

# Authoritarian Demographic Policies in Hungary: Demographic Policy as the Ultimate Authoritarian Central Planning Tool

By Eszter Nova\*

*In 2015, the government of Viktor Orbán announced the reintroduction of an old family policy tool, a state subsidized loan that turns into a non-refundable subsidy upon the birth of a certain number of children, as part of a broader Family Protection Action Plan. This Plan, which bears all the hallmarks of an authoritarian staple, is dehumanizing, pits demographic groups against each other and distorts the markets. It also creates a distraction for the citizens and puts the opposition in a corner where their only option is a bidding war.*

*The Orbán family policy creates a lifetime of bureaucratic entanglement for the recipients, as well as dependency from the welfare state and political influence over them. As its socialist-era predecessor, the loan-for-babies Program results in a population anticipating nudges from the government in the form of conditional pay-outs. Further, by redrawing the housing market with micromanaging specificity, the policy arbitrarily distorts markets and creates damaging incentives.*

*The policy also purposely excludes disfavoured ethnic, social and economic groups and minorities. Further, by "only protecting the family," the government gives itself a justification to attack homosexuals, minorities and single people. In this context, politicians are demonizing women and bringing back medieval views. The family policy in Hungary is an example of authoritarian paternalism, an overgrown state that redistributes resources to benefit its own political clients, while ostensibly attempting to support the economic victims of its own policies.*

*The paper sets out to describe the new Loan-for-Babies Program, compare it to the pre-1989 edition, and puts it into broader policy and political context.*

**Key words:** Hungary, demographic policy, paternalism, central planning, authoritarianism.

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## Introduction

The Orbán government's loan-for-babies Program is not new for Hungarians. The pre-1989 authoritarian regime has also attempted to boost the population by offering subsidized loans that turn into non-refundable subsidies upon meeting certain conditions on family size and legal conditions, such as the birth of the third child into the same marriage. These kinds of loans (both

before 1989 and in Orbán's family Protection Action Plan, however, come due in one sum and with punitive interests, if the third new citizen is not born within the provided time.

The evaluation of a family policy can take place on several levels. In 2019, four years after its reintroduction, it is too early to evaluate the fiscal and economic impact of Orbán's Family Protection Action Plan (FPAP), a series of policies designed to boost marriage and birth rates, especially since its details and conditions continuously change. We can, however, observe the initial reactions on the housing markets and in the recipients' behaviour. We can also assess initial political and psychological implications—how it impacts families and how it affects the government's power ambitions.

Family policy in Hungary has an authoritarian bent, with sizable welfare state redistribution and a central planning intention. The policy is micromanaging citizens' lives on the family level and intruding into their most private decisions. Offering money in exchange for the birth of new citizens may look like an innocent nudge, until one takes into account the alternative, whether staying out of the program is a viable option, partly because of the price effect of the policy itself. The other unseen cost of the policy falls on those who do not participate in the program. The full program's impact can only be assessed on a historic scale and only on collectivist premises, but its disadvantages are imminent and affect actual individuals.

The less obvious but more potent authoritarian bent of such a policy is, however, what it posits itself against. First, the policy leaves out non-traditional families, such as non-married couples, single parents and non-heterosexual couples, with an intent to achieve a desired demographic goal of a homogeneous (ethnically and in lifestyle) population. Second, the policy leaves out poor people and minority ethnic groups. The program's explicit target is to boost the reproductive rate of the ever-shrinking ethnic Hungarian middle class, creating an ethnically homogeneous society without immigration.

Lastly, the policy can be evaluated based on how it works in silencing opposition—internal and external—and boosting the government's support base. And with so many successful authoritarian policy tools, Orbán's FPAP excels in this regard.

The first part of the paper will discuss the current and previous demographic policy tools in Hungary. Due to the frequent policy reversals in 2015-2018 and the proposed demographic impact being far in the future, its evaluation will focus on the policy's use as a communication tool, as the tool of cementing the power of the ruling elite, its redistributionist and authoritarian nature, its built-in opportunities for clientelism, cronyism and corruption, as well as its impact on the life choices, options and world views of its target groups. The second part of the paper will evaluate these policies as authoritarian power tools, its redistributionism, its communication, and its intended side effects.

## **The Orbán government's demographic policies, the Family Protection Action Plan**

The Homemaking Benefit for Families (HBF) (Családi Otthonteremtési Kedvezmény) is a subsidized housing loan program in exchange for babies. It was first proposed in 2015 after a weeks-long verbal assault on women by leading Fidesz party politicians, who called for women to go back to birthing and to the kitchen. The program was later renamed to Family Protection Action Plan (FPAP) (hun. Családvédelmi Akcióterv) and prominently mentioned in Prime Minister Viktor Orbán's 2019 state of the nation speech.

The FPAP and its most prominent flagship policy, HBF, announced a government handout of ten and twenty million forints (approx. 30 and 60 thousand euros) in housing loans for families with children that turn into non-refundable subsidies if certain conditions are met, most notably the birth of the third child. The measure resonated strongly with the population. Many potential beneficiaries grew up in families that benefited of similar state subsidies under the pre-1989 socialist state. It was in the country's DNA to anticipate state nudges when it comes to a couple's major life decisions such as where to live and how many children to have and when. The old policy was left to deflate during the last decade of its existence and officially cancelled in this form in 2009. It has largely been replaced by encouraging housing-related savings in general, not tied to reproductive conditions.

In 2015, with the first announcement about its resurrection, the housing market reacted immediately and with a frenzy that has not receded, not even in the face of policy fluctuation, unpredictable and ever-changing rules that specify which types of properties are eligible for the program.

After another sweeping election victory and in possession of another constitutional supermajority, Prime Minister Orbán used his 2019 annual state of the nation speech to announce the so-called new era of "demographic governance" in Hungary. In it, he mentioned new details of his FPAP, including the baby-expecting loan, the extension of HBF, personal income tax relief for mothers of four, and car subsidies for parents. According to the State Secretary of the Prime Minister's Office for Strategy and Parliament, Balázs Orbán, 117 thousand HBF contracts had been applied for by September 2019, pledging over 45 thousand new babies (Molnár 2019).

### *The Baby-Expecting Loan*

The program guaranteed women under 40 years a 10 million forints (approx. 30.000 euros) loan when they marry for the first time. The law did not, however, include conditions regarding age or the number of previous marriages for a husband. Also, the law included a measure under which the debt becomes interest-free and repayment is suspended if the married woman gives birth to a child within five years, and it gets eventually cancelled if she has three children within ten years while being married to the same man. The rules and conditions of the legislation have kept changing ever since.

The policy came with a caveat, as poor women could not obtain a bank credit check which was a requirement for a loan. Another such requirement was a 3-year continuous employment in Hungary, excluding the much-desired returning emigrants from participation. To accommodate the returning emigrants, for instance, a new rule allowed them to count in their employment abroad, but the last 180 days still had to be in employment in Hungary.

The overt goal of assigning the debt to women was to reduce the number of divorces (four out of ten marriages ended in divorce in 2018), over 70% of which is initiated by women. Therefore, even if the babies are born within ten years, the loan is in effect for 20 years and comes due with interest if the marriage breaks up.

#### *HBF – Homemaking benefit for families*

The HBF policy was first announced by János Lázár, Minister of the Prime Minister's Office in 2015, but Prime Minister Orbán announced the extension of the program in his state of the nation speech in 2019. The extension was made necessary not just for communication purposes, but because the original announcement back in 2015 had made housing costs skyrocket. By 2019, the initially promised sums were barely enough to make up for the price increase the very announcement (and other policies) triggered. Just like the wife loan, HBF also comes with increasing concessions and eventual cancellation after the third child.

One particularly disturbing element of HBF is the so-called village HBF, a policy tool whose goal is to *keep villages alive*. In its effort to keep the number of settlements across Hungary at its current level, the government has released an actual list of 2.486 villages with 5.000 or fewer inhabitants, mostly in poor regions, that are eligible for village HBF applications. In essence, the government is making incentives for people to move to economically unviable villages and raise three or more children while there, with no regard to said children's wellbeing or future opportunities. Keeping a lifeless concept, such as a village, alive only makes sense from a collectivist perspective. Furthermore, it is only a good thing for symbolic, political purposes. No individual can benefit from moving against economic rationality, away from opportunities, education, healthcare and other services. Further, the published list shows elements of political bias, and it is also a testament to the micromanaging nature of authoritarian central planning. The list had redrawn the asking prices on the housing market immediately, but interest in it proved to be relatively minor at its launch.

#### *Lifelong exemption from personal income tax for mothers of four*

One of the most headline-grabbing policy from Prime Minister Orbán's speech in the international media was the promise of personal income tax exemption for mothers of four or more.

The combination of the Hungarian welfare system and non-progressive work culture strongly encourages women to stay at home for three years after the birth of each child. As a consequence, average families with four children do not typically have a breadwinning wife. A lower personal income tax threshold would cover them, but that would also benefit men and that is something the lawmakers did not want. According to the National Office of Statistics, in Hunga-

ry in 2016 there were 29 thousand families of marriage with four children. There were also 12 thousand registered partners, 8 thousand single or widowed women, and 725 single fathers who all raised at least four children, all being left out of this policy.

#### *Policy predecessors*

The loan-for-children policy tool is nothing new in Hungarian policymaking. It was first introduced four decades earlier by the then communist regime. Social policy became the buzzword for ever-so-paternalistic policies that intended to influence the behaviour of families both in Eastern and Western Europe, and housing policy has always been an integral part of social policy. The predecessor of HBF, previously called Social Policy Benefit (SPB) (hun. Szocpol), has been part of the housing and family policy for most of the life of current generations. According to daily *Napi Gazdaság* (2019), between 2001 and the program's discontinuation in 2009, SPB had 41.305 contracts signed, pledging at least one baby each in exchange for loans. Out of those contracts, 9.571 were not fulfilled (i.e., the applicants have failed to deliver at least 9571 new taxpayers) and are now in various stages of foreclosure and repayment of the loan at worse than market conditions.

SPB has been an integral part of family planning for Hungarian families, although with varying relevance, until its discontinuation in 2009. The reintroduction of the policy under a new name in 2015 caused much delight in specific segments of the population who have learned to anticipate such policies and to make compliant family planning decisions.

Since the 1990s, there has been another form of housing policy tool by Hungarian government, the system of home savings accounts (LTP), where savings of individuals were topped up by the state – up to a limit. The construct allowed every individual to such an account without income, age or employment restrictions. Like HBF, LTP was focused on housing priorities, but it was not linked to reproductive conditions. It encouraged savings and the construction was available to everyone and it was not limited to those who could produce a positive credit score. Apart from individuals, even housing associations opened such accounts to save for renovations and to keep the value of their savings on a galloping housing market. After the discontinuation of SPB in 2009, LTPs became very popular.

The home savings accounts were abruptly abolished in October 2018 to make way for the new HBF: The change happened overnight, sending a shock wave through society and leaving struggling aspiring home buyers with pledging a baby as their only option. Nothing is under individual control. Moreover, with a long-term decision such as having children, this exposure is permanent.

According to the official explanation of the bill the government abolished the LTPs because demography is a higher priority than encouraging savings and that the institutions that administered these accounts made an “extra profit” (Government of Hungary 2018).

## **Demographic policy as the ultimate authoritarian central planning tool**

Demographic policy efforts and the underlying fertility-focused redistribution in Hungary presuppose, as well as create, an ethnically homogeneous population that is receptive to these measures. Regardless of rhetoric, authoritarian strongmen are always at the vanguard of redistribution policies, the question is only the goal and the beneficiary of such redistribution. Moreover, when it comes to populist policies, the louder and the more spectacular, the better, crowding out public discourse and cornering counterarguments. The central redistribution on such a scale should also alarm defenders of a limited state, non-interventionists and opponents of central planning.

Authoritarian thinking can be broken down to certain ideologically neutral characteristics such as fondness for order, inability or unwillingness to embrace uncertainty, submissiveness to authority, authoritarian aggression toward the underdog (victim blaming), conformity, the need to homogenize society (along race, opinion, faith, wealth or customs), fear of outsiders (xenophobia), admiration of strength and power, the loss of individual perspective and adopting that of the powerful, adopting the group perspective (often also majoritarianism), impatience with the rule of law (helplessness compensated by enabling a strongman), conventionalism, political intolerance (e.g., restriction of free speech), moral intolerance (e.g., homophobia, supporting censorship), punitiveness, hierarchical and status-oriented thinking, favouring group authority and conformity to individual autonomy and diversity, fondness for conspiracy theories and scapegoating as a way of regaining control over complexity and zero-sum thinking. (Nova, 2016, Stenner, 2005, and Altemeyer, 2007)

Any demographic policy checks many of these characteristics, with the most paternalistic ones checking all of them. Offering money in exchange for limiting citizens' life choices is the opposite of giving. It creates state dependency, positive as well as negative, exposure to the political will, while the opportunity cost of lives lived in compliance as well as resources not staying at their creators are rarely accounted for. The necessarily resulting compliance attitude is the hotbed for authoritarian thinking. It also incentivises the justification of such paternalism by its victims. The elimination of individual choices of the recipients may appear voluntary, but the real issue lies in the choice architecture.

### *Communication flash bombs*

Authoritarians are captivated by contrasting fertility with immigration. Both fertility and migration are combustible political topics on their own right. The most poignant aspect of such an authoritarian and paternalistic policy is the difficulty of countering it. Its opposition is left with either demanding austerity by taking handouts away from families, or to engage in a populist bidding war. Even limited-state proponents may agree to such tax loopholes or tax cuts. In short, demographic governance is a communication flash bomb, as well as a spending opportunity and a tool of economic micromanagement and clientelism. Moreover, its discussion crowds out other, more relevant topics such as emigration, corruption and the demolition of checks and balances.

In the announcement of a new FPAP in 2019, Prime Minister Orbán transitioned away from warrior king towards loving father of the nation. It was a soothing and reconciliatory tone after the hysterical warmongering of the 2018 election campaign when the anti-migration propaganda reached shrill heights. Curiously, however, he still used war rhetoric to explain his “protection of the families.” The multiplication of ethnically homogeneous Hungarians was contrasted with the invading hordes of immigrants of a different culture (‘culture’ being code for another race and religion).

The other communication method underlying the fertility agenda is the plethora of things that can be effectively attacked by “just protecting the family,” with the phrase “protecting the family” implying that something or someone is attacking it.

The inherent collectivism of fertility policies and “protecting the family” shows itself in the fact that a family is a unit that must be protected, while its members are not. Protecting a collective entity even at the expense of individuals is the hallmark of both left and right wing collectivism.

#### *Big state welfare redistributionist policies*

FPAP was estimated to cost 0.1% of the gross domestic product (GDP) and is projected to grow to 0.4% of GDP by 2020 (Central Bank of Hungary 2019).

Demography-based redistributionism is the ethnic nationalist way to play big redistribution and central planning. Limited government voices have no place at a demographic policy table. No wonder pre-1989 socialist authoritarians invented this tool, with post-2010 nationalist authoritarians reintroducing it.

Biopolitics is the ultimate central planning. Supporting the multiplication of an ethnically select group is the flip side of the coin of resenting the existence of other groups – as it was demonstrated by Orbán’s communication switch from savage anti-outsider to a fatherly pro-fertility politician. Biopolitics and the sheer existence of demographic goals and policy tools illustrate the deepest level of intrusion into private lives, the most sweeping central planning instinct conceivable.

The real extent of the intrusion into privacy and personal life of these policies comes visible when we contemplate those who are not the beneficiaries of such policies—the opportunity cost of lives and the extra taxes they pay. Anyone without a plan or the opportunity to have children has to face the skyrocketing housing costs as well as carrying the tax burden of other people’s loans.

For those who are eligible for this particular type of state support, the depth of intrusion becomes apparent when things do not go according to plan. The questions that emerged upon the announcement of such a policy speak loudly about the intrusion as well as the gruesomeness of the underlying premises.

The intrusion is also evident in the small print and conditions of the FPAP. What happens if people get a divorce? What happens if one or both spouses suffer from infertility? If a child counts for loan purposes after the 12th-24th week of pregnancy (depending on the loan and the ever-changing conditions), does the loan have to be repaid in case of a late-term loss of pregnancy? Hungarians have reached a point where ultrasound images of unborn children and other personal medical information is routinely attached to tax relief requests and car subsidy applications. The existence of such policies is not possible without a highly intrusive bureaucratic practice.

In a country with an authoritarian past and present, many are still hanging on the government's words for guidance on how to live their lives. The least educated and least informed citizens are the most prone to fall prey to these programs.

The program also puts at disadvantage poor and minorities.

#### *Policy complexity and unpredictability as authoritarian power tools*

Predictability would be conducive to more responsible family planning and even to demographic goals, argues Tóth (2012), or at least the absence thereof is detrimental to it. As the above description of ever-changing, often contradictory and unpredictable policy rules demonstrates, compliance is a never-ending endeavour. Compliance with regulation, legislation, and administrative procedures is time consuming and, as such, takes an applicant away from other efforts.

#### *The untold toll of lives lived in compliance*

The softest but most significant aspect of criticism of such a fertility program comes from the human toll of big state authoritarianism. Being a "szocpol child", i.e., the third child born to fulfil a contractual obligation for the government's housing loans has often been an excuse for child abuse in the past (Tóth 2012). As Tóth (2012) summarises, children born out of prestige reasons sound even kind compared to those born out of tax considerations or to get "Szocpol" benefits. Mortgages, at their best, tend to keep marriages together. A state-sponsored loan-for-babies program comes with even tighter conditions in terms of cohabitation and lifestyle. Having a mortgage could be a reason for avoiding divorce and often the root of domestic tension, abuse or violence. A state program is even more inescapable. However, blunt, quantitative tools, such as this policy, cannot account for the qualitative aspects of life, such as unhappiness, poor choice of partner, the desire for more children or the absence thereof. Nevertheless, for an authoritarian leader, that is not a priority. The goal of such policies is their impact on citizen's lives through the dependence they trigger.

## **Conclusion**

Since the Orbán government's announcement of the loans-for-babies program, tens of thousands of babies had been pledged by people desperate for housing.

The policy bears all the hallmarks of an authoritarian staple. It is not only dehumanizing, but it also pits demographic groups against each other. In fact, the policy benefits only certain ethnic and social groups as well as certain investors. Furthermore, by "protecting the family," the gov-



ernment in Hungary argues that it has grounds to attack homosexuals, minorities, and single people, to demonize women, and to bring medieval views back to the forefront of political discourse.

Furthermore, the policy leads to paternalism, interferes with the housing market, artificially keeps economically unviable settlements *alive*, creates dangerous incentives, and provides a conducive ground for cronyism. However, by outsourcing credit assessment to private banks, the Hungarian government projects a free-market image of the policy.

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\* Eszter Nova is Lecturer at Cevro Institute in Prague, Czech Republic.

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