

# **In Defence of Active State-Led Economic Policy**

## **Welcome by the Editor-in-Chief**



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Now in its twenty-second volume, *Polgári Szemle – Civic Review*, *Journal of Economic and Social Sciences*, regards the publication of research in civic, value-based economics and related social-science disciplines as one of its central missions. The ideas of the experts and authors gathered around the journal gave substantial intellectual support to the first steps of the civic government that took office in the summer of 2010. During the preceding eight years in opposition, valuable studies, workshop discussion papers and books had been produced, inspired by shared reflection and an atmosphere of value creation.

In our post-2010 editorial strategy, particular emphasis was placed on presenting the fundamentally changing economic policy and the reorganisation of the state from a scholarly and systematic perspective. Beyond foreign-policy questions, our authors' internationally oriented papers addressed the difficulties of the European Union and the euro area, as well as their implications for Hungary. They also examined the changing framework conditions of regional policy, territorial development, public administration, public and higher education, and healthcare – in other words, the public-administration and social-policy challenges facing the civic government. In the years after 2020, our authors paid particular attention to analysing the economic difficulties caused by external factors and, in their publications, regularly put forward concrete, scientifically grounded proposals for solutions.

The journal's academic classification rose steadily, our author base expanded, and readership continued to grow. We also published several Chinese- and English-language issues so that scholarly analyses of the operation of Hungary's active state-led national economy could become better known internationally.

In the parliamentary elections of 12 April 2026, after sixteen years of continuous government and a series of victories in parliamentary, municipal and European Parliament elections, support for the civic government fell significantly. This inevitably raises the question of whether we should examine our own modest contribution: the scholarly and theoretical foundations of civic governance, the programmes and functioning of the civic government, and the conclusions of our analyses. In other words, we must ask whether the theses, research and published studies represented by the scholarly workshop and creative community of *Civic Review* have indeed become worthless, outdated or, more precisely, diminished in value, particularly in light of, and as a consequence of, the 2026 election results. Does the decline in public support for the civic government<sup>1</sup> also imply the devaluation of civic economics and active state-led economic policy?

Let us first outline the essence of the active state-led economic policy that now lies behind us. By 2010, the Hungarian economy, operating on free-market principles, had fallen into a catastrophic state.<sup>2</sup> The new government did more than provide a framework for the market: through direct interventions, it began to shape economic processes in pursuit of social and national economic objectives. One of the model's most important pillars was investment incentives: the state increased production through large-scale infrastructure development and support for strategic sectors. In demand management, following Keynesian principles, it used public expenditure to replace missing or insufficient private demand. In industrial policy, it designated priority sectors, such as automotive manufacturing, and supported them through low taxes, preferential loans, and establishment and operating subsidies. In the sourcing markets for imports and foreign direct investment, as well as in export markets, it pursued diversification while maintaining Hungary's traditional European Union relationships. Through direct interventions in social redistribution, taxes and transfers, it reduced market inequalities, provided public utilities below market price through utility price reductions, and maintained affordable consumer prices through official price regulation, price caps and margin caps. In family policy, improving the conditions for childbearing, childrearing and housing through state financial instruments became a priority to which domestic-resource-driven fiscal and economic policy was subordinated. The primary objective of financial policy became to improve families' quality of life and the material conditions for having children. After 2010, the economic-policy practice that became dominant was, in its principles, the same as that observed in the Kingdom of Hungary during the Dualist period, of which Karl Polanyi aptly wrote that capitalism, too, was built by the state. Out of necessity and historical compulsion, the state undertook to organise, influence, regulate and control markets. The reincarnation of the economic policy of the Dualist period took place in Hungary after 2010.<sup>3</sup>

By the end of the 2010s, however, the extensive reserves of the Hungarian economy had been exhausted, and the international boom that had also carried the Hungarian economy appeared to be faltering. It was then that the need emerged to shift to an intensive growth path aimed at producing higher added value in the economy.<sup>4</sup> The government, however, was unable to achieve the expected results, mainly because external conditions turned adverse. As a result of the Covid-19 pandemic and the economic effects of the Russian-Ukrainian war, Hungary repeatedly suffered weak economic performance, while financial stability and strong social transfers were preserved. Even in the more difficult years after 2020, fiscal expansion continued – perhaps even shifting into a higher gear in response to social needs – and was accompanied by strong monetary expansion. The government sought to ward off the deeper market failures generated by external factors.

Although the Hungarian economy faltered under the impact of external and often managed shocks, real wages rose, and family benefits and other state subsidies also increased. It may be said that society felt relatively little of the weakness of the macroeconomic path determined by external factors, because the state maintained broad social and corporate support schemes beyond the limits of its public-revenue capacity.

The question therefore naturally arises: why did support for the civic government decline by 2026 despite the material support provided to society? From the standpoint of our jour-

nal's intellectual orientation, it is essential to clarify whether the active state-led economic policy that stimulated effective demand, and the theoretical and scholarly background behind that policy, have been devalued.

Let us take a brief historical look back. In Hungary, from the late 1980s – or indeed from the beginning of indebtedness to the IMF and the World Bank in the early 1970s – neoliberal political influence, together with the theoretical background supporting it, was gradually built up, step by step, until it acquired an exclusive role.

The scholarly and intellectual background to the “wild capitalism” that emerged in practice also gradually gained ground. Among the technocratic, and in many cases openly politically committed, intelligentsia of the Kádár era – including corporate and state-administration leaders as well as the academic and university scholarly stratum – neoliberal doctrines came to the fore. The Hungarian social-science academic elite, professing and adopting the spirit of the Washington Consensus, acquired an exclusive formative role in creating new university curricula and in defining the “substantive expectations” imposed on university lecturers, including through monopolistic control of academic advancement and higher-education accreditation. Already years before the start of the regime change, the official curriculum had come to rest on the superiority of the market, the definition of the state as a bad owner, and the obsolescence of state regulation and control. In the value system of the generation now aged 60 to 70 – and of younger generations as well – the “night-watchman state” and the free-market model became the benchmark and, as a consequence of neoliberal theoretical hegemony and continuity, remain the prevailing doctrine today. For decades, therefore, future intellectuals have been trained at universities in free-market doctrines, while today's professional intelligentsia continues to represent the same view from university and secondary-school lecterns, in companies and in public life. This remains the dominant line conveyed to broad sections of society by leaders trained in that ideology. It remains so despite the fact that, over the past four decades, we have demonstrated scientifically that people in different legal and cultural environments respond differently to the same rules and economic situations because of their differing geographical and historical circumstances. It follows that economic and social policies cannot be imported, whether from the East or from the West.<sup>5</sup> Society and the economy operate not only through formal rules, meaning legal norms, but also through informal factors – culture, religious background and historically rooted basic outlooks – which rewrite normative, imported doctrines and determine their applicability in other, mostly less developed, countries. Yet the neoliberal approach remains accepted and enforced even though crises, both small and large, have appeared around the world. Our response has been that markets cannot be left to themselves because information asymmetries exist among market actors. We have also shown that economic questions cannot be understood without their broader consequences; that is, economic decisions can only be addressed within a broad social context. We have demonstrated that a substantial share of costs arises from uncertainty and risk, and that the purpose of governance is therefore to keep market uncertainties within bounds and to create a risk-mitigating background. We have demonstrated that, in an emerging market economy, the rapid privatisation of former state property and the abrupt liberalisation of the movement of goods, services, labour and capital cause

disruption and even damage to the national economy, as do the dismantling of protective tariffs and the introduction of protectionist industrial policy without an adequate transition. We have shown and scientifically demonstrated that the central bank can perform its role effectively when a multiple mandate is applied.<sup>6</sup> That role is not confined to moderating inflation; it should also promote financial equilibrium and economic growth. In a country seeking to catch up, therefore, the central bank should also play a key role in refinancing public debt and the corporate sector. The role of the state is especially important during periods of forced catch-up or crisis, and even when market actors – supply and demand – meet under conditions in which a party holding a durable monopoly position can realise a lasting advantage, and thus sustained extra profit, over a weaker party with less bargaining power.<sup>7</sup>

By the end of the first decade of the 2000s, Hungary's post-regime-change economic and social policy had entered a systemic crisis. The productive base, the public-finance position and the labour market had collapsed catastrophically. Experience confirmed that the neoliberal model, which did not fit Hungary's historical foundations or social needs, was unsustainable. The governmental practice built from 2010 onwards sought gradually to restore the role of the state, and we endeavoured to establish its scholarly background and taxonomy. This would also have required a transformation of university curricula and of the intellectual orientation of the Hungarian Academy of Sciences.<sup>8</sup> Yet even during the period of active state-led economic policy, those representing the scholarly theory of the active state remained in opposition. It proved impossible to reshape curricula even in public-administration and legal studies, with the result that the spirit and value system of state and municipal administration remained, in reality, largely neoliberal among the professionals trained over the past sixteen years. Most importantly, society did not understand the necessity of state intervention. Although millions made use of family-support schemes, they rejected the logic of Hungary's generous family-policy measures. "The state should not interfere in family life," they said. Support for the small and medium-sized enterprise sector also became alien because of the free-market outlook instilled in society, even though the preservation of jobs and rising real wages were owed precisely to the active role of the state. A significant part of society, despite receiving extensive governmental and budgetary support, turned against the government.

Our efforts to explain active state-led economic policy and secure its acceptance repeatedly failed. Our measures became the subject of biting mockery.<sup>9</sup> In the mid-2010s, the New Public Thinking Programme announced by the National Bank of Hungary, which would have brought to the fore the construction and teaching of the scholarly background to the applied unconventional economic policy, immediately met resistance from the Academy of Sciences.<sup>10</sup> This rejectionist attitude also filtered down to the universities, making the teaching and explanation of the essence of the civic government's economic policy appear increasingly hopeless. Unfortunately, it proved impossible even in an alternative form alongside neoliberal economic policy.

There was, however, some progress: recognising the lack of a clear concept at the Hungarian Academy of Sciences, the research network subordinated to it was separated from the Academy in 2019. This measure, incidentally, followed a Western model: universities that regularly perform best in excellence rankings also have research institutes, or at least their research networks are fully independent, as in the case of the German Max Planck research

network. They are certainly not parts of the country's scientific academy. The Hungarian practice was unfortunately a textbook Stalinist relic, since the incorporation of research institutes into the Hungarian Academy of Sciences began in 1950 on the Soviet model. Researchers, however, still reject the 2019 organisational reform in its aim of incentivising research performance and securing the independence of the institutes. Their effective resistance is assisted by the fact that the membership of the Hungarian Academy of Sciences, which has little demonstrable performance or international measurability, stood up for the freedom of research, while inward-looking conditions prevail in its admission system and meritocratic principles do not apply.<sup>11</sup> It is closed to scholars who profess other ideologies and does not shrink from discrediting them. Thus, there exists a stratum and system of Academy members preserving privileges carried over from the communist system, together with a group of newly admitted academicians of neoliberal outlook who align with that mentality and impose their outlook on universities. They ignore criticism of their lack of performance and, paradoxically, proclaim their own excellence and credibility.<sup>12</sup> Alongside civic governance, the genuinely civic intelligentsia has also suffered defeat, because the scholarly grounding of economic and social trajectories suited to Hungary's historical and geopolitical circumstances has been broken. The shaping of a new scholarly background – or, more precisely, the maintenance of an outdated theoretical system – will most probably depend on the academic elite that, in our view, deserves strong criticism and is imposing itself and its views on the new government.<sup>13</sup>

The neoliberal academic elite, and the intelligentsia it keeps within its sphere of influence, took the lead in discrediting government decisions and created confusion in public discourse.<sup>14</sup> A hostile intellectual and social public mood towards government measures became widespread, weakening the effectiveness of those measures and becoming one of the main reasons for the weak support for the civic government in the 2026 parliamentary elections.<sup>15</sup>

It is both shocking and saddening that meaningful opposition to the decades-old, ossified and unquestioned rule of academicians, maintained through institutional power, was possible at all only because some form of external backing provided sufficient support. Otherwise, that suppressive power would have ruled out any possible reform initiated democratically from within.<sup>16</sup>

Although, as matters currently stand, our struggle to renew Hungarian scientific life, the social sciences and the Hungarian Academy of Sciences has failed, we may still hope that, in the longer term, economic trajectories will emerge that are optimal for Hungary and favourable to society. We may also hope that enduring theories will be born to support them, and that, because of our East-Central European position, the functioning of the economy will absorb a further developed version of active state-led economic policy.

The value-creating experiments and scholarly analyses in our journal will therefore continue.

*Civic Review* is worth reading!

Budapest, 3 May 2026

Prof. Dr. Csaba Lentner, University Professor  
Editor-in-Chief of *Polgári Szemle – Civic Review*

NOTES

- 1 The electoral defeat, as a political outcome, should be treated as a fact; an explanation is provided by Ágoston Sámuel Mráz's study published in this issue.
- 2 Let us recall public debt exceeding 80 per cent of GDP; the catastrophic indebtedness of households, companies and municipalities, largely in the form of foreign-currency-denominated loans; the unemployment rate above 12 per cent; and the circumstances of the substantial IMF-World Bank loans that distorted Hungary's economic-policy independence.
- 3 For more detail, see: Csaba Lentner (2019): *A magyar állampénzügyek fejlődéstörténete a dualizmus korától napjainkig*. L'Harmattan, Budapest; published in English as: Lentner, Csaba (2020): *East of Europe, West of Asia*. L'Harmattan Publishing, Paris.
- 4 For details, see: László Parragh – Mihály Patai – Csaba Lentner (2015): *Magyarország a változó világban*. Edited by Klára Lengyel and Lajos Péter Tóth. Éghajlat Kiadó, Budapest. Published in English as: Parragh – Patai – Lentner (2019): *Hungary in a Changing World*. Éghajlat Publishing House. Available online: <https://www.youtube.com/watch?v=DPLSPcAwDwo&t=1s>; <https://www.youtube.com/watch?v=ux-EJBpiQI>; <https://www.youtube.com/watch?v=Ijg3Ou9BjyY&t=522s>
- 5 The theory and practice of the socialist planned economy were adopted from the Soviet Union, while those of the neoliberal market economy were adopted from the West. In both cases, this occurred in a coercive or forced manner. Neither fitted the needs of domestic productive forces or Hungary's historical conditions.
- 6 The number and substance of verbal clashes with the neoliberal academic elite only expanded, especially because that elite provided the theoretical background for a neoliberal and often outdated economic policy that could not be optimally fitted to Hungary. In their scholarly publications and curriculum-shaping activities, they supplied the theoretical – and therefore positively framed – basis for the austerity packages of left-wing governments and for excessive foreign-currency lending.
- 7 For example, in energy and utility public services, or in the fuel and food markets, customers have no alternative and cannot satisfy a basic or public need from another market actor. The company providing supply can therefore dictate a monopoly price without market competition. At this point, in the spirit of active state-led economic policy, state intervention is necessary.
- 8 Among the prevailing doctrines, the teaching and acceptance of the 1995 Bokros package remain widespread to this day, as do the “forgetting” or trivialisation of the foreign-currency loan problem and, indeed, the openly negative – that is, harmful – assessment of state consolidations. The academic elite provided the theoretical background for the economic-policy practice of earlier neoliberal governments and continues to play an active role in maintaining the economic ideology. See, for example, repeated advocacy for the expansion of market-based healthcare services or the dismantling of the expansive framework of the pension system. Thus, the past sixteen years have also passed in this spirit. In the social sciences, the civic government remained in opposition.
- 9 A similar antipathy to economic measures also developed in the arts and culture. In theatre repertoires, plays mocking the government and its political methodology became popular. The denigration of the incumbent power and the questioning of its operating principles continued at full speed throughout the past sixteen years.
- 10 From an online source: <https://www.youtube.com/watch?v=Euv7SaxWAKU>. In the meantime, the contemporary position statement has been deleted from the website of the Hungarian Academy of Sciences.
- 11 For more detail on the problems and consequences of the operation of the Hungarian Academy of Sciences, see: János Dobránszky (2026): *Corruptio in Scientia in Hungarica – Eltorzult tudósi alkat, zsákutcás Magyar Tudományos Akadémia – károsodáselemző, állapotértékelési jelentés*. DyTh Kiadó. <https://m2.mtmt.hu/gui2/?mode=browse&params=publication;36975836>
- 12 The public can read the rich “body of evidence” and fact-finding material on all this in the pages of *Polgári Szemle*, both in our earlier issues and in the present one, in volumes XXI and XXII. <https://polgariszemle.hu/archivum/234-2025-majus-21-efolyam-1-3-szam>; <https://polgariszemle.hu/archivum/239-2025-oktober-21-efolyam-4-6-szam>; <https://polgariszemle.hu/aktualis-szam/246-nemzetkozi-kapcsolatok-tortenelem/1410-do-mem>

bers-of-the-hungarian-academy-of-sciences-exhibit-competitive-performance-a-scientometric-and-empirical-analysis1

- 13 In spring 2025, widespread dissatisfaction and a mood of reform developed regarding the operation of the Hungarian Academy of Sciences and its scholarly grant practices. The effectiveness of the intervention by right-wing opinion leaders, however, was weakened mainly not by the opposing left-wing or liberal intelligentsia, but precisely by statements from “our own”. To use an analogy, it was like the rare case in Spanish bullfighting when the bull would defeat the torero and clowns run into the arena to save him, distracting the bull while the injured torero escapes. Our action against the Hungarian Academy of Sciences also ended on this sad note. Unfortunately, the “clowns” successfully diverted the civic government’s attention from the adoption of a new academy act. Respect is due to those left-wing and liberal scholars – not demonstrably right-wing – whom I cite in my further study included in this issue and who have, for years, subjected the operation of the Hungarian Academy of Sciences to sharp criticism and constructive comment.
- 14 It described the civic government’s family-policy support measures as state interference in the lives of families, attacked the government’s industrial location policy, and regarded subsidies to the SME sector as a violation of market principles. Numerous academicians considered the consolidation of household, corporate and municipal foreign-currency loans to be a non-market-conforming instrument.
- 15 Flowing down from the Academy and its intellectual orientation to university courses, graduates, and the people taught and led by them, a free-market, neoliberal outlook has been taught and has prevailed for decades, indeed over many decades, and has deeply permeated the thinking of the intelligentsia and society.
- 16 Despite the temporary lack of results, it should be emphasised that we were able to make our constructive criticisms and academic reform proposals in 2025-2026 only against a “virtual” governmental background. The Hungarian Academy of Sciences cannot be reformed from within.