

Programmatic Subsidies and Democratic Backsliding in the EU: Evidence From Hungary

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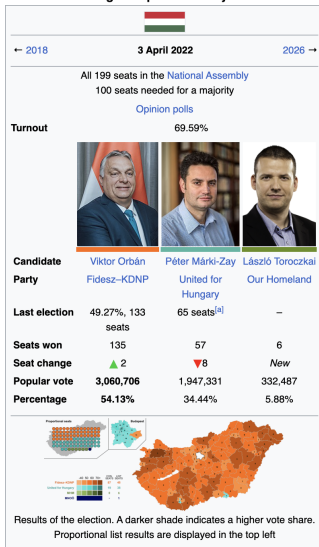
Motivation

Elections in dominant party regimes can be displays of regime strength *and* moments of regime vulnerability

Tools for increasing incumbent support:

- Fraud
- Intimidation/coercion
- Disinformation
- (our focus) Economic policy

2022 Hungarian parliamentary election



Contributions

We study the effects of *unconditional, targeted, programmatic* spending on support for Fidesz in Hungary's April 2022 elections

- Original survey data to estimate voter preferences
- Double-list experiment to probe voters' beliefs about the legitimacy of voting for a government that has tried to buy their vote

Domestic political logic, (inter)national economic consequences

⇒ very open economy, significant political and economic integration w/in the EU

The Political Context

April 2022 parliamentary elections

- Fidesz-KDNP coalition (Fidesz)
- United for Hungary coalition of socialists, liberals, center-right, greens (Opposition)
- Far-right third-party challenger (Our Homeland)

Recent history of using targeted spending policies to win popular support

- Hungarian state-society relations are more *corporatist* than *populist* (ask me more later)

The Economic Context

October 2021 stimulus package: 15% of GDP (\sim 7,200 billion HUF, US\$20 billion)

Roughly 1/3 of this stimulus was a direct transfer to Hungarian individuals

1. personal income tax refund for families with children
 - ▶ maximum amount reimbursed was 245% of average net earnings for families with larger-than-average income
2. “13th month” pension for the retired
 - ▶ in February 2022, pension payout was doubled
3. Some smaller packages
 - ▶ housing assistance and home renovation subsidies
 - ▶ tax breaks for young workers
 - ▶ military and police service allowances
 - ▶ government employee and **professor** wage increases

Data

Original survey data collected in April 2022 by TÁRKI ($n = 1023$)

	Type of subsidies				
	Tax refund	13th pension	FHAP	Home renov	Any
Proportion of recipients	17.1	25.8	3.8	4.4	44.2
	<i>By age categories</i>				
18-30 years	15.5	1.8	5.6	4.3	20.1
31-45 years	35.8	1.4	6.5	7.3	39.9
46-55 years	14.4	7.0	3.5	5.7	20.4
56-70 years	5.3	49.7	1.1	1.8	55.6
71+ years	0.7	96.6	0.2	0.7	97.1
	<i>By number of children</i>				
0 child	3.9	32.1	1.2	2.7	37.1
1 child	63.7	2.1	8.3	12.6	68.9
2 children	76.8	3.1	20.4	9.6	79.6
3 or more children	49.6	5.9	25.1	2.1	54.7
	<i>By employment status</i>				
Employed	24.6	2.5	4.5	4.9	28.0
Self-employed	14.7	1.2	10.5	17.6	28.0
Unemployed	5.6	7.3	0.0	0.0	12.9
Retired	0.4	93.9	0.4	0.4	94.4
Inactive	36.4	15.6	9.6	6.5	51.3
Student	0.0	0.0	0.0	0.0	0.0
	<i>By marital status</i>				
Single	4.8	10.5	1.5	2.3	16.0
Married	18.8	24.1	6.1	6.3	44.9
Divorced	24.6	16.7	1.2	3.7	41.9
Widowed	82.9	0.0	0.3	0.7	82.9

Analytical Approach

Did subsidy recipients vote differently than non-recipients?

- Fidesz instead of all others?
- Some other party instead of Fidesz or abstaining?
- Voting versus abstaining?

$$y_i = \alpha + \beta_1 \textit{subsidy}_i + \beta_2 \textit{relig}_i + X_i' \gamma + \delta_j + \epsilon_i, \quad (1)$$

Basic Results

No correlation between subsidies of any form and any voting outcome

Why?

- subsidies identify core supporters rather than changing marginal voters?
- subsidies don't matter?
- religious identity and intensity of religious expression explains most of the variation in voting behavior (every model, every time)?

Do Hungarians Think Subsidies Matter?

No correlation between subsidies of any form and any voting outcome

“Did subsidies encourage people to vote for Fidesz”

	All	Partisanship		Service participation		
		Fidesz	Opposition	Frequent	Occasional	Never
Yes	67.2%	56.1%	84.4%	52.9%	68.4%	71.1%
No	25.6%	36.7%	15.0%	39.2%	25.7%	20.7%
Don't know / Refuse	7.2%	7.2%	0.6%	7.9%	5.9%	8.2%
<i>N</i>	1023	485	251	163	455	404

Do Hungarians *Think It Is OK* That Subsidies Matter?

No correlation between subsidies of any form and any voting outcome

“Is it appropriate that people vote for Fidesz because of the subsidies?”

	All	Partisanship		Education level		
		Fidesz	Opposition	Primary	Secondary	Tertiary
Yes	35.6%	60.3%	16.9%	39.8%	31.9%	29.5%
No	62.6%	38.6%	82.3%	58.8%	65.8%	68.3%
Don't know / Refuse	1.8%	1.1%	0.8%	1.4%	2.3%	2.2%
<i>N</i>	663	265	205	213	226	122

Why Do Hungarians Think That Subsidies Matter?

No correlation between subsidies of any form and any voting outcome

“Why do you think that people vote for Fidesz after receiving material subsidies?”

	All	Partisanship		Subsidy recipient		Appropriateness	
		Fidesz	Opposition	Yes	No	Yes	No
Economic hardship	58.5%	48.6%	77.8%	50.0%	65.2%	36.7%	70.6%
Care for people	17.8%	35.2%	3.4%	21.4%	15.0%	31.6%	10.5%
Families / Trad values	18.3%	24.2%	10.7%	22.7%	14.9%	28.5%	12.4%
Don't know / Refuse	5.3%	0.0%	8.1%	5.9%	4.9%	3.3%	6.5%
<i>N</i>	663	265	205	320	343	243	411

Are Fidesz Voters Willing to Admit that Subsidies Explain Their Vote?

Double list experiment (to increase efficiency, $n = 485$ Fidesz voters)

“Which of the following affected your decision to vote for Fidesz?”

LIST A

1. The Fidesz government defends Christian people and values and supports churches.
2. The economic policies of the Fidesz government serve the interest of the country.
3. The Fidesz government is pro-European and pro-Western.
4. The Fidesz government is committed to an Eastern opening policy.
5. **I received the family tax refund or the 13th month pension.**

LIST B

1. The opposition parties are incompetent.
2. The Fidesz government is committed to free market competition.
3. The Fidesz government effectively supports the poor and needy.
4. The Fidesz government defends the Hungarian economic interests against foreigners.
5. **I received the family tax refund or the 13th month pension.**

Are Fidesz Voters Willing to Admit that Subsidies Explain Their Vote?

	Difference based on					
	List A		List B		Both lists	
All Fidesz voters	15.9%	(1.27)	23.6%*	(1.94)	19.8%***	(4.50)
...with primary education	10.1%	(0.59)	19.3%	(1.15)	14.8%**	(2.36)
...with more than primary educ	20.3%	(1.12)	29.1%	(1.64)	24.7%***	(4.17)
...living in rural neighborhood	-0.9%	(-0.06)	33.5%**	(2.41)	16.3%***	(3.04)
...living in urban neighborhood	47.0%*	(1.92)	5.7%	(0.26)	26.2%***	(3.37)
...retired	7.5%	(0.38)	28.7%	(1.47)	18.2%**	(2.41)
...non-retired	19.2%	(1.23)	21.7%	(1.44)	20.5%***	(3.82)
...subsidy recipients	14.3%	(0.87)	22.6%	(1.44)	18.5%***	(3.18)
...subsidy non-recipients	17.1%	(0.91)	24.9%	(1.35)	21.0%***	(3.21)

Robust *t*-values are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

We estimate that subsidies affected the vote choice of roughly 20% of Fidesz voters

⇒ That is 9% of all voters

Conclusion

We asked if programmatic mass subsidies announced in order to win an election actually worked as intended.

We found...

- ...no evidence of a correlation between receiving a subsidy and vote choice
- ...but most Hungarians believe
 - ▶ they affected how people voted
 - ▶ that that was OK (if you're a Fidesz supporter) or that it was not (if you're not)
 - ▶ and it is because times are hard
- ...and enough Fidesz supporters were swayed by the subsidies that it could have swung the election

So What?

Further evidence of political business cycles in competitive authoritarian regimes (Pepinsky 2007, Blaydes and Kayser 2011, Bodea and Garriga 2019, Shmuel 2020, Han 2022, Higashijima 2022...)

Changing influence of election observation in contemporary Europe (cf. Hyde and Mahoney 2010)

Tangible influence on economic conditions in this open and integrated economy

- the everyday political economy of rationing (sugar, gasoline)
- Transylvanian holiday shopping, discouraging of the reverse for subsidized goods
- high inflation and forint depreciation
- (speculative) possibility of future nationalization?

Thanks

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