

About capitalism and autocracy

## ***Vulnerable Democracies***

János Kornai interviewed by Zoltán Farkas<sup>\*</sup>

**It was six years ago when you first wrote that many important basic institutions of democracy in Hungary had been dismantled, and Hungary had become an autocracy. Now, in a study recently published in *Közgazdasági Szemle*, you have already summarized the characteristics of autocracies. Has your previous premonition been proved correct?**

I feel I have been proved completely correct. Usually a researcher is filled with pride when he is among the first to recognize a tendency. My pride, however, is overshadowed by bitterness, because the fact that my predictions have come true makes me depressed and bitter.

**But Hungary is not unique in this sense. You write that barely one tenth of the population of the 47 post-socialist countries live in democracies and fifteen percent in autocracies, while the vast majority live in dictatorships. It's almost as if democracy was the exception. Were we chasing illusions at the time when the regimes changed?**

If we start from the knowledge that we possessed at the time of the regime change, based on the experience of democratization carried out in other countries, our hopes for a more successful development – compared to what actually happened - were not just an illusion. It is worth taking a look at the two largest countries, China and Russia. In the latter the elements of democracy were beginning to emerge, free elections were held, and under the leadership of Yegor Gaidar a liberally inclined government was formed. But it did not last long. Anti-democratic elements came to the fore, led by Vladimir Putin, who established his own autocratic system. Repression grew heavier and heavier. China is another story. Perhaps for a while it was not only an illusion that it was, even if slowly, making progress towards democracy. The example of Taiwan is well-known: a tough dictatorial system gradually turning into a democracy. But in China events did not take this turn. How a regime defines itself is always revealing; according to the Chinese regime, theirs is a 'socialist market economy with Chinese characteristics'. In my interpretation, on the other hand, China's system is a capitalist one, even if the ruling party calls itself communist. And politically they have a dictatorship: a one-party system, without elections, with terror. Among countries that changed their regime, democracy has stabilized in very few places as well as it has in the Baltic states. Since 2010, in Hungary many fundamental institutions of democracy have been demolished, and an autocratic regime has come out on top. Poland has taken the first steps in the same direction, but that particular match has not yet been played out. The

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abandonment of democracy is a threat in the other post-socialist countries of Central and South-eastern Europe as well.

### **Which are the characteristic features of autocracy, the marks that set it apart?**

Before anything else, I have to say that there is no consensus on the interpretation of democracy, autocracy or dictatorship among political scientists, politicians and people working in the media. There is complete conceptual chaos; I can't even begin to hope things can be put in order here. Thus I shall undertake a more modest task: I would like to supply my readers with a sort of explanatory glossary of what I mean by these expressions. The main distinguishing characteristic of autocracy can be linked to Joseph Schumpeter, one of the most significant thinkers of the 20th century. Many authors, among them Samuel Huntington, follow his lead in viewing democracy as a procedure: a course of actions in which the government can be removed in a civilized way: legally, without bloodshed. This is in contrast with non-democracies, in which the change does not take place in a civilized fashion, nor does it usually happen without blood being shed. For instance, the tyrant is assassinated, or his regime is overthrown by a palace revolution. An example of the latter case was when the First Secretary of the Soviet Communist Party, Nikita Krushchev was removed from power by his opponents within the Party. In other places the change of regime happens in the wake of a military coup or when a revolution by the masses threatens. If the government cannot be removed or is, to use an everyday phrase, cemented in place, there is autocracy. Schumpeter and others following him, myself included, restrict the name democracy to that politico-governmental form, and only that form, which guarantees that the government can be voted out of office. This is the minimum requirement. The other point is that in an autocracy the ruling group dismantles those checks and balances which would offer a realistic chance of forcing the government to correct its mistaken measures between two elections, and of changing the government at elections.

**Fareed Zakaria defined as 'illiberal democracies' those systems in which the government came to power via legal elections, and has maintained the outward forms of democracy, but has systematically dismantled the checks and balances. You maintain that there are no illiberal democracies. Why?**

When he first wrote about the topic Zakaria did not concentrate on the possibility of voting out the government, but rather on how the majority voted during the election, and on how the winners would uphold certain democratic structures later on, but dismantle others. When the Hungarian prime minister introduced the concept of illiberal democracy into public discourse at Tusnádfürdő, Zakaria, disagreeing with Orbán's interpretation, refined the explanation of the notion. Personally I consider this concept a dead end: illiberal democracy is like an atheist pope: the adjectival structure itself is contradictory. In my view all democracies are liberal. I lost my taste for concepts of democracy with an adjective when the communist dictatorship referred to itself as a 'people's democracy', clearly distinguishing itself from the so-called 'bourgeois' democracies. But let us return to the significance of checks and balances. Let's consider the case of President Nixon in the United States, who felt inclined to 'consolidate' his position, and had his political rivals bugged, but after being exposed was unable to get his Republican party colleagues, the attorney general or the chairman of the House Judiciary Committee to stop the proceedings against him. The representatives were not bound to a 'party line': they wanted to find out the truth – the checks and balances functioned. These are necessary in a democracy. Just like a free press, in which the voice of the opposition is at least as powerful as the government's. At the same

time it is also true that democracy is vulnerable, because the enemies of democracy can also make use of fundamental rights – the freedom of the press, the rights of assembly and association. Those who have built an autocratic order have learnt from this. They do not allow themselves the luxury of being voted out at an election where there is the real possibility of a variety of outcomes.

### **But if this is so, why is it not a dictatorship?**

Dictatorships and autocracies do share some common features. One is that in every important issue; indeed, often even in less significant matters, it is the leader who makes decisions. But there are also significant differences. A dictatorship abolishes the multi-party system by law as well. Opposition is not weak; is it non-existent. It is driven underground. In contrast, opposition forces are allowed to function in an autocracy. Autocracies too make use of intimidation, but they do not go as far as extracting confessions by torture, or executing large numbers of people. Many people have good reason to be afraid in autocracies as well, because they may be thrown out of their jobs or become victims of character assassination; maybe they will be arrested on trumped up charges. But anybody who believes that there is only a difference of degree between autocracy and dictatorship has not yet lived under a dictatorship. Having said this, autocracies do have a tendency to turn into dictatorships. Maybe modern Turkey will illustrate this, almost before our very eyes. We shall see whether they reach the stage of complete, total dictatorship.

### **You did not list nationalism as one of the characteristics of autocracy. In Hungary, however, one has the impression that they go hand in hand.**

I have tried to mention only those characteristics of autocracy that appear exclusively in this political-governmental structure; that is, the features which differentiate it from democracy and dictatorship. An obvious counter-example would be corruption, which can be observed in all three types. Innumerable cases of corruption crop up in certain democracies, while there are puritan dictatorships in which money cannot buy everything. Unfortunately nationalism is another anomalous phenomenon: democracy does not make us immune to it. One of the most tragic examples of this is the period of World War I, when a wave of nationalism swept through both sides; through both of the coalitions that were to go to war against each other. It was a nationalist thirst for revenge that was at work in the politicians of Western European democracies, when they imposed humiliating and impossible peace terms on Germany. In this context, to take a great leap through history, the Trump phenomenon is worth mentioning. One of the great parties of the United States nominates the extreme nationalist Trump for the presidency. Even if he does not win the elections, the political camp that supports him will remain strong, and because the United States is a democracy, they will make their voices heard. Recently, a strong wave of nationalism has been felt in Great Britain as well.

### **What is your impression of Hungarian nationalism?**

I am really worried about it getting stronger, not for myself, but for the future of the country. Because I do not deny that in Hungary autocracy and nationalism go hand in hand. An autocrat is indeed able to turn the wave of nationalism to his own advantage; Trump is doing the same. The main element of his rhetoric is xenophobia, especially against Latin Americans. He adds that the gates are too wide open also to immigrants from overseas, and rejects President Obama's suggestion that ten thousand Syrian refugees should be allowed

into the country. By the way, communist dictatorships that advocated internationalist theories were nationalistic as well. Non-Russian minorities were oppressed in the Soviet Union, and the same can be said of non-Chinese ethnic groups and speakers in China. Nationalism exists in both dictatorships and democracies, not only in autocracies.

**In this conceptual framework why do you define Viktor Orbán's system as an autocracy?**

Because it bears in itself all the important characteristics of autocracy, both its primary and its secondary features. This period started with the leader announcing that he intended to establish a system which would last for at least ten or twenty years. He declared that he wanted to cement himself in place. Since the day he came to power, he and his party have been continuously dismantling the system of checks and balances. Not like in a revolution, when they take over every powerful position at the same time, but step by step. Every week, something has happened. One of the first things they did was to reduce the Constitutional Court's sphere of authority, and pack the Court with people connected to Fidesz. Then came the new media law, which created almost endless opportunities for government propaganda. They also took over a significant part of the private media. The bureaucratic dismantling of checks and balances is combined with the use of market methods. The process culminated in the changing of the law on elections.

**You write that the interplay of anti-market and anti-democratic elements has formed Orbán Viktor's system into a coherent one; the mechanism of the state does not work according to the rules of the capitalist market economy. So how does it work?**

Even in democracies it is taken for granted that the market cannot be left entirely to its own devices: there is not a single economist with any common sense who would oppose some regulation here and there, when there is a real reason for it. In cases of monopoly state regulation is clearly necessary. Even then, mistakes can be made. For example, the authorities may set prices too high or too low because they don't understand the situation or are incompetent. Too high, and whoever is running the monopoly will make a handsome profit; too low, and they will make a loss. It is possible for regulation to be done badly as a result of incompetence, but it can also happen if other people's interests, for example cronies', are prioritized. A business can be ruined through regulation so that a friend or client can buy it up cheaply. The tendency towards regulation that is not compatible with the functioning of the market is one of the characteristics of an autocracy. The Hungarian government exercises far more regulatory power than would be reasonable. There are numerous possible underlying motives for their unnecessary, excessive and - not infrequently - distinctly damaging interventions. On the one hand, the central authorities wish to extend their power across as many activities as possible. The knowledge that "I control everything: nothing can happen without me" is a very powerful motivation. An equally strong motive is the need to court political popularity, to make populist promises.

**What are the results when autocracy works this way?**

It is a mistake to believe that there are so many things wrong with the economy, that because of the numerous incompetent and biased interventions it functions so erratically, that it is bound to collapse in the end. This may happen, but it is by no means bound to happen. A state that gets along badly with the market does not push the economy over the edge into catastrophe; it just makes it harder for it to fulfill its potential. It will not be not innovative

enough, not competitive enough, it will lose the best experts. This will become obvious only in the long run. The trams still run, only more rarely, the teachers complain, but teaching doesn't stop, health care is beset by dire problems, but they still try to look after patients in hospitals. It is not that the economy is unable to function, only that it fails to achieve as much as it could. As a result, it falls behind its rivals, behind those countries where the state and the market work together in greater harmony, where people involved in the economy discuss what they have to do, where they listen to people before passing laws that affect them. In the past I had many arguments with people who claimed that the Soviet economy did not work. The truth is that it did not collapse until the very end: it functioned, however badly and inefficiently, in spite of all the well-known, serious inadequacies and problems. It fell further and further behind its historic rival, the capitalist West. The question arises: does the state play a lesser role in a democracy than in an autocracy? At any rate, it would never occur to anybody in the U.S. or the Scandinavian welfare states that education should be brought under the control of a single centre, as has happened in the Hungarian autocracy.

**Every day we hear Fidesz trotting out some of the well-known catchwords of socialism. They promise full employment, they consider state ownership superior, they utter anti-profit slogans. Are they leading the country back to socialism? Is that what they want to restore? Even in a different form?**

I do not see any danger of this. At the time of the change of regime people used to say "You can make an omelet out of an egg, but an omelet will never turn back into an egg." Whatever happened is irreversible. Autocrats coexist happily with capitalism. Indeed, it is the only system they can really coexist with, because they make use of the opportunities offered by capitalism to maintain their own authority. Looking at it from the other side, some capitalists are attracted to stable and authoritarian governments. Many western or multinational companies that have set up shop in China would not like the situation there to change. It is just the same in Hungary. Anybody who enjoys special advantages in public procurements and certain tenders, in the opening times of shops or the purchase of raw materials, who can count in bail-outs if they get into financial difficulties, they are having a good time. In autocracies, given the private economy, a wide circle of clients can be built up from the supporters of the system who receive financial support. They can pay for these favors if and when the time comes. Far from wishing to bring socialism back, this regime gets on very well indeed with capitalism.

**Has this system reached a point where the government can no longer be voted out of power?**

Only the historians of the future will be able to answer that question. If it turns out that the government can be removed peacefully, in a civilized way, in the voting booth, then I have been wrong. I'm not making any predictions. What I can say is this: in Hungary the regime has done and will continue to do everything possible to make itself unremovable. I hope you will not misunderstand me: the last thing I want to do with my analyses is to discourage those who are prepared to fight to change the situation. People for whom the values of democracy are important: individual autonomy, freedom of speech, liberty in the media and press, constitutionalism, legality, rule of law – they should not make their behavior dependent on the likelihood of change. They should not lie low during these years, but they should act, in their own ways, using the methods of their choice.