont-szerez-az-erste-bank-hungary-zrt-ben

24 Accessed at https://index.hu/gazdasag/2017/04/28/jelasity_radovan_nem_azt_varjuk_hogy_az_allam_hozzank_talicskazza_az_uzleteit/

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Banks that remain in foreign ownership In the new banking system, few major players have remained which are backed by at least regional-sized foreign parent companies and which have not featured the appearance among their owners of either the Hungarian state or some institutional investors. They have a varied but largely submissive role in the NER banking system. For one, they are potential reserve targets for future acquisitions, of which there are only few left, after the privatization of Budapest Bank and other market consolidations. Also, they contribute to the Recovery Fund and pay the applicable taxes on their profits and revenues.

Some banks are also actively involved in building the NER. They provide state and private players with credit—a notorious case is the Eiffel Palace in Budapest, which was funded by Mihály Patai-led Unicredit. Simultaneously, foreign banks also help to keep up an image to foreign governments and investors of a Hungarian banking sector where the rules of the market continue to prevail. In any case, after incurring losses for a while, in 2018 these companies have also netted record profits.[25]

4. Conclusion

In this article, we analysed the logic of state–capital relations of Orbán's financial nationalism and his corresponding grand strategy towards dominance in the post-2010 financial system in Hungary. Embedded in our broader neo-Gramscian interpretation of the counter-hegemonic movement led by Fidesz since the early 2000s, we argued that the Hungarian case of financial nationalism was a project manufactured by emerging political and economic elites, based on a self-interested strategy aimed at capital accumulation which was understood to be a pivotal condition of state autonomy. Nationalist preferentialism was not primarily a tool for turning public money into private fortunes but a means to ensure the long-term survival of a political system which held values antithetical to the liberal mainstream of the European Union.

We developed the framework of financial nationalism by outlining its ideational pattern and the mechanisms of creating a system of 'nationalized' capital through analysing the complex set of relationships between the state and a multitude of financial actors, each to a different extent systemically embedded. We argued that Orbán saw early on that he could not build a new type of politics on old economic foundations. His goal was for a new 'Hungarian' capitalism to replace the modernization model and its semi-peripheral relations of dependency.

From 2010, the 'national capitalists' were entrusted with the practical implementation of Orbán's vision of a Hungarian-owned banking sector. They were mostly either recruited from a reliable set of Fidesz cadres or from the ranks of financiers who were friends or relatives of leading politicians. The ownership stakes in the numerous banks acquired were typically funded with credits provided by the state/central bank or through other forms of state aid. In return, the 'national banks' supported the expansion of insider companies and bolster Fidesz's capacity to legitimize its policies by reconstructing the public landscape with media acquisitions.

25 Accessed at https://index.hu/gazdasag/2018/03/08/meg_soha_nem_kerestek_ennyi_penzt_a_magyar_bankok/

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Although our analysis explains these dynamics, it focuses less on the more purely neo-Gramscian ideological dimension of maintaining the financial nationalist legitimacy after regime change. While having touched upon the system of private media, MNB foundations and think tanks, research still faces questions about the agents and instruments applied to (re)produce legitimacy. Who are the organic intellectuals attempting to create cultural hegemony of financial or economic nationalism? And did they change public opinion and construct a truly new 'common sense'? These provide interesting avenues for further study.

Furthermore, our story easily finds connection with similar cases of financial nationalism. For starters, among the Visegráds, Poland and Slovakia are the clearest candidates. Czechia does reflect monetary sovereignty aspects of financial nationalism (Mérő and Piroska, 2016) but lacks such policies as direct bank levies, strategic protectionism and nationalization attempts in health insurance (Slovakia), banks or pensions (Poland). One important question, therefore, is how these cases evolved and what remains of the foreign capital dependent Visegrád typologies as a consequence of their financial nationalisms and other systemic changes. Closely related is the question to which extent regional policy diffusion and learning from the Hungarian example takes place among CEE governments. Most notable is the Kaczyński–Orbán relationship as 'illiberal partners', but another case is Slovenia, where Prime Minister Janša attempts a takeover of private media, though not the banking sector, as seemingly inspired by Orbán's grand strategy (not to mention the financial resources coming from Hungary for this project). Our analytical framework which distinguishes the various steps in the logic of financial nationalism as a strategy of capital accumulation can be applied to these cases. Cross-country comparisons would reveal whether a similar, full-fledged strategy of financial nationalism has unfolded there as well.

Particularly important in our view are the (dis)similarities of these cases and the concepts best covering the types of financial nationalism and resulting state-market structures. Of the Visegráds, Poland foremost resembles Hungary's financial nationalism in view of ownership restructuring and a broader paradigm shift towards the 'polonzation' of foreign banks (Naczyk, 2014). But in contrast, Poland's financial nationalization strategy remains oriented around its typical SOEs-based structure and elites question dependency foremost for concerns over policy autonomy in relation to aspirations of (personal and) national development (Kozarzewski and Bałtowski, 2019; Naczyk, 2019). Further CEE countries of comparison are Bulgaria, Russia or Serbia. Here too elements of financial nationalism are embedded in a broader nationalist right-wing or conservative political movement. In terms of strategy and regime structure though Hungary seemingly most reflects Russia, where a hybrid network of bureaucracies and a circle of oligarchs centred around a semi-authoritarian party leader is most characteristic.

Extending our regional scope, the Chinese case is similar but different, both for the lack of at least limited or partial constraints of liberal democracy and the coordinating role of Communist Party institutions throughout society. Moreover, the Chinese strategy is, like Poland's in fact, steered by state-led conglomerates and national developmentalist institutions rather than kleptocracy—elements more prevalent in Hungary and Russia. Contrasting CEE with China provides another way to evaluate the various political strategies and degrees of model preservation, in different political economy models with diverse patterns of state–capital interactions and ownership.

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