How to Use Neoliberal Tactics in Dismantling Neoliberalism? The Institutional Transformation of the Banking Sector in Hungarian Financial Nationalism

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ABSTRACT

One of the consequences of the disenchantment with global financial conglomerates in Central Eastern European countries was the emergence of financial nationalism as a counter-hegemonic ideology. In the case of Hungary, the explicit aim of increasing domestic ownership in retail banking to over 50 per cent was formulated by prime minister Viktor Orbán in the early 2010s. Widespread resentment over previous banking practices, such as foreclosures related to foreign exchange denominated mortgage loans in the wake of the crisis, proved to be a key factor in legitimizing the re-nationalisation and institutional transformation of finance in Hungary. By 2018 the goal of domestic ownership was realized with the help of innovative institutional arrangements such as targeted tax "relief", the new Resolution Fund of the Hungarian central bank and various private equity vehicles. The paper provides a case-by-case analysis of these institutional arrangements and shows how the tools and practices of international high finance were used against transnational conglomerates in creating a critical juncture in Hungarian finance.

Keywords: Financial nationalism; Hungary; international political economy; banking

Introduction

Ever since the regime change of 1990, 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. While this model led to a "golden age" for the banking sector, by the mid-2000s its shortcomings also came to the fore. Boosted by a credit boom, banking profits reached levels substantially exceeding the EU average(Bohle, 2018).

The financial crisis, just as in many other countries of the developed world, put an end to this irrational exuberance. As unemployment rose and household incomes dwindled, more and more contracts, especially mortgage debts denominated in foreign currencies -- a key driver of the upswing -- became non-performing loans. The unilateral amendments of loan agreements to benefit the banks further undermined trust in the fairness of the political economy. The fact that the parliamentary majority comprising socialist and liberal MPs did not take decisive measures to rectify these widely resented injustices was a major factor in in their landslide defeat in the 2010 parliamentary elections, along with the sea change that this set in motion in Hungarian politics.

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-"illiberal" policy agenda. In academic analysis, the post-2010 policy transformation of Hungary under Orbán has often been treated as a seminal case of financial nationalism (Johnson & Barnes, 2015; Mérő & Piroska, 2016; Mérő & Piroska, 2017), a subset of economic patriotism (Naczyk, 2014). This refers to “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” (Johnson & Barnes, 2015: 536).

While general treatments of this nationalist turn in financial policy, along with the international environment that enabled it, shed light on the logic of the new paradigm, a detailed analysis of

how the takeover took place is yet to presented. In this article, our aim is to offer a contribution to both the theory and practice of financial nationalism. In terms of theory, we present a general account of the logic that drives the underlying paradigm shift and the political strategy of dominating financial markets. In our empirical analysis, which covers the period between 2010 and 2018, we provide a qualitative case study that presents the speed with which the changes discussed were implemented and the extensive tactical repertoire that the governing party deployed to radically and simultaneously transform the prevailing financial ideology as well as the ownership structure of the Hungarian banking system.

Our presentation begins with a review of the relevant literature. Next, we proceed to outline the research design of the paper as well as the relevant policy history of Hungary. This is followed by a case-by-case analysis of the takeover of financial institutions either by the state or commercial players aligned with the governing party. The final section draws general conclusions from the analysis and considers avenues for further research.

Literature review

A key approach to the study of the Hungarian political economy is the varieties of capitalism framework. In their review of the relevant literature, Jackson and Deeg (2012: 23-25) identify six main directions of research (and the economic/institutional systems that they are based on). These are corporate governance, industrial relations, education and training, industrial policy and, finally, financial systems. One of the models of financial capitalisms which diverges from the mainstream neoliberal model is the German bank-centered system. This model exerts a substantial influence on other countries (Hungary pre-eminently among them) due to Germany's immense financial clout. Deeg's (1999) work on this subject is of seminal importance for any country-specific review of how financial capitalism has evolved, thus including the present project. In Deeg's (1999): xi historical/constructivist analysis of the German banking system, the evolution of the institutions of financial capitalism is explained by the competition for political power between socio-economic groups.

In addition to the category of bank-centered systems, there are also several other definitions in academic circulation that seek to capture the special variations of capitalism that have emerged in Central and Eastern Europe. Bohle and Greskovits (2007) talk of “embedded neoliberalism,” for example, while Nölke and Vliegenhart (2009) refer to a “dependent market economy.” After the crisis of 2008 and the entry into office of the second Orbán government in 2010, the relationship between capitalist development and the political system moved into the foreground of academic analyses on the subject. Several studies captured this new trend by describing a retrenchment in democracy and the emergence of a new authoritarian model of state capitalism (Ágh, 2015; Bozóki, 2015; Csillag & Szelényi, 2015; Greskovits, 2015; Pogátsa, 2009; Scheiring; Sedelmeier, 2014).

A substream of this general literature in international political economy concerns financial developments proper and juxtaposes globalist and nationalistic tendencies in policy-making. Johnson and Barnes (2015: 537) identify the concept of financial (or banking) nationalism as a subset of economic nationalism which uses monetary and financial policy instruments as tools in the service of realizing a nationalist project.” Writing about the policies regarding bank ownership, Epstein and Rhodes (2014): 15 also 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 Europe financial nationalism has led to the emergence of national champions who can act as investors in other countries (and to this end the national governments supporting them are promoting an internationalist global regulatory agenda).

In Hungary, the 2010 parliamentary elections were followed by the appointment of György Matolcsy, Orbán's right-hand man on all economic matters, as the governor of the central bank. Together with their international enablers (Johnson & Barnes, 2015), these actors jointly laid the ground for a massive shift towards financial nationalism (Sebők, 2018). Theirs was also an idiosyncratic brand of financial nationalism, however: while financial protectionism (Young, 2014) favoring domestic owner-groups is far from unheard of in European political economies (Epstein - Rhodes, 2014: 3), in Hungary the move away from the orthodox-neoliberal policies of

the pre-2010 period has emerged as a crucial case in the post-crisis transformation of Central Eastern European (CEE) banking and beyond (Johnson & Barnes, 2015; Mérő & Piroska, 2016; Mérő & Piroska, 2017; Piroska, 2017).

Unlike the "liberal financial nationalism" identified by Deeg, 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 distinct model (Bluhm & Varga, 2018) that stands in contrast to Estonia, for example, where the efforts to achieve political and economic independence from Russia have resulted in a neoliberal form of financial nationalism (Johnson & Barnes, 2015: 564). In Hungary, the new course of financial nationalism 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 organikus economists who identify with the previously dominant ideology (Király, 2016).

This illiberal financial nationalism did not emerge as a consequence of spontaneous processes, it is the result of a deliberate political and economic strategy. The academic literature on the subject looks at this strategy by examining the network of the elite groups that are involved in the process on the one hand, and the ideological and power techniques employed by the elite groups on the other. The former research focuses on the conversion of the dominant classes' cultural and network capital into other forms of capital in the emerging capitalist system (Böröcz & Róna-Tas, 1995; Böröcz & Southworth, 1996; Eyal, Szelényi, & Townsley, 1998; Stark, Bruszt, & Bruszt, 1998). The major works in the other research agenda center on elite replacement and stability during the post-communist transition period; with respect to the networks that have shaped the period of new hegemony after 2010, for the time being the most important analyses are investigative reports by journalists.

Another direction of research has looked at the ideology of regime change: one might say that the concepts of modernization (Bozóki, 1997), Europeanization (Korkut, 2010), and/or neo-liberalism (Bohle & Greskovits, 2007) are almost core constituent elements of this process. At the same time, several studies focus on the links and points of consensus between these concepts

(Dawson & Hanley, 2016). Thirdly, the neo-Gramscian approach of international political economy, and specifically the work of Pijl (2008) and Macartney (2011), seeks to combine these two broad research projects, that is the respective analyses of elites and ideologies.

In a nutshell, the essence of this approach is that in order to attain ideological hegemony and the right to policy decision-making, there needs to be a group of intellectuals with a high level of technical (in this case economic) expertise, who are capable of disseminating the new ideology of the new age by influencing public opinion. This school (Miliband, 1969; Mills, 2018), which is based on Gramscian analysis, is an important addition to action-centered critical state theory (which theoretical debates often posit as the antithesis of structuralism).

Theory and research strategy

The theoretical framework of this article relies on the insights derived from the literature review in its effort to further explore the concept of financial nationalism and subject it to empirical analysis. With respect to the various potential explanations advanced in the academic literature, our own analysis of economic and ideological hegemony focuses on ideologies and the elites that concentrate around them.

In many respects, the emergence of the hegemony of financial nationalism resembles the earlier history of the rise of the modernization consensus. Coming up with a sufficiently coherent worldview played a similarly important role in this process, as did the creation of the political and mass communication infrastructure that was necessary to make the relevant discourse hegemonic. Orbán and Matolcsy recognized that Hungary's position in the global economy is not that of a country in a competition between equal market economies. In light of the unbalanced relations in global financial capitalism, they viewed the restoration of policy sovereignty as their most important challenge, and they deployed both regulatory and budgetary (e.g., bank bailouts and direct bank acquisitions followed by re-privatization) instruments to this end. Correspondingly, our analysis will show how national capitalists and the political and intellectual groups that support them have used financial nationalism to create and strengthen the new hegemonic political economy.

Just as it had been the case when the modernization consensus emerged as the hegemonic idea, the new hegemonic ideology was rammed through successfully by a closely cooperating elite network. The intellectual and material resources necessary to this end were mobilized with priority funding from the budget and EU grants, which were used to create the foundations of the Hungarian National Bank (abbreviated as MNB in Hungarian), which are vital intellectual institutions in buttressing the underlying ideology, as well as to fund other institutions (e.g., the Századvég Economic Research Institute and the National University of Public Service) that propagate the new economic ideology and employ the new elite of organic economists. The newly ascendant class of national capitalists also played an important role in this process. They used the resources they were given (for example in the form of credits to fund new acquisitions) to make the new model of financial capitalism sustainable. The communities of values and interests that were thus forged were also supported by a variety of external (e.g. economic) actors who lined up behind some elite group or the other when they felt that it served their momentary interests. In light of the above, we argue that building hegemonic financial ideologies is neither a process of “building from below" nor a spontaneous development; it is instead the result of deliberate and strategic actions by the elite.

This general thesis – i.e. the creation of a new economic and ideological hegemony – is based on and supported by a qualitative case study that rests on three pillars. The qualitative case study offers a useful approach to analyzing complex processes and strategic interactions on behalf of self-interested actors. In this setting, the explanandum is the transformation of the financial political economy and the emergence of a new hegemony. Since the emerging model of political economy (its regulatory, market structural and profitability elements included) are themselves to a substantial extent a function of the dominant ideological approach that characterizes the given era, we did not strive to hermetically insulate these analyses from one another.

We focus on the period between 2010 and 2018 to explain how swift the process was and how broad the tactical repertoire deployed by the agents of change was in their efforts to radically and simultaneously transform the prevailing financial ideology and the ownership structure of the Hungarian banking system. The three pillars include a description of the general logic of

capitalist accumulation (with illustrative examples), a review of the logic of financial accumulation specifically (with a more detailed overview) and, finally, an analysis of the political tactics used to support the respective strategies.

The evolution of banking politics

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. United in opposition to the right-wing government that had been formed in 1990, the concept of modernization became the common denominator between two political archenemies of the regime transition period: the Hungarian Socialist Party (MSZP), the post-communist heir to the former ruling party of the communist regime, and the Alliance of Free Democrats (SZDSZ), a neoliberal outfit that had its roots in the democratic opposition of the 1980s (Bozóki, 1997). The shared values of these parties and their satellite professional elites included a preference for Westernization, including EU and NATO-accession, and the adoption of the "SLIP" agenda: stabilization, liberalization, institution building, and privatization (Kolodko, 2018: 60).

When it came to financial markets, these values demanded the rapid re-capitalization and privatization of state-controlled banks to foreign multinationals. The self-interest of key figures involved in the revolving door of bank management and policy-making (such as Lajos Bokros, who served in various high-level positions in this period, including as the president of the stock exchange, the CEO of Budapest Bank and finance minister) was also crucial in accelerating the process of internationalization in the Hungarian banking sector. As the MSZP-SZDSZ coalition won an overwhelming majority in the 1994 parliamentary elections, a major realignment 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).

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: 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 & McBride, 2004). What followed was a "golden age" for the Hungarian banking sector (Banai, Király, & Nagy, 2010; Müller, Kovács, & Kovács, 2014: 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 & 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: 114-115). According to Bohle (2014), average annual credit growth between 2003 and 2008 was almost 20 percent in Hungary, and the outstanding debts of households to banks tripled between 2004 and 2008 (Banai et al., 2010: 117).

However, 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, 2018: 208). The issue of non-performing loans 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 the right-wing Fidesz party fit the bill: as far back as 2004 Fidesz 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 decade unfeasible; they saw it as something that the international financial elites would supposedly frown upon, which would make it impossible to implement.

In the event, the reforms of the new government surpassed event the wildest of imaginations: over HUF 2,000 billion in private pension savings were "reclaimed" by the state (Naczyk & Domonkos, 2016), mortgage loan holders – especially those with higher than average income/wealth – received multiple rounds of bailouts (Bohle, 2018: 209; Csizmady & 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 maneuvers was that they created a fertile ground for taking over the local branches of multinational financial conglomerates, which were buckling under the massive deficit they piled up as a result of the government's policies and the nadir in the banking market. Thus a period of financial nationalism began.

Analysis

I. The political context

For Fidesz, replacing the post-communist/liberal political and economic elite and revamping the model of political economy that the latter had created became one of the most important strategic goals already in the mid-1990s. The key source in this context is an interview by the former MP and public intellectual József Debreczeni, who talked to Fidesz chairman Viktor Orbán in 1994 in the context of a book Debreczeni was writing about the former Hungarian prime minister József Antall. The idea that one needs to lay the material and intellectual groundwork for governance simultaneously because neither can work without the other was already expressed in that interview.

With respect to the financial sector, Orbán, who formed his second government in 2010, quickly laid out his explicit objectives: "One aspect of the government's new economic model is that fifty percent of the banking system needs to be in Hungarian hands." Just as with respect to restructuring media relations in Hungary, Orbán already had a clear strategic plan for replacing the Hungarian model of capitalism in 1994. Talking about the late prime minister Antall (who had died in 1993), Orbán said that the economic/political plan should have been as follows:

> "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. He should have let that happen because it happened anyway. Sooner or later the country's economic map will inevitably look like this. He should have come to an agreement

> with these 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 in order 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. (...) This is the essence of politics because this is what projects the image of politics. And he lacked the talent and inclination to implement this. He was completely ill-suited for this!" (Debreczeni, 2009: 107-108).

In light of the above, it is hardly surprising that as prime minister Viktor 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. One unequivocal sign of this was his remark in July 2012 concerning the goal of attaining a 50% rate of Hungarian ownership in the domestic banking market (a figure he subsequently raised to 60% or higher in November 2014.)

II. The logic of nationalist capital accumulation and its application in finance

The logic governing the process of creating a class of national capitalists can be reconstructed based on five successive steps that build on one another. The first is the selection of the targeted industries. Experience shows that three key considerations informed the decisions on this question: Which industries produce higher than average profits? Where does the state play an important role as a procurer? And which industries offer the possibility of influencing voters' financial situation or (often closely related to the former) their political opinions?

The example par excellence of how the first criterion was applied was the selection of banking – which has continued to produce superprofits over decades despite the rising tax burden – and tourism, which is also frequented by foreigners who spend foreign currencies. A prime example of the second factor is the construction industry. That is where the most valuable public contracts

are, and the relevant projects (e.g., stadium and road construction and railway line expansions) can be expanded to one's liking as long as one can muster the necessary budgetary or EU funds. The third criterion applied most conspicuously to the energy sector (cf. the utility price reduction (the ubiquitously propagated *rezsicsökkentés* in Hungarian) and to the media market. It was thus highly characteristic of the overall approach that Viktor Orbán spoke as follows about his government's success: "We have put the majority of the media, energy and banking sectors into Hungarian hands."

The banking system and the financial sector in general have been among the most profitable segments of the national economy over the past decades. In the "Golden Age" of the financial policies based on the modernization consensus (in 2004-2005), the average return on equity (ROE) was in excesses of 20%, while in the old EU member states this value was typically under 10%. A report by the Hungarian central bank called the compulsory fees in the private pension system "exceedingly high" even in regional comparison. 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 are controlled by a few major players. Correspondingly, that makes them easier to control from a regulatory or taxation perspective.

The financial sector is always of great strategic importance, but the global financial crisis that unfolded in 2008 and its lingering impact also provided an unprecedented and unique opening for implementing lasting and in-depth ownership changes in this sector. During the crisis, the international parent banks were continuously forced to recapitalize their Hungarian subsidiaries, which was a massive financial burden for the international corporate headquarters, especially since they were generally in a volatile capital position to begin with. The situation was further exacerbated by their own political exposure in their home countries (for example, the hostile attitude in German public opinion concerning the losses incurred by the so-called *Landesbanken*, the banks owned by the federal states), while their Hungarian subsidiaries were subject to a considerably higher tax burden than during the peak time of the modernization consensus. This was the situation that opened up the historical opportunity for taking control of the banking sector in the aftermath of the crisis.

The second step was picking the winner. In this respect, reliability was the most important consideration: The favored players where 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 and new relatives, their lawyers, their friends and neighbors in their hometowns and the reliable business partners affiliated with all of the above. In the financial sector, there is some overlap between these players and the cadres of what Fidesz refers to as the "System of National Cooperation (abbreviated as NER in Hungarian) other business interests, since recruitment in the latter also tended to be based on personal relations (familial, friendly and collegial) rather than on meritocratic considerations.

At the same time, it is not exactly an alien concept from the German-Austrian model – which was the predominant model in many respects – to have important financial institutions managed by the confidantes of heads of government – or the confidantes of the confidantes. During the transformation period discussed here in the Hungarian context, this was true of the CIG Pannónia Insurance Company (Orbán's former minister of finance), the Gránit Bank (Sándor Demján), the Széchenyi Bank (István Töröcskei), MKB (Zoltán Balog) or Budapest Bank (we will revisit these cases below). In this respect, the relationships that subsequently turned sour are at least as telling as those that have persisted over time (see for example the case of Zoltán Spéder, who has nurtured close ties to several major figures in Fidesz ever since his university years – we will return to this further below.)

The personal entanglements are often based on complex relationships – especially if we look beyond the world of frontmen and executors. The relationship between Mihály Patai and György Matolcsy is a case in point. As we noted, as the top manager of UniCredit and the president of the Hungarian Banking Association, in 2013 Patai struck a distinctly critical tone concerning the "social" measures (read: the "bailout" of those who had taken out foreign currency-denominated mortgages) implemented by Viktor Orbán's "authoritarian government." At the same time, however, this did not stop Patai from publicly lauding Matolcsy's book, while the president of the Hungarian National Bank reciprocated by introducing Patai as one of the "country's three

musketeers" (nor was Matolcsy loath to temporarily rent his apartment in Budapest's exclusive Castle District to the bank CEO – according to press reports that Patai denied.)

However, the NER's ideological pragmatism also manifested itself in the process of designing the proper personnel and institutional structures. In setting the 50% target for Hungarian ownership in the financial sector, Orbán specifically mentioned the country's largest bank, OTP, while omitting to mention the fact that on account of the large közkézhányad OTP's exact ownership structure is unknown (although it is known that a substantial portion is foreign-owned) and that the Hungarian banking giant is in a close partnership with the French insurance company Groupama (and thus in competition with Hungarian-owned insurance companies).

A similar international flexibility was on display during the MKB privatization when the government agreed with the presumably Chinese and Indian investors behind the Blue Robin capital fund about the sale of a substantial package (we will return to this transaction further below). Ultimately, the definition of Hungarian capital in Orbán's system is "capital that cooperates with the NER," and that does not necessarily presume that the majority of the shares in a company must be controlled by the Hungarian state or Hungarian private persons.

The third step is that the winners are provided with commissions and loans, and thus indirectly with profits and as a result in the long run also with capital that can be reinvested. 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 a calculation of the investigative portal Átlátszó, such outside development funds made up 83% of the revenue generated by the companies owned by Lőrinc Mészáros and his family). At the same time, however, these commissions must 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 the EU authorities.

Truly grand productive investments or bank acquisitions can only be realized with bank loans, and those who are in charge of the process of building the new class of national capitalists are clearly aware of the importance of credit. In light of the fact that at the beginning of the process the balance sheet total of the banks that were part of the NER network at the time was negligible,

the starting impetus in the process of restructuring was provided by state funds – although the Sándor Csányi-led OTP was also cautiously involved in the process. Pre-eminent among these were the varied involvements of the state-owned Hungarian Development Bank and of EXIMBANK. Finally, the profits of NER-compatible enterprises are also boosted by fiscal policy regulations. A key area in this respect is tax policy: cutting corporate taxes, targeted tax relief policies (e.g., allowing corporations to allocate their tax obligations to designated sports or cultural purposes) have had a substantial impact on the profitability of the companies in question.

The second pillar of the Hungarian pension scheme – the so-called mandatory private pension funds –, which produced significantly higher profits than the international average in this field, were massively scaled back in terms of their financial heft, first by abolishing the mandatory transfer of individual pension contributions, and then by threatening the public (without a legal basis, as it subsequently turned out) to forgo their individual accounts. In transforming the banking system, however, the government used far more sophisticated and nuanced techniques than those mentioned in this radical entrée. The ideological basis for the action in the latter realm was – as in the context of many other similar public policy reforms – a reasoning embedded in a mainstream terminology: The internationally owned major banks constitute a systemic risk for Hungarian financial stability because their parent banks are far more exposed to the processes ongoing in the complex and thus unpredictably risky global financial system.

The fourth step was to make sure that the regulation is adjusted to the needs of the players who were preparing to enter the market. Government decision-makers can interfere in market relations with either hard or soft instruments or with both. The express goal of reducing the risks in the financial system was clearly related to the goal of ownership-realignment as 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 (e.g. the so-called financial institutions' contribution, the special tax on financial organizations and the transaction fee) increased massively compared to the Gyurcsány-Bajnai period, while the government also

introduced the possibility of two free ATM cash withdrawals each month as part of its "rezsicsökkentés," the abovementioned government-mandated utility price reduction.

Compared with the period of the modernization consensus, the financial supervision authority – now integrated into the Hungarian National Bank – 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 (also including OTP) had a deleterious impact on the profitability of the affected companies (regardless of the fact that their behavior vis-à-vis their clients often meant that the fines were all too 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 (thus, pre-eminently the so-called "settlement" and the "forint conversion" of the loans). Overall, these shaved off hundreds of billions of the affected banks' balance sheets.

Of the numerous examples we could mention here, we will only refer to the insurance tax relief proposal that became known as the "Lex Járai" (the beneficiaries were CIG Pannónia and MKB), the tax relief from the special bank tax that was extended to cooperative banks, as well as the transformation of the cafeteria system of non-pay benefits that give the employers the option of providing in-kind benefits with a lower tax burden, which were comprehensively replaced by the so-called Erzsébet coupons. If in addition to all these governmental measures we also consider that as a result of the financial crisis many foreign owners (thus for example the Bayerische Landesbank and GE Capital) were already keen on divesting themselves from their interests in the Hungarian banking market, both the push and the pull forces uniformly pointed in the same direction, i.e. towards a withdrawal of these players from Hungary.

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 lunch," an economic transfer that they would not have to do anything for in return, neither in the form of their own efforts nor by paying others for their efforts. In Viktor Orbán's capitalism, however, there is no such thing as a free lunch. As the main

beneficiary of this system, the national capitalists are obliged to funnel back a portion of the profits they have generated with state assistance. These funds are used to sustain the political system and the ideology that made the creation of these profits possible in the first place, as well as to expand the range of its possibilities so that it can continue to generate more profits down the road. The nationalized assets are then reprivatized to players within the NER's economic network (as the MKB example below will illustrate), which results in extensive social risks not only in terms of corruption and illicit party financing – in the context of the banking sector specifically it also becomes a source of legalized funding for projects that serve to consolidate the governing party's political dominance (e.g., the acquisition of media enterprises, including the second largest commercial television channel in Hungary, TV2).

Obviously, the general five-step method thus described is not characteristic of the banking sector alone; to various extents, it also applies to the other segments of the broader financial services markets (thus for example insurance, voluntary pension funds, etc.) It is vital to note that the state institutions that operate outside their traditional role (e.g. EXIMBANK, whose loans were used to fund the first round of the TV2 acquisition, and the Hungarian Development Bank) also act as agents that assist the underlying transition. After this broader overview, in the following we will focus on the changes that have transpired in the commercial banking sector.

III. Strategic moves on the banking market

As an intermediate stage of the process that had commenced in 2010, by 2018 three larger groups had emerged in the banking market: the network of banks owned at least in part by the government or by entrepreneurs with close ties to the NER (see Table 1), then OTP, which is a NER fellow traveler, as finally the remaining subsidiaries of multinational banks such as K&H, UniCredit, CIB or Raiffeisen. The first group features four of the 12 Hungarian banks with the highest balance sheet total (MKB, Budapest Bank, Erste and the integrated Takarék bank), which are complemented by a few smaller banks. Below we will briefly review how the "national banking" system was established by looking separately at the major individual groups.

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

Bank	Previous owners	State measures	New (beneficial) owners
MKB	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)
ERSTE Bank	ERSTE Group	Minority stake acquisition by the state (15%)	ERSTE Group, EBRD, Hungarian state (Corvinus Inc.-MFB)
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 company	Minority stake acquisition by the state (49%), then bankruptcy	István Töröcskei
NHB	Kulturbank, Indosuez, Hanwa	MNB deposits, Transfer of clients from Buda-Cash	Tamás Szemerey

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 state-owned Bayern LB, has sought to sell off all its unprofitable subsidiaries, but the first indication of a serious buyer for MKB appeared only after the change in government in Hungary in 2010.

From the German perspective, the annual loss of 100bn forints – exacerbated by the new bank tax – accelerated the preparations for the deal in which the Hungarian state ultimately acquired the bank in September 2014 for the price of 55mn euros (17 billion forints at the time). The Bavarian parent bank viewed this price – along with the transfer of the bank's substantial stock of non-performing loans (NPLs) – as a very positive outcome, especially in light of the several rounds of capital infusions into MKB, the total amount of which in the years following the crisis exceeded 700 euros.

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 program, a portion of the stock of the bank's NPLs – the total gross value of these loans exceeded 200bn forints – was transferred to the newly created Recovery Fund (to the tune of roughly 100bn forints, which included 32bn forints in state aid according to EU accounting rules, which began to sell it off (the assets remaining after the sale were acquired by the INDOTEK group in 2018; the price was declared to be confidential business information and was thus not divulged to the public.)

The privatization of MKB, which was thus gradually relieved of its bad loans, began in June 2016 (this was also the period when the most fateful changes occurred with respect to the integration of the so-called Takarék (Savings) banks, which will be discussed below). The transaction netted a revenue of 37bn forints and the new owners became a group of investors comprising three players. Apart from the Pannónia Retirement Fund, neither the Singapore-based Blue Robin nor the Metis Private Capital Fund were known in the domestic banking scene.

Ultimately, the figures behind Blue Robin turned out to be Tamás Szemerey (a major businessman who is also a first cousin of György Matolcsy – see below: NHB), and Ádám Balog, the former vice president of the central bank who was appointed the new CEO of MKB. In the

meanwhile, one of Lőrinc Mészáros' investment funds (the publicly traded Konzum) materialized behind Metis and raised its stake in MKB to 49% in two steps. In a move that was presumably not independent of the aforementioned developments, as part of the consolidation of the new ownership structure Ádám Balog also assumed a management position at the company with the largest ownership stake in MKB, Konzum.

As a partial conclusion of this process, in accordance with the plans for 2018 – and in line with the agreement concluded with the European Commission in 2015 – a 20-30% stake in the bank was to be sold at the Budapest Stock Exchange. At the same time, MKB's growth plan and several interviews with the owners raised the idea that the bank might acquire other Hungarian credit institutes as well; Budapest Bank was specifically mentioned in this context. In the meanwhile, MKB extended substantial loans to fund its owners' interests in other businesses, as well as other acquisitions linked to the sprawling NER empire (see for example TV2).

Budapest Bank

Similarly 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 700mn dollars (ca. 200bn forints, which was 1.7 times higher than the bank's book value), the price tag on Budapest Bank did not seem discounted at all; it became one of the most costly acquisitions in the history of the Hungarian state.

As part of its agreement with the European Commission about the acquisition, the Hungarian state undertook to privatize the bank within three years. However, as of 2018, that is three years after the sale, preparations for the privatization were still pending. In the meanwhile, just as in the case of MKB, 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.

Erste Bank

The government also continued expanding by investing in other major banks. It joined forces with the European Bank for Reconstruction and Development (EBRD) and they each bought a 15% stake in the ERSTE Bank Hungary Inc. At the signing ceremony Orbán made it clear the government has the right to see the books of the banks and that there is a quid pro quo with the bank tax: 2017 could bring a slight reduction in the rate of the bank tax, and according to the agreement the government would subsequently continue to try to ensure that the rate of the Hungarian bank tax be lowered to "approach the rate that is customary in Europe," since after the initial two-year cut "we will 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. 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 38.9bn 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."

The Takarék integration

The path towards the integration of the fragmented domestic network of saving banks and its integration into a coherent structure was far bumpier than the acquisition of the Hungarian subsidiaries of major international banks that sought to divest themselves from their stakes in the Hungarian market. A comprehensive review of the process would require a separate study, and thus for the present purposes we will focus exclusively on the first stage of the process here, which is associated with the tycoon Zoltán Spéder. What will be left out is the currently ongoing stage of the integration of the consolidated structure into the NER (which means ridding the banks of the excessive influence of oligarchs).

The stakes of this integration process are high, since they are aimed at turning the underlying network of savings banks – which is second to none in Hungarian comparison – and its ability to draw savings into a commercial bank. The other – publicly unacknowledged – goal is to use this as a base for organizing a bank group that could wield a large enough volume of revenue to compete with OTP, which operates independently of the NER control center – although as we shall see below, it is by no means hostile to the latter. In 2012 Viktor Orbán referred to the Hungarian Development Bank's acquisition of a stake in Takarékbank as "part of a large-scale military operation."

To manage this process, Viktor 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 (this also included Viktor Orbán, who was enrolled in the Bibó College back then). At the time, Spéder was polishing his skills as a bank manager in a capacity as the right-hand man to OTP's influential CEO, Sándor Csányi.

During the first stage of the process, in 2014, Spéder's FHB group – which had gradually morphed from Hungary's first mortgage bank into a commercial bank – acquired a stake in Takarékbank (the full official name of the company was Magyar Takarékszövetkezeti Bank Inc, or Hungarian Savings Cooperative Bank Inc.). 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 and the government acquired a majority stake in Takarék, which had been previously owned by a collective (the government's stake was acquired by way of MFB and the Hungarian Postal Services), thereby effectively pricing the cooperatives out of their own asset. 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 by these actions. The protests were led by the tycoon Sándor Demján, who served as the president of the National Federation of Cooperatives, the umbrella organization for cooperatives. Demján argued that the assets of the savings cooperative sector had been seized and

expropriated," and that a "team made up of a clique of private persons" has seized control of the entire sector.

At the same time, however, the transactions criticized by Demján were only one of the key events which led Viktor Orbán to the decision to remove both Spéder and his FHB bank from their key position at the center of the integration of savings cooperatives. One major point of contention 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 an issuing of bonds by FHB that also caught the attention of the EU oversight institutions: already back in 2012, FHB had issued bonds in the value of 100mn euros, officially to foreign investors, but as it later turned out in reality for the Hungarian state. Had it not been for this transaction, the bank's capital situation would have become volatile. This deal 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 (ultimately, the bond package in question was acquired by Spéder in June 2016, amidst the character assassination launched against him by the government).

Finally, Spéder left FHB altogether in October 2016, thereby also formally reducing his connection to the integration of savings cooperatives to a minimum. The two main companies of the FHB group were soon rechristened to Takarék Commercial Bank and Takarék Mortgage Bank, respectively, which resulted in the FHB brand disappearing from the market. The new major figure in the integration process, the chairman and CEO of the Takarékbank Inc, became József Vida, who is linked to Lőrinc Mészáros by a thousand threads (he is a board member of Mészáros' main corporate vehicle, Opus, for example). As the manager of one of the largest savings cooperatives that was affected by the integration process, Vida recalled that he had "very often contradicted Zoltán Spéder, but never in public."

As a result of the integration, by 2018 only 12 remained of the Takarék group's previously 121 independent savings collectives. Together with the three abovementioned special-purpose banks, a far more simplified and clearer institutional structure took shape. A vital aspect of this development is that the new management is clearly in a dependent position vis-à-vis the state

(both as an owner and in its capacity as the supervisory authority, that is the MNB), while in terms of its personnel make-up, the company management is massively intertwined with the NER economy's innermost circle, the network of Lőrinc Mészáros. From a political perspective, this mixed result is obviously more favorable than if they had used state resources to practically create a new private bank. Furthermore, over time the Takarékbank, which is being consolidated according to the new plans, could emerge as a potent rival to OTP – in alliance with other state-owned banks, if need be.

Smaller Hungarian banks

In part due to the ambitions of their owners and in part owing to the position they occupy within the broader NER structure, the smaller Hungarian-owned banks have emerged as legitimate players in the reconstructed banking system. The latter also justified a variety of individual state acquisitions, which were often temporary, as in the case of MKB. 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 – at the same time, for those who control the process overall, an expansion of the slate of potential players provides them with the option of 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 (see, for example, Spéder and the FHB), drops out, then other alternative business circles who already have the requisite banking experience can be promoted in their stead.

The story of Gránit Bank aptly illustrates this generic scenario. Although it has taken different legal forms over the decades, its history reaches back all the way to the 1980s. But it only attained the shape it took at the time when financial nationalism became the dominant paradigm in 2010. The bank was acquired at this time, after the parliamentary elections, by the tycoon Sándor Demján, who renamed it after his own TriGránit group and entrusted Éva Hegedűs – formerly an executive at FHB and OTP who also served several stints as a state secretary in the government – with the bank's management.

In 2013, the Ministry for National Economy acquired a 49% stake in the bank through a capital increase of 2.58bn forints. According to the official statement, the ministry "performed a

business investment." In 2015, it added another 1.7bn to its initial investment, and it was joined by the Pannónia Retirement Fund, which invested a further 1.4 billion. This chimed in a new era at the bank (at the same time, 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 (the president of which is Kristóf Szatmáry, a former state secretary in the Fidesz-led ministry of economy), a member of the recently re-privatized 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 (the total value of their deposits was 7 billion forints). All things considered, by 2018 Gránit has emerged as a bit player in the Hungarian banking system, where it operates based on its own distinct business strategy but is connected to the NER – also formally – and actively extends credit to enterprises with links to the NER.

Another acquisition of a minority stake in a bank by the state, which occurred at the same time as the purchase of the Gránit shares, was less successful. The bank in question, the Széchenyi Bank, was part of the business empire of the tycoon István Töröcskei. Töröcskei is one of Fidesz's key financial background operators and he also been part of the team that launched HírTV, which emerged as a vital player in the Fidesz media empire during the lean years when the party was in opposition. In addition to his position at the helm of the Government Debt Management Agency (ÁKK), Töröcskei also acquired and subsequently rechristened the Széchenyi Bank – which had been owned by offshore interests at the time of its creation in 2008 – 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 3bn forints. As one of the brokers for the MNB's Funding for Growth Scheme (a program of low interest business credits to stimulate investments, abbreviated as NHP in Hungarian), the bank's balance sheet total quickly grew to over 50bn forints. Considering these two factors, it seemed likely that with the proper management, Széchenyi Bank could have followed a similar trajectory as Gránit. In early 2024, it even made a bid (of one euro, according to press reports) to acquire the Hungarian subsidiary of Raiffeisen, which qualifies as an important player in the Hungarian banking market. At the same time, however, already at the start of the decade there were numerous fishy deals that Széchenyi appeared caught up in, and they always involved the cross-financing of Töröcskei's other business interests. Ultimately, the bank had to file for bankruptcy. This also impacted the ownership shares of the Hungarian state which had to spend billions of forints in budget funds to indemnify the bank's clients and partners (beyond the money paid as part of the deposit insurance). Still, it is a testament to the level of protection that the former bank executive continues to enjoy that as late as 2017 he had still not been asked to testify in the investigation concerning the bank's problematic dealings.

The third small bank affiliated with the NER is NHB, the Growth Credit Bank. Previously, the bank had operated under various brand names (most recently as Hanwa Bank, a bank with South Korean background), 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 (as recently as 2018, the remaining shares were controlled by a Lebanese company). As starting capital, the foundations of György Matolcsy's central bank also kept accounts worth billions at the NHB (at the same time, it is also true that Szemerey came to think of the aforementioned family ties as a disadvantage).

Because of its relatively late start, the bank was left out of the wave 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 (see for example Quantis Alpha and Solar Capital) the bank expanded relatively quickly, and within the span of a few years its balance sheet total had grown several fold. This 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, which

runs afoul of bank laws. 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 traveler of the National System of Cooperation. After 2010, the bank's CEO Sándor Csányi continued to operate as an independent and autonomous player – just as he had before – not only in the context of Hungarian financial capitalism but in Hungarian public life in general: "he helped wherever he could," but only as long his interests were not adversely affected.

Csányi was watching from a position as the wealthiest person in Hungary as Lőrinc Mészáros gradually rose in the ranking of the wealthiest Hungarians all the way up to first place. The bank chief's new role in Hungarian soccer as he assumed the presidency of the Hungarian Football Federation (MLSZ) in 2010 was probably influenced by the prime minister's desire. His engagement in sports and politics did not diminish subsequently, either (see, for example, his functions in FIFA and UEFA and his ownership of the Pick Szeged handball team).

Despite these, the relationship between Orbán and Csányi was fraught with numerous conflicts after 2010, although it is true that the prime minister was rarely directly involved in these. For a long time, Csányi's main governmental antagonist was Orbán's chancellery minister, János Lázár, whose place was later taken by Csányi's former right-hand man, Zoltán Spéder. In the former case, the parties had harsh words for one another (Lázár referred to Csányi as a usurer and likened him to an octopus. Csányi in turn pressed charges against him and mocked Lázár's incompetence and corruption). 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). For a long time, the former OTP top manager Zoltán Spéder played a key role in the preparations for creating a counter-OTP based on the savings cooperatives, the Postal Services and FHB bank. Ultimately, however, there were several reasons – including FHB's continuous demand for capital infusions and the critical reporting on the government by

Index.hu, the online newspaper owned by Spéder, which led to the banker being put on a blacklist.

Despite momentary tensions and clashing interests, the cooperation between Orbán's and Csányi's respective empires always continued, and many signs pointed to a policy of 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, major corporations that can play a leading role in the regional context as well. Moreover, OTP's list of clients also included numerous businesses connected to the NER: the investigative portal Átlátszó estimated that only MKB and Eximbank had a greater degree of financial entanglement with such businesses than OTP. The complexity of financial relations speaks for itself: 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, as has the railway construction company R-Kord, Garancsi's Market Építőjéje, and so have – indirectly – some agricultural companies that compete with Csányi's own business interests.

As Fidesz's successive election victories made clear that the new order designed in 2010 was here to stay, the earlier partial distance between the players gave way to a new rapprochement: in 2018 the members of the OTP group began to invest in several stages in the network of companies controlled by Lőrinc Mészáros, which serves as the foundation of the NER's economic leg. Even though they did not turn him into a "national capitalist" puppet in the NER's economic structure, 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 of this success.

Banks that remain in foreign ownership

In the new banking system that has emerged in the wake of the market transformation that followed as a result of financial nationalism, only a 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 (Italian: CIB, UniCredit; Belgian: K&H; and Austrian: Raiffeisen). They have varied functions in the NER banking system: for one, they are potential reserve targets for future acquisitions, of which

there are only few left (a good example is the previous rapprochement between NHB and Raiffeisen) after the privatization of Budapest Bank and other market consolidations (see the sale of Axa or of CitiBank's consumer banking division.)

At the same time, these banks are also actively involved in building the NER capitalism. They provide state and private players with credit (see the notorious case of the Eiffel Palace in downtown Budapest, which was funded by Mihály Patai-led Unicredit bank); they contribute to the Recovery Fund which has been used, among other things, to perform the MKB transaction; and they pay the applicable taxes on their profits and revenues. At the same time, for the benefit of foreign governments, international organizations and investors they also help to keep up an image of a Hungarian banking where the rules of the market and of global capitalism continue to prevail. In any case, the fact is that after incurring losses for a while, in 2018 these companies have also netted record profits.

Conclusion

The 2010s saw the emergence of a new hegemonic idea, financial nationalism, and this has also resulted in the rise of a new class in society. They became the "national capitalists" who were entrusted with the practical implementation of the prime minister's vision of a Hungarian-owned banking sector. For the most part, those who make up this class were either recruited from a reliable set of Fides cadres or from the ranks of financiers who were friends or relatives of leading government party politicians. Furthermore, the ownership stakes in numerous banks that they acquired were typically funded with credits provided by the state/central bank or through other forms of state aid. Already in 2016, Viktor Orbán, who had set the goals of this process decided that it had been a success:

> "We have reacquired the a Magyar Külkereskedelmi Bank [MKB] and the Budapest Bank, and will keep them in national hands. We have also acquired a stake in the Erste Bank. The reorganization of the savings cooperative network also aligns with these broader policies."[1]

The goal was not to nationalize a greater portion of the Hungarian banking system but to make sure that they are under "Hungarian control." As Viktor Orbán put it in 2014:

> "(With the Budapest Bank transaction) Hungarian ownership in the banking system has surged to well above 50%. 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."[1]

In this article we have shown what material and intellectual resources financial nationalism has drawn on in its path towards dominance in the post-2010 period. Already in the early 1990s Orbán saw clearly that he cannot build a new type of politics on old economic foundations. The goal of the Orbán project was the creation of a new "Hungarian" capitalism to replace the old model of modernization capitalism, which disguised itself as a market economy and was based on semi-peripheral relations of dependence. The rest is an automatism: Hungarian capitalism cannot exist without Hungarian capital, without Hungarian financial capital and a class of "national capitalists."[1]

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