

The European Union's Authoritarian Equilibrium*

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The EU professes a deep and unwavering commitment to democracy. Democracy and rule of law are conditions for EU membership, and the Treaty on European Union identifies democracy as a cornerstone of the Union. Yet, contrary to its professed values, the EU has in recent years shown itself willing to allow the emergence of autocratic member governments. The consolidation of autocratic rule has proceeded the furthest in Hungary, which last month became the first EU member state ever downgraded by Freedom House to the category of only a “partly free” country. In short, Orbán’s far-right, populist regime has managed to consolidate control over the judiciary and nearly all the media, to eliminate any effective checks on its power, to rig the electoral system to ensure its victory, and to stifle independent civil society organizations. As a result, pluralist democracy in Hungary has by now been displaced by a system of competitive authoritarianism.¹ The shift from democracy towards competitive authoritarianism is also well on its way in Poland, where the far-right, populist PiS government is embroiled in a dispute with the European Commission concerning its attempts to carry out a partisan takeover of the independent judiciary. Finally, democratic backsliding is also clearly occurring in Bulgaria, Romania, and Malta. This situation presents an obvious question: why does a political union that professes a deep commitment to democracy allow member governments to backslide into authoritarianism?

While it might seem shocking that the EU would allow the emergence of authoritarian member states, an extensive body of research in comparative politics on so-called “subnational authoritarianism” suggests we should not be surprised. That literature shows that the survival of authoritarian enclaves within large federal democracies is common, and it explains both the political dynamics that support their survival and the conditions under which they are likely to be toppled. The same factors –above all partisan politics, federal subsidies and emigration– that help authoritarian states survive within other democratic unions also explain how authoritarian governments can endure within the EU.

But when it comes to confronting authoritarian member states, the EU in fact finds itself in a worse position than other democratic unions. In fully developed democratic polities, the three factors identified above can support the survival of authoritarian enclaves, but under certain conditions they can also help displace these regimes. The danger for the EU today is that its half-baked, semi-developed political order appears to generate only the

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first half of that equation: it produces political dynamics that can support the consolidation of authoritarian member governments, but not those that might eventually dislodge them. In short, the EU is trapped in a mid-range “authoritarian equilibrium”: a normatively undesirable but politically stable situation in which the EU paradoxically supports the survival of authoritarian member state governments.

Three factors contribute to the EU’s current authoritarian equilibrium: party politics, EU funding, and emigration. First, and most importantly, efforts to address the EU’s “democratic deficit” by encouraging more partisan politics at the EU level have, perversely, facilitated the consolidation of authoritarian governments at the national level. The problem stems from the half-baked character of EU-level politicization: the EU has politicized enough that there are now strong incentives for Europarties (EU level groupings of national parties) to protect the parties of national autocrats that deliver votes to their coalitions, but it has not politicized sufficiently that autocrats’ EU-party allies pay any reputational costs for supporting them or that the autocrats’ EU-level opponents can intervene in the ways that might help dislodge them. In other words, today the EU level partisan politics follows a kind of inverse Goldilocks principle: not too much partisan politics, nor too little, but just the wrong amount. Second, EU funds help sustain national autocracies. Autocratic rulers can use their control over the distribution of generous EU funding to help prop up their clientelist networks and sustain their regimes. Moreover, the stamp of approval that comes with EU membership helps them attract Foreign Direct Investment that might otherwise be more concerned about the risks of investing in an authoritarian regime. Third and finally, the free movement of persons that comes with participation in the EU’s single market facilitates exit by citizens who might otherwise be forced to remain in authoritarian settings and exercise voice. By making it easier for voters who favor liberal democracy to emigrate as their states slide into autocracy, EU membership may help these regimes survive.

In this brief memo, I explore these three pillars of the EU’s authoritarian equilibrium focusing particularly on how they relate to developments in Hungary, and I assess the prospects for the EU to escape this equilibrium in the foreseeable future.

Poisonous partisan politics

The half-baked character of EU democracy today stems from efforts that have been undertaken in recent years to address the EU’s so-called “democratic deficit”. Critics have long argued that the EU suffered from a democratic deficit because EU decision making was too insulated from party competition and voter choice, with policies instead emerging from a kind of liberal consensus over which voters had little direct say (referred to by some as “undemocratic liberalism”). To address this critique and to make the EU a truly democratic polity, many argued that European Parliament elections should be reformed to give voters the sense they could choose between competing policy programs for the EU presented by coherent “Europarties” (EU level political parties made up of national member parties). This sentiment helps explain the efforts in recent years to strengthen Europarties, and the launch of the so-called *Spitzenkandidat* process in the 2014 European Parliament elections. That process was justified by the Europarties as a

means to strengthen the democratic mandate of the Commission and to increase citizen interest in European elections by presenting voters with candidates for Commission President who could present competing programs (and then making the candidate of the winning party Commission President).

Broadly speaking, these efforts have succeeded in increasing the power of Europarties. EU level party politics has had by far the most influence within the European Parliament, where Europarties structure voting patterns and where the size of a Europarty determines its committee chairmanships, its speaking time in debates, and its EU funding. With the success of the *Spitzenkandidat* process in 2014, Europarties extended their influence over the Commission, in that the plurality winner of the election, the European People's Party (EPP), saw its candidate Jean-Claude Juncker become Commission President. Party politics are less influential within the Council, but even there, heads of government from the same Europarties regularly seek to cooperate with one another.

While the drive to increase politicization at the EU level is understandable and may have many beneficial effects, intensifying partisan politics has a dark-side as well. As the power of Europarties increases, so too does the incentive for leaders to put partisanship above principle, defending the most disreputable autocratic members if doing so serves their party's interests. As scholars of subnational authoritarianism have shown, partisanship can help sustain autocratic regimes at the state level within otherwise democratic federations.² In such contexts, democratic leaders at the federal level may come to rely on authoritarian leaders at the state level to deliver votes to their federal level coalition. As Gibson explains, "Authoritarian provincial political elites, with their abundant supplies of voters and legislators, can be important members of national [*aka federal level*] governing coalitions."³ So long as the local autocrat delivers needed votes, federal leaders of their party will be inclined to overlook their authoritarian practices and to defend them against federal interventions that might threaten to dislodge them.

The literature on subnational authoritarianism also identifies how partisan politics may eventually work to depose local authoritarians. First, if federal parties not allied with the local authoritarian are able to intervene to support local opposition parties, they may bring them the resources they need to break the local authoritarian's grip on power. Second, if the local autocrat's behavior becomes so egregious that it imposes political and reputational costs on the federal party with which it is allied, that party may withdraw their support or even press for the ouster of the autocrat.

Synthesizing these arguments suggests why the EU is today trapped in an authoritarian equilibrium. On the one hand, EU politics has become politicized enough that there are now great incentives for Europarties to protect "pet autocrats" in their groups who deliver needed seats in the European Parliament. On the other hand, the EU's half-baked partisan politics have not developed to the point where they can trigger either of the two dynamics that might help to dislodge local authoritarians. The Europarties allied with the local opposition in an autocratic member state are prohibited from providing them the material support that might help them mobilize more effectively, as it is illegal for Europarties to fund national parties. Meanwhile, because so few voters even realize that Europarties exist, they (and their national parties) pay no political price for allying with autocrats.

We can observe these dynamics at work within many Europarties, but the most egregious case involves the relationship between the EPP and Hungarian Prime Minister Viktor Orbán and his Fidesz party. The EPP is the largest Europarty in the European Parliament, and the dominant political force in EU politics, with EPP members holding the Presidencies of the Commission, Parliament, and Council, and including powerful national leaders such as Germany's Angela Merkel. Historically, as the party family of the center-right, the EPP played an instrumental role in promoting a liberal democratic European order. More recently, however, the EPP has played an indispensable role in shielding Orbán's regime against EU sanctions as it dismantled Hungarian democracy.

Just as the theory of subnational authoritarianism anticipates, the EPP has shielded Orbán from EU censure because he delivers votes to their coalition. Orbán's Fidesz party delivers twelve seats to the EPP in the European parliament and votes with the EPP quite reliably, helping it sustain its narrow lead over the second largest party, the social democratic S&D group. Being the largest party group in turn enabled the EPP to nominate Jean-Claude Juncker as Commission President and to take a leading role in legislative processes within the Parliament. In short, the EPP has sold out its professed commitment to liberal democracy in order to keep Fidesz' MEPs in its coalition and to benefit (usually) from Orbán's support in the Council.

Until the past year, with the exception of a few words of concern expressed over the Orbán governments' attack on the Central European University, leaders of the EPP did not criticize Orbán as his government attacked the independent judiciary, the free press, and civil society organizations and - ultimately - consolidated one party, semi-authoritarian rule. Quite to the contrary, EPP leaders repeatedly defended the Orbán regime against EU censure, and some of them have routinely praised him. When EU leaders in the Council or Parliament affiliated with other political parties have called for EU action, such as triggering of the Rule of Law Mechanism or the EU Treaty's Article 7 sanctioning mechanism in reaction to attacks on the rule of law and democratic norms in Hungary, EPP leaders have routinely blocked them. EPP leaders, such as Weber and Joseph Daul (the EPP's President), actively supported Orbán's reelection in 2014 and 2018 – though both elections were criticized as “unfair” by the OSCE. The EPP's President, Joseph Daul, spelled out the party's calculus quite clearly in a 2015 interview explaining, “Viktor Orbán likes to provoke. He is the “enfant terrible” of the EPP family, but I like him and we always find solutions. His party, Fidesz, has always voted in line with the EPP in the European Parliament. Since I have been President of the group, I have always been able to count on ... Orbán's Hungarians to support our position”.⁴

Since 2018, with Orbán's autocratic practices attracting more attention and the EPP's relationship with him attracting more scrutiny, there has been some reason to believe the authoritarian equilibrium dynamics underpinning the EPP's relationship with Fidesz might break down. The EPP's support for Orbán became an issue in the internal EPP primary election to determine who would be the party's *Spitzenkandidat* for the 2019 European Parliament election. One candidate, Alexander Stubb, positioned himself as the candidate of values and called for Fidesz' ouster from the EPP. However, Stubb was

overwhelmingly defeated by the EPP's leader in the European Parliament, Manfred Weber, a long-time Orbán defender who also received a ringing endorsement from Orbán. Though the Parliament finally did vote in late 2018 to trigger the initial stage of the EU Treaty's Article 7 procedure against Hungary (for violations of fundamental EU values), EPP leaders still refused to eject Fidesz from the party, and Orbán proceeded to expel the Central European University from Hungary (crossing what EPP leaders had declared a red line a year earlier) and to launch new initiatives to consolidate his control over the judiciary.

In polities with more fully developed party systems, federal parties may eventually pay a political price for supporting a brazen autocrat, as his actions can tarnish their party's "brand". It appears that there is still no such price to be paid in the EU's half-baked party system.⁵ Because few voters are even aware of the existence of Europarties, the EPP and the national parties that belong to it pay no political price for supporting Orbán's autocratic regime. Quite simply, even among those voters concerned about democratic backsliding in Hungary very few would recognize that ultimately Orbán's most important defenders are EPP leaders such as Manfred Weber and leaders of EPP national member parties such as Angela Merkel.

Funding autocracy

Ironically, while the EU has spent large sums promoting democracy in candidate states and in countries around the world, today it is a major funder of democratic backsliding by member governments. Again, the comparative politics literature on subnational authoritarianism suggests this should not surprise us. The literature on subnational authoritarianism shows how federal funding to authoritarian member states often helps sustain them. Effectively, these local autocracies function as *rentier* states, where the 'rent' supporting them comes not from oil or gas revenue, but from their control of the federal funds that flow into their state, which the local authoritarian can use to support clientelist networks that perpetuate their rule.⁶ The same process is at work in the EU.

For those member states that are the largest net beneficiaries of EU funding, the amounts involved can be massive – amounting to between three and four percent of GDP annually. In the last budget, Poland was the largest overall recipient, taking in 86 billion euros. Hungary meanwhile was the largest recipient of EU funds on a per capita basis. For instance, in 2017 EU spending in Hungary was over €3.2 billion net, amounting to 3.43% of gross national income or roughly €400 per person. Strikingly, more than 95% of all public investments in Hungary in recent years have been co-financed by the EU.

While the EU's funding is well intentioned, it can have the perverse consequence of propping up an autocratic member government. This is nowhere more in evidence than in Hungary. A significant portion of the EU funding allocated to Hungary has been channeled by the Orbán government into the pockets of Fidesz cronies – family members and close party associates of Orbán and oligarchs closely connected to the regime, thus propping up what Magyar has labeled as Orbán's "mafia state".⁷

Frustration with the idea that the EU is funding regimes that thumb their nose at its core

values has led to a debate about attaching more stringent rule of law conditions to EU funding in the next multi-annual budget. However, suspending EU funding to governments who dismantle the rule of law and democracy ultimately requires the political will to act, and as we saw above, partisan politics is likely to block the imposition of any such sanctions. In addition to partisan considerations, other backsliding governments may fear that any additional rule of law or democracy related conditionality designed to address the situation in Hungary or Poland could one day be turned against them, and thus they resist it adamantly.

In addition to the EU's direct funding of the autocratic regimes, EU membership also makes it easier for these regimes to access international capital. To be sure, autocrats around the world attract plenty of foreign direct investment (FDI) without being EU members. Nevertheless, many studies have demonstrated that EU accession provided an important seal of approval of good governance that helped new members attract more FDI.⁸ By extension, so long as these states remain EU members in good standing they retain that seal of approval, reducing perceived risks for foreign investors. Thus, even as the regime in Hungary has undermined the rule of law and pluralist democracy, they continue enjoying robust inward investment from firms across other EU member states. . Indeed, in 2018, just months after the adoption of the report by the European Parliament highly critical of the Orban regime's attacks on democracy and the rule of law, German carmaker BMW announced plans to build a new, one billion euro car factory in Hungary. Overall, inward flows and stocks of FDI were higher in 2017 than in 2010 when Orbán was first elected. Foreign owned firms remain major players in the Hungarian economy, accounting for a quarter of all jobs in the private sector. In short, EU membership means that member governments like Hungary may pay little to no price in lost investment when they backslide on rule of law and liberal democracy, while they benefit greatly from ongoing EU transfers, filling their coffers as they flout the EU's fundamental values.

Enabling Exit

As Albert Hirschman noted forty years ago, the easier it is to emigrate from a state ruled by an increasingly autocratic government, the more likely it is that dissatisfied citizens will choose exit over remaining in place and exercising voice.⁹ Clearly, free movement in the EU context increases individual liberty, allowing those who feel oppressed by a local authoritarian to vote with their feet and to move to another member state. At the same time, this free movement is likely to deplete the ranks of the opposition to these soft-authoritarian regimes, prolonging their survival. To be sure, citizens from Eastern Europe were moving in large numbers to western member states for economic reasons long before the current democratic backsliding crisis began, and those who emigrated included people with a wide spectrum of political views. However, it does appear that, at least in Hungary, the easy exit option provided by EU membership may be acting already as a pressure release valve, encouraging many dissatisfied citizens who might otherwise support local opposition parties to instead leave the country. Moreover, perversely, emigration may have a secondary effect that further serves to stabilize autocratic governments: the literature on remittances suggests that when emigrés remit back money to their families, that financial support actually tends to increase recipients' subjective impressions of economic conditions at home and their support for the incumbent regime.

As of 2014 roughly 330,000 Hungarians were living in other EU countries. The number is rising quickly as Orbán's rule hardens with recent estimates suggesting nearly one million. Strikingly, a 2018 survey indicated that over one million Hungarians, 41% of them youth, plan to emigrate in coming years, in part due to economic prospects and in part due to dissatisfaction with the Orbán regime.¹⁰ Because emigrants are disproportionately young and well educated, characteristics that make them less likely to support Fidesz, the Orbán regime has made it very difficult for them to vote while residing abroad. Not only do these likely Orbán opponents leave, they send home significant remittances: since Orbán took office, remittances to Hungary have more than doubled in value to \$4.6 billion. As noted above, remittances generally lead the recipients (ie the relatives left behind in Hungary) to improve their assessments of the performance of the incumbent regime – thus providing the Orbán regime another indirect benefit from encouraging dissatisfied young people to emigrate elsewhere in the EU.

Conclusion

The EU is currently trapped in an authoritarian equilibrium, and there is little reason to believe it will escape it any time soon. Efforts to strengthen partisan competition at the EU level in order to address the EU's supposed 'democratic deficit' have produced a half-baked form of politicization that has perverse effects. EU level partisan politics creates powerful incentives and ample opportunities for Europarties to protect their "pet autocrats". However, EU level partisan politics is not developed to the point where it is legal (or would be seen as legitimate) for other Europarties to intervene directly to support the local oppositions with the resources they would need to compete more successfully in the restrictive conditions created by their regimes. Europarty leaders such as Manfred Weber sometimes speak of red lines that should not be crossed by autocratic leaders in their group, only to acquiesce as they cross those very lines. Aspiring autocrats across Europe take note and act accordingly. Recent developments in Poland, Romania, Bulgaria, and Malta suggest the message that the EU will tolerate autocratic member governments is spreading quickly. Meanwhile, the EU continues to hand billions of Euros to these governments, in effect subsidizing authoritarianism, while EU based multinationals continue to supply FDI. Finally, dissatisfied citizens can take advantage of the EU's free movement rules and emigrate in droves, depleting the potential ranks of the opposition. There are recent signs that the EPP is growing weary of Viktor Orbán's provocations, but by now even if he is belatedly ousted from the center-right bloc, that might not be enough to rein him in. After the 2019 European Parliament elections, far-right populists presently in other party groups, such as Italy's Lega and Poland's PiS, might join with Orbán to form a new Europarty focused on defending aspiring autocrats.

Those who despair at this picture of the authoritarian equilibrium in the European Union can perhaps find a quantum of solace in reflecting on the long arc of history. Because of EU membership, the autocratic regimes that are emerging in the EU are milder than the dictatorships – of the fascist right or communist left – that existed in many European states at previous points in their history (and also milder than the authoritarian regimes on Europe's doorstep in Russia or Turkey). One important lesson of the literature on subnational authoritarianism is that membership in an overarching democratic federation tends to soften the form of authoritarianism practiced at the state level – such that the

local autocrat can avoid prompting a federal intervention. In these regimes, newspapers are closed and opposition parties are harassed, but journalists and regime critics are not jailed or killed as they might be in true dictatorships. While the EU may not assure that its members remain democracies, it at least prevents its hybrid, competitive authoritarian regimes from becoming hard dictatorships. Given the ugly history of governance in states such as Hungary over the past century, one might consider this progress.

¹ The originators of the concept of competitive authoritarianism have stated that the Orbán regime fits in

² As these scholars focus on states in national federations, they refer to it as subnational authoritarianism. In the supranational EU, the equivalent is national authoritarianism within a supranational polity.

³ Gibson, E. (2005), 'Boundary Control: Subnational Authoritarianism in Democratic Countries', *World Politics*, 58: 101–32, 107.

⁴ Barbière, Cécile. 2015. "Daul: 'Orbán is the 'enfant terrible' of the EPP family, but I like him'." *Euractiv*

⁵ Just in the last week, there has finally been some movement – led by the Swedish Moderate Party – to oust Orbán's Fidesz. Whether it will succeed remains to be seen, but interestingly, the 'final straw' that triggered this move had nothing to do with the erosion of democracy in Hungary, but instead the fact that Orbán showed disloyalty to the party by targeting an EPP leader – Commission President Juncker - in a new propaganda campaign that targeted him along with George Soros.

⁶ Gervasoni, C. (2010), 'A Rentier Theory of Subnational Regimes', *World Politics*, 62(2): 302–40.

⁷ Magyar, B. (2016) *The Post-Communist Mafia State: The case of Hungary*. Budapest: CEU Press.

⁸ See for instance, Gray, J. (2009) 'International Organization as a Seal of Approval', *American Journal of Political Science* 53,4:931-49.

⁹ Hirschman, A. (1978) Exit, Voice, and the State. *World Politics* 31(1).

¹⁰ Flachner, B. (2018) 'Még mindig több mint egymillió magyar hagyná itt az országot', *Index.hu* 26 August, available at https://index.hu/gazdasag/2018/08/26/kivandorlas_politika_fidesz_publicus_politika/