The power of discourse behind economic policies
Why the common currency has not been introduced in Hungary?

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Abstract

Through the examination of the Hungarian government's indefinite postponement of the legal obligation to join the Eurozone I aim to demonstrate how hegemonic discourse shapes policy outcomes. With the empirical analysis I will highlight that sole macroeconomic analyses fail to explain the opt-out choice of accession to the Eurozone of Hungary, as the macroeconomic conditions, set out in the Copenhagen Criteria, could be fulfilled by the country if political will would be present. The politically driven decision became even more complex, in 2014 when the accession to the Banking Union, a supranational organization has become an additional requirement to join the Eurozone. I argue that taking a closer look at the discourse of the elected party is essential in order to understand the political drive behind the decision. Therefore, through analyzing the speeches of Prime Minister Viktor Orban and Gyorgy Matolcsy, the governor of the Hungarian Central Bank (MNB) made between 2005 and 2021 I aim to demonstrate the shift in political discourse through time and elaborate on the role of silence surrounding the issue in the recent years. Coupled with the overall discursive frame towards the European Union (EU) I conclude that through discourse an alternative reality is created, whereby the accession to the eurozone is presented as a non-desirable and nonviable option for Hungary. The ruling party's discourse is anchored at the rigid attachment to monetary and banking sovereignty, restricting the government's playing field to imitate economic growth.

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Introduction

The introduction of the Euro, the single common currency, in 1999, meant the peak of the 40-year long process of economic integration and policy harmonization of the European Union. The euro became the official currency of the European Union and 19 of its member states. Whilst the UK, Denmark and Sweden decided to legally opt out, the remaining seven countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, and Sweden are bound to enter the Eurozone, after they have fulfilled the Convergence Criteria. However, in Eastern Europe some countries, like Czech Republic, Poland, and Hungary seem to rather postpone the introduction of the common currency, also but less strongly opposing Romania, whilst Bulgaria and Croatia have already entered the Exchange Rate Mechanism II (ERM II) and the Banking Union (BU).[1]

In this research, I will focus on the Hungarian case with the aim to figure out the motives behind the delay in euro-adoption. Up until the outbreak of COVID 19 the Hungarian economy was booming, its GDP has been growing with an average 5 percent annually and for a period of time it seemed that the introduction of the common currency of the EU in the country is not a far-fetched goal. However, after several extensions of the deadline, it seems that currently the accession to the Eurozone is off the agenda. At the same time, from a macroeconomic approach, Hungary would have been able to join the Eurozone, and it is legally obliged to do so. It can be stated that prior to the COVID-19 crisis, the criteria which were not met were mainly due to the lack of willingness to fulfil them, and not due to the inability or weakness of the Hungarian economy. Therefore, I argue that the reason why the country has not introduced the common currency must be political, and the underlying reason behind the decision is that accession to the eurozone, and the thereby the accession to the BU, would significantly restrict the government's playing field to imitate economic growth and frame its redistribution policies. In order to understand and efficiently demonstrate the politics of the delay I aim to focus on the period of the third Orban government, from 2018 until March 2021 but will briefly elaborate on the discourse surrounding the issue in the 2000s, in order to efficiently demonstrate the change in political discourse between 2005 and 2021.

There are several reasons why I chose to examine the Hungarian case to a greater extent. First of all, the rise of nationalistic sentiments in all segments of the political life became a role model for other Eastern European countries. While the anti – liberal and anti-European rhetoric

[1] "Bulgaria and Croatia's Entry into the ERM II," Text, European Commission - European Commission, accessed May 15, 2021, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1321.

of the current government is constantly expressed, the will to remain the member of the EU is also regularly articulated by the Prime Minister, Viktor Orban. I believe that taking a closer look at this seemingly paradox approach towards the EU through a financial lance will allow me to take a look behind the curtains of the anti-liberal, nationalistic propaganda.

To go beyond the existing literature and simply check the fulfillment of the macroeconomic factors, and to understand the peculiarity and complexity of the politically motivated decision behind the postponement of the obligation, I will use discursive institutionalism. It is an alternative for sociological institutionalism and was first elaborated on by Vivien Schmidt.[2] Building upon sociological institutionalism[3], within this framework, the variety of ideas and discourses are taken seriously and put into an institutional context, which serves as the background of information. The power of discourse is best demonstrated by Michael Foucault through the concept of madness, whereby he illustrates how something which has been regarded normal for centuries can become unnormal through discourse.[4] Therefore, discourse, having the ability to indirectly create an alternative reality, a regime of truth through the creation of knowledge, must be studied and understood.

In order to efficiently address the question why the introduction of the common currency in Hungary has been indefinitely postponed by the government, I will first position my argument within the existing literature, outlining the shortcomings of the existing macroeconomic approaches. I aim to demonstrate, through the conduction of discourse analysis and by positioning the political discourse within an institutional approach, the complexity of the issue. Then, in the second part I will employ an empirical approach, firstly outlining the criteria to be met in order to join the Eurozone and a macroeconomic evaluation on whether the Hungarian economy and financial system has fulfilled or has the potential to fulfill the four Convergence Criteria are set out in Article 140(1) of the Treaty on the Functioning of the European Union.[5] I will argue that the accession to the Banking Union has become a corollary to the accession to the Eurozone, and since 2014 joining the Eurozone means entering the BU as well. In other words, joining the Eurozone is not only about giving up sovereignty in monetary policy, but also in bank supervision and to some extent bank regulation, representing

[2] Vivien Schmidt, "Discursive Institutionalism: The Explanatory Power of Ideas and Discourse," *Annual Review of Political Science* 11 (June 10, 2008), https://doi.org/10.1146/annurev.polisci.11.060606.135342.
[3] Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalisms," *Political Studies* 44, no. 5 (December 1996): 14, https://doi.org/10.1111/j.1467-9248.1996.tb00343.x.
[4] Michel Foucault, "The Subject and Power," *Critical Inquiry* 8, no. 4 (1982): 777–95.
[5] Tanja A. Börzel, Antoaneta Dimitrova, and Frank Schimmelfennig, "European Union Enlargement and Integration Capacity: Concepts, Findings, and Policy Implications," *Journal of European Public Policy* 24, no. 2 (February 4, 2017): 157–76, https://doi.org/10.1080/13501763.2016.1265576.

a further step towards a deeper financial and fiscal integration. Therefore, in this section I will also introduce the most important mechanisms of the BU and briefly elaborate on the current position of Hungary regarding the requirements. As it is clearly pointed out by Piroska et al., whilst structural and EU-specific institutional factors do provide the frame of policy space, the choices made within the frame by governments on the local implementation of macroprudential policies define the overall outcome. Therefore, I argue that joining the BU, with all its creeping supranationalism, has become an essential requirement of the accession process, but the fulfillment of criterion is again something that must be politically rather than solely economically evaluated by governments outside the Eurozone. In the third part of my thesis, I aim to present a discourse analysis, outlining the different arguments surrounding the long-ongoing debate within the country. I will elaborate on the change in the hegemonic discourse, represented by the dominant party, Fidesz, between 2018 and 2020, by analyzing speeches and articles.

1. The shortcomings of macroeconomic analyses

The relevance of accession to the Eurozone is well demonstrated by the fact that there used to be a great scholarly debate around the issue and several articles were published on the topic within the region. Early literature tends to focus solely on the economic side of the Hungarian euro adoption. A great representation of this approach is the study by Csajbók and Csermely,[6] published by the Magyar Nemzeti Bank (MNB), analyzing the economic costs and benefits of the accession process. After conducting an extensive macroeconomic analysis, the authors conclude that the introduction of the euro will bring about significant net gains in growth, which will become evident through multiple channels. Furthermore, they point out that all factors point to the fact that staying out of the eurozone will result in increasing costs and risks, the price of maintaining of sovereign monetary policy will only increase through time.[7]

As they are the representatives of the MNB viewpoint their analysis must be critically examined. As it is pointed out by Juliet Johnson[8], after the accession to the EU, post-communist central bankers feared that the external support provided by the Banking Community would no longer have the same relevance as it did before, so they pushed for the adoption of the euro immediately. It can be argued that the position was taken out of weakness, rooted in the mistrust in their own government, driving central banks to willingly subordinate their monetary policies to the ECB in order to ensure stable, conservative long term economic policies. Therefore, they tended to over emphasize the benefits and downplay the risks of accession [9]

In line with the reasoning of Csajbók and Csermely, Skrib and Kunovac[10] conducted and empirical analysis in Poland, Hungary and the Czech Republic based on the BVAR model within the frame of the Optimum Currency Area literature and argue that as there is already a high correlation and synchronicity in the key interest rates and business cycles between euro area and non-euro area European countries, giving up sovereign monetary policy is not a high price to be paid. They found that both group of countries are predominantly driven by the same common shocks, and this level of convergence will most likely increase through time. Therefore, they argue that a common monetary policy could only bring about economic growth,

[6] Attila Csajbók (ed.) and Ágnes Csermely (ed.), "Adopting the Euro in Hungary: Expected Costs, Benefits and Timing," *MNB Occasional Papers*, MNB Occasional Papers (Magyar Nemzeti Bank (Central Bank of Hungary), 2002), https://ideas.repec.org/p/mnb/opaper/2002-24.html.
[7] Csajbók (ed.) and Csermely (ed.).
[8] Juliet Johnson, *Priests of Prosperity: How Central Bankers Transformed the Postcommunist World*, 1st ed. (Cornell University Press, 2016), https://www.jstor.org/stable/10.7591/j.ctt18kr4x3.
[9] Johnson.
[10] Milan Deskar-Škrbić and Davor Kunovac, "Twentieth Anniversary of the Euro: Why Are Some Countries Still Not Willing to Join? Economists' View," *Comparative Economic Studies* 62, no. 2 (2020): 242–62.

while at the same time national central banks would be able to keep a macroprudential toolbox, serving as a complement or an additional calibration to the common policy.

However, it has become evident that in all three analyzed countries, domestic politics played a more important role in this process than the international banking community, the will of central banks or sole economic considerations, as none of the countries introduced the euro yet. Therefore, an economic cost-benefit analysis fails to provide a satisfying answer to the phenomenon, as they disregard the importance of domestic politics. As a result, a more interdisciplinary approach is needed in order to understand the reason behind the unsuccessful fulfillment of the obligation to introduce the common currency. In addition, their focus was slightly different, as MNB economists were interested in the economic advantages and disadvantages of euro adoption. They were not asking the question what factors actually drive euro adoption decision and therefore did not take into consideration that the presented advantages and disadvantages would be evaluated by political decision makers.

Several scholars have addressed the issue in its entirety, providing several explanations to the phenomenon. Palankai[11] argues that apart from the fulfillment of the Maastricht convergence criteria and meeting the maturity criteria[12], is not only a precondition of accession, but an inevitable step to benefit from the deeper integration. To do so, he goes beyond the economic cost-benefit analysis and considers political, legal social and even emotional factors behind the decision in Hungary, Poland and the Czech Republic. He argues that staying out of the eurozone might increase the disintegration of these countries, their vulnerability and explosion is likely to increase, and their catching up process is likely to slow down. Therefore, he points out that the only way to sustain economic growth is to join the Eurozone. In line with this reasoning, it is also pointed out by Laszlo Csaba[13], that despite the relative macroeconomic success of the unorthodox economic policies of Hungary, the promise of increased allocation efficiency, innovation and improved competitiveness do not hold in reality. The attempt to address the challenge of growth acceleration through the reorientation of Hungary's trade towards the East and South is only to be seen as a policy blunder for now. Therefore, in order to sustain growth rates, more innovation and competitiveness is needed, but if the current political logic continues, heterodoxy is likely to survive, and stagnation will most likely take

[11] Tibor Palankai, "The Introduction of the Euro and Central Europe," *ECONOMICS & SOCIOLOGY* 8, no. 2 (September 5, 2015): 51–69, https://doi.org/10.14254/2071-789X.2015/8-2/5.
[12] Maturity criteria, meaning the level of preparedness of the prospective countries to fit into the institutional and policy structure.
[13] Laszlo Csaba, "Unorthodoxy in Hungary: An Illiberal Success Story?," *Post-Communist Economies* 0, no. 0 (August 13, 2019): 1–14, https://doi.org/10.1080/14631377.2019.1641949.

place, unless a return towards orthodox, western type of economics takes place. The greatest indicator of such would be the joining of the eurozone.

Empirical evidence is also in line with this reasoning. The success story of the Hungarian economy is often used as a justification behind the indefinite postponement of the obligation to introduce the common currency. However, this phenomenon is more complex than it is presented by the leadership of the country. As it is highlighted by Juliet Johnson and Andrew Barnes, it seems that Hungary is currently enjoying the tolerant behavior of international markets coupled with generous EU structural aids and the forgiving nature of the IMF[14], enabling its illiberal turn to be regarded a success. As it is pointed out by Johnson and Barnes[15], that financial nationalism exercised by the Orban government can be regarded a success. However, they disregard the fact that whilst it might seem beneficial on the short term, on the long run serious costs follow, such as: undermining democracy, discrimination of foreign owners and increased inequality. It is also pointed out by Laszlo Csaba that the success of the illiberal story through the employment of unorthodox measures was mainly due to external factors.[16] It was the inherited and tacit knowledge and embeddedness in the transitional network that account for the success. State ownership and state interventionism both increased during the period, and nationalization, as a prelude to privatization became increasingly visible. The recovery plan was built around specific one-time factors, such as low energy prices, growth recovery in the EU and the sustenance of zero bound interest rate on global markets.

Ákos Péter Bod[17] reaches a similar conclusion after weighting the economic benefits and costs of accession in light of the recent changes of the process brought about after the 2008 crisis. He argues that it is evident that insisting on the local currency cannot be economically beneficial nor sustainable on the long run for an economy like Hungary. As it is demonstrated by this approach as well, the issue is a matter of discursive interpretation of facts (economic empirical data). However, they point out that the indefinite postponement of the fulfillment of the obligation is a politically motivated complex decision, heavily influenced by the rise of nationalism resulting in political uncertainties. Therefore, he urges the involvement of

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[14] Juliet Johnson and Andrew Barnes, "Financial Nationalism and Its International Enablers: The Hungarian Experience," *Review of International Political Economy* 22, no. 3 (May 4, 2015): 535–69, https://doi.org/10.1080/09692290.2014.919336.

[15] Dorothee Bohle and Béla Greskovits, "Politicising Embedded Neoliberalism: Continuity and Change in Hungary's Development Model," *West European Politics* 42, no. 5 (July 29, 2019): 1069, https://doi.org/10.1080/01402382.2018.1511958.

[16] Csaba, "Unorthodoxy in Hungary."

[17] Ákos Peter Bod, "Euróövezeti Tagságunk: Van-e Akarat?" Vol. 1 (February 5, 2020): 95–106.

emotional, social, political and symbolic dimensions when it comes to the analysis of the accession.

As I have demonstrated, several scholarly works have addressed the question why the common currency has not been introduced in the country. However, existing literature gives only a partial answer to the question due to the fact that they tend to disregard two important elements. Firstly, they tend to neglect the change in the euro accession requirements since 2014. With the establishment of the Banking Union, to which accession is mandatory for the eurozone countries, additional factors must be taken into account for the countries aiming to become members. Namely, giving up not only monetary sovereignty but banking protectionism as well, though accepting the supranational role of the ECB. Secondly, despite the fact that in recent years a more interdisciplinary approach was employed in order to understand the phenomenon, taking into account social and domestic factors as well, but it disregards the role of political discourse in the indefinite postponement of the fulfillment of the obligation. The political discourse in the third Orban regime determines domestic public support for policies and through the analysis of what and how is being said and what is not being sad, the general attitude towards the EU, integration, and the introduction of the common currency is shaped.

All in all, building upon existing literature I aim to fulfill two existing gaps in the literature. Firstly, by considering the accession to the BU as an additional criterion to join the eurozone I demonstrate how the supranational element makes the fulfillment of the obligation even more complex. Secondly, building on discursive institutionalism I aim to examine the power of political discourse, as the process through which ideas are constructed and conveyed to the public by political actors.[18] Heavily relaying on Foucault's performativity of discourse, creating social reality through the regime of truth, which are then acted upon and realized by actors. Orban, through his rhetoric creates an interpretation of reality, which he can then act upon. His discourse of reality is strictly interest-driven, his redistribution policies support his aim to remain in power. The political underpinings leads to the ultimate problem of democracy, whereby short-term gains (power accumulation and material gain) of the political elite overwrite the long-term interest of the country.

[18] Federico Maria Ferrara et al., "Exports vs. Investment: How Political Discourse Shapes Popular Support for External Imbalances," *Socio-Economic Review*, February 28, 2021, mwab004, https://doi.org/10.1093/ser/mwab004.

2. Empirical analysis

In order to explain why the common currency has not been introduced in the country I will use an empirical approach, firstly outlining the criteria to be met in order to join the Eurozone and a macroeconomic evaluation on whether the Hungarian economy and financial system has fulfilled these conditions.

In order to gain a deeper understanding about the process, I will first go through the four convergence criteria set in the Treaty in the Functioning of the European Union (TFEU). Then I will argue that following the 2008 financial crisis, since 2014 joining the Banking Union has practically became a condition of joining the Eurozone as well. As a result, I will briefly elaborate on the most important pillars of the supranational organization and explain its significance when it comes to Hungary's indefinite postponement of why the country has postponed its obligation to introduce the common currency indefinitely.

2.1. Convergence Criteria:

The four Convergence Criteria are set out in Article 140(1) of the Treaty on the Functioning of the European Union. According to which, those EU members who did not opt out from introducing the common currency are legally bound to introduce the euro as soon as they" fulfill *the nominal convergence criteria and successfully harmonized their legislation with the EU standards*". As the willingness to fulfill this legal compliance is rather political, in this section I will solely focus on the macroeconomic criteria set in the article.[19]

2.1.1. Price stability

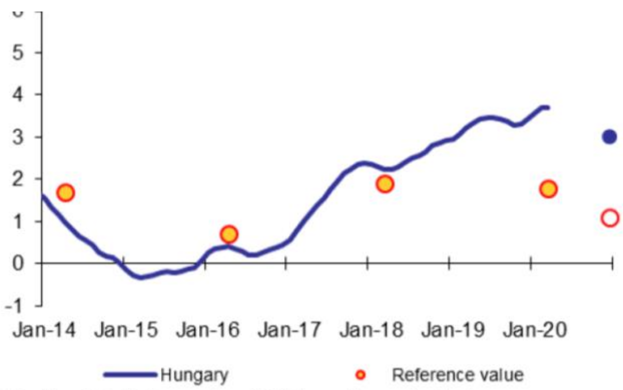
Article 140(1) TFEU: *"the achievement of a high degree of price* stability; *this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability".*

In more detail, as it is outlined in Article 1 of the Protocol No 13, this means that the average rate of inflation should not exceed by more than 1,5% the three best performing Member States. Calculated on the basis of the harmonized Index of Consumer Prices (HICP), in 2020, this inflation reference value was 1.8%.

[19] Assem Dandashly and Amy Verdun, "Euro Adoption Policies in the Second Decade – the Remarkable Cases of the Baltic States," *Journal of European Integration* 42, no. 3 (April 2, 2020): 381–97, https://doi.org/10.1080/07036337.2020.1730355.

Although, as it can be seen on Table 1, from 2014 until 2017, the criterion was fulfilled by Hungary, in the recent years the inflation value has been increasing constantly. In March 2020 the HICP inflation rate stood at 3.9%. [20] Therefore, currently Hungary does not meet the criteria of price stability. Whilst most of the countries on the globe struggle with deflation, the MNB still has to face with relatively high inflation. However, this is not an envious position, the hands of the Central Bank are tightened, as there is a limited toolkit for crisis management. However, as it is pointed out by Gergely Brückner, the effects of the pandemic are likely to result in a turn in inflation, after achieving its local peak, it will decline, due to the lack of imported inflation, and the decline in consumption resulting from to the lower wages and unemployment. [21]

Table 1: Inflation criterion since 2014 (percent, 12 months moving average)



Note: The dots in December 2020 show the projected reference value and 12-month average inflation in the country.
Sources: Eurostat, Commission services' Spring 2020 Forecast.

2.1.2. Sound public finances

Article 140(1) "*the sustainability of the government financial position; this will be apparent from having achieved a government budgetary position without a deficit that is excessive as determined in accordance with Article 126(6)*[22]*"*

Since 2018 the general government deficit had been decreasing, reaching 2% of the GDP in 2019.[23]However, the unprecedented challenge of COVID-19 brought about unexpected changes. Although most of the data used in the 2020 Convergence Report reflect the pre-pandemic indicators, in case of government deficits the values already reflect the early effects

[20] *Convergence Report 2020.* (LU: Publications Office, 2020), 15, https://data.europa.eu/doi/10.2765/508213.
[21] "Miért szállnak el nálunk az árak, ha közben az egész világ a másik irányba tart?," telex, September 29, 2020, https://telex.hu/gazdasag/2020/09/29/magyarorszag-az-inflacio-ellen-a-vilag-pont-az-inflacioert-kuzd.
[22] Article 126(6). *The Council shall, on a proposal from the Commission, and having considered any observations which the Member State concerned may wish to make, decide after an overall assessment whether an excessive deficit exists.* According to this, the budget deficit must not exceed 3% of the GDP, and the public debt must not exceed 60% of the GDP. The data is measured by net lending and bowing and the gross debt at face value (currency and deposits, debt securities and loans)
[23] *Convergence Report 2020.*, 84.

of the crisis. Government deficits are expected to increase in 2020 worldwide, in the case of Hungary it could reach 5.2%, and hoped to start decreasing in 2021.[24]However, it seems like a long-term goal to reach the pre-pandemic level of deficit. Due to the unprecedented changes in the world economy, the Council has decided not to place the country under Excessive Deficit Procedure (EDP).

All in all, it is concluded in the report, that taken into account the consequences of the COVID-19, the country does fulfill the criteria on sound public finances. However, two important considerations must be taken into account when it comes to the empirical analysis of the criteria of sound public finances. Firstly, as it is argued by Johnson and Barnes[25] PM Orban has kept deficit levels low in order to avoid EU Commission's interference into domestic politics. As long as the deficit is low the EU is made incapable of influencing economic policy formation. If it was very high Hungary would get under EDP and then the Commission could overview spending targets and taxation and had the potential to stop Orban in nurturing his loyal business circles. Second, it seems that with the effects of the COVID crisis, PM Orban was forced to let go of this consideration, as the economic consequences of the pandemic pushed him into the position where he must accept higher deficit levels. So to conclude, if the deficit levels could be kept low, the Maastricht criteria would be fulfilled, but still, as time has demonstrated, the Orban regime would not act upon and follow up with Eurozone entry.

2.1.3. Exchange-rate stability

Article 140(1) *"the observance of the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System, for at least two years, without devaluing against the euro"*

In order to fulfill this requirement, a country should be a participant of the ERMII, for at least two years, being close to the central rate of ERMII, the third stage of EMU is the doorstep of the adoption of the common currency and all euro members are expected to join eventually, the system allows a central rate against the euro and allows a +- 15% standard fluctuation, it already prescribes the absence of severe tensions. While Bulgaria and Croatia have articulated their intention to join the ERMII[26], Hungary, together with Poland and Czechia have not announced their willingness to take part in the BU.

[24] *Convergence Report 2020.*, 16.
[25] Johnson and Barnes, "Financial Nationalism and Its International Enablers."
[26] Iulian Nicolae Vasiloiu, "Expanding the Eurozone. The Stage of Economic Convergence for Bulgaria, Czech Republic, Croatia, Hungary, Poland and Romania," n.d., 8.

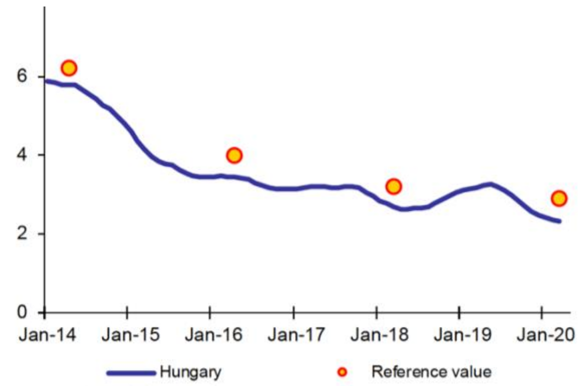
Hungary has a floating exchange rate system and allows foreign exchange market interventions by the central bank. In September 2020, the national currency has reached its historical low against the Euro, when it depreciated to 357 HUF/EUR.[27] Therefore, Hungary does not fulfill the exchange-rate stability requirement. However, it is important to note, that it is not the macroeconomic conditions that dictate the Euro exchange rate. Rather, it is actually the political decision of the central bank to keep the exchange rate low or high. As a result, Hungary in principle could fulfill this requirement, but again there may be politics behind its decision that it does not.

2.1.4. Long-term interest rates

Article 140 (1) TFEU: "*the durability of convergence achieved by the Member State with a derogation and of its participation in the exchange-rate mechanism being reflected in the long-term interest-rate levels"*

As it can be seen on Table 2, since 2014, in Hungary the gradual decrease of long term interest rates can be examined, except from an increase in the turn of 2019, it has always been under the reference value.

Table 2 Long term interest rate criterion in Hungary (percent, 12 months moving average)



Source: Commission services.

The country's annual long-term interest rate in March 2020 was 2.3%, well below the reference level of 2.9%. Therefore, Hungary does meet the criteria on the convergence of long-term interest rates.

All in all, from a macroeconomic approach, Hungary would have been able to join the Eurozone, and it is legally obliged to do so. As I have demonstrated, each criterion could be fulfilled from the economic perspective if it was on the agenda of the current political elite. The

[27] "Harmadszorra is elakadt a forint erősödési kísérlete," Portfolio.hu, accessed September 13, 2020, https://www.portfolio.hu/deviza/20200911/harmadszorra-is-elakadt-a-forint-erosodesi-kiserlete-448322.

criteria which are not met are mainly due to the lack of willingness to fulfil them, and not due to the inability or weakness of the Hungarian economy. Therefore, it can be concluded that the reason why the country has not introduced the common currency must be political.

2.2. Banking Union

The 2008 financial crisis has shed light to the weaknesses of the European economy and integration, as the euro area fell victim to the sovereign- domestic banks- loop.[28] In its aftermaths, the BU emerged as a key pillar of the European integration, bringing about a political shift in its political economy by relocating national oversight and authority of banking supervision and regulation to a supranational organization.[29] By the design of legal framework of the Banking Union, all Eurozone members are automatically members of the BU as well. The accession to the Banking Union has become a corollary to the accession to the Eurozone, and it represents a further step towards a deeper financial and fiscal integration, meaning an important step towards the Single Market.

Joining the BU is only compulsory for the Eurozone members, but countries with their own national currency can choose to participate as well. However, as it is mandatory for those introducing the common currency, it can be considered a requirement to accede to the Eurozone. Joining the supranational organization is not about fulfilling a set of requirements, as in the case of the convergence criteria, but rather about the willingness of the national authorities to give up a great amount of sovereignty for a greater financial stability.

Amongst the eight non-eurozone members, Sweden clearly opted out from joining the BU, whilst Denmark indicated its willingness to join the organization. The others, the 5 Central and Eastern European countries, including Hungary, have decided to adopt a more cautious wait and see approach, despite the fact that due to the increased global liberalization, maintaining sovereignty is becoming more and more risky and costly.[30]

[28] Rachel Epstein and Martin Rhodes, "From Governance to Government: Banking Union, Capital Markets Union and the New EU," *Competition & Change* 22, no. 2 (April 1, 2018): 205–24, https://doi.org/10.1177/1024529417753017.
[29] Epstein and Rhodes, 205.
[30] Katalin Méró and Dora Piroska, "Banking Union and Banking Nationalism — Explaining Opt-out Choices of Hungary, Poland and the Czech Republic," *Policy and Society* 35, no. 3 (September 2016): 215–26, https://doi.org/10.1016/j.polsoc.2016.10.001.

In a way, one can argue that while on the only-BU options all analysts[31][32][33] agree that it is a clearly political choice, on the joining of the Eurozone many contemplate that it is also about economic structural conditions. Understanding the functioning of the Banking Union, helps us understand the political choices it introduces for non- Eurozone member states, which are in the position to evaluate their choice to join in or not.

The Banking Union takes the Eurozone integration to a deeper level with its new set of regulatory frameworks, applicable to all of its members to the same extent. As it is pointed out by Frank Schimmelfennig, this resulted in the deepening of the differentiated integration, as the crisis management in the aftermath of the "*Euro crisis produced more integration in the Eurozone, but also more differentiation from the non-euro countries*".[34] The reason why the initiative did not receive and overwhelmingly warm welcome in the whole of the Union[35], is that is gives to and extreme amount of power and sovereignty to an institution: European Central Bank, making it a sole bank licensing authority, as it becomes the supervisory of all national central banks thereby limiting the power of national authorities in the Eurozone. The loss of such a great extent of national sovereignty, political control over national banks was much harder to accept than the monetary union, as it means that the national political goals have to be put aside in order to achieve greater market stability.[36]

The BU, entered into power in 2014, has four pillars: Single Rulebook (2013), Single Supervisory Mechanism (SSM), Single Resolution Mechanism (SRM) and European Deposit Insurance Scheme (EDIS), from which the first two are already in action. The Single Rulebook, aiming to prove uniform prudential rules for all member states of the EU, therefore it is already applicable to Hungary. The fourth element is currently under discussion and to be set up by 2024, aiming to maintain confidence in the financial system, but due to the structural limitations of my paper I will mainly devote my attention to the two elements already in progress.

Firstly, I will briefly elaborate on the above-mentioned elements of the BU, and then examine the Hungarian position regarding the accession. As it has been already demonstrated,

31 Rachel A. Epstein and Martin Rhodes, "The Political Dynamics behind Europe's New Banking Union," *West European Politics* 39, no. 3 (May 3, 2016): 415–37, https://doi.org/10.1080/01402382.2016.1143238.
32 Epstein and Rhodes, "From Governance to Government."
33 Shawn Donnelly, "Expert Advice and Political Choice in Constructing European Banking Union," *Journal of Banking Regulation* 17, no. 1–2 (2016): 104–18.
34 Frank Schimmelfennig, "Differentiated Integration Before and After the Crisis," 2014, 133, https://doi.org/10.1093/acprof:oso/9780198724483.003.0007.
35 Southern European countries, with a French lead supported and urged the creation of a powerful BU, while the German-led northern part aimed to delay and minimized the centralized power given to the organization.
36 Rachel A. Epstein and Martin Rhodes, "The Political Dynamics behind Europe's New Banking Union," *West European Politics* 39, no. 3 (May 3, 2016): 416, https://doi.org/10.1080/01402382.2016.1143238.

Hungary, if it wanted to, could meet all the economic criteria, looking at the only-BU option is in fact a proxy to understand Hungary's position vis-à-vis the Eurozone. It can be stated that both are primarily political choices. In this section I will also introduce the most important mechanisms of the BU and briefly elaborate on the current position of Hungary with regard the requirements.

2.2.1. Single Supervisory Mechanism (SSM)

The SSM is responsible to directly supervise the significant banking groups (minimum 3, relating to size, economic important, cross border activities[37]), whilst the rest of the national banks will continue to be supervised by the national bank in order to avoid individual bank crises. Even before joining the BU, the European Central Bank requests an evaluation of all commercial banks of the country, which includes inspection of banking assets and shock resilience. [38] The group of commercial banks identified to have systematic importance can change and or expand over time. From an inventory perspective the participation in the SSM means greater reliability and stability due to the ECB's professional reputation, mainly the uniform methodology and series of internal controls.[39]

2.2.2. Single Resolution Mechanism (SRM)

The main objective of the second pillar of the Banking Union created in the aftermath of the financial crisis aims to ensure bank failures are managed adequately, having a minimal cost on taxpayers and on the national economy. In case of emergency, when it is identified as needed, the fully independent agency Single Resolution Board (SRB) will take charge of the management of the crisis in close cooperation with the national authorities. The system is backed by an EU level fiscal support, making the accession to BU attractive as it grants access to the Single Resolution Fun (SRF), expected to possess over EUR 55 billion from the contribution of the 19 Member States by 2023.

All in all, it can be stated that the accession to the BU is compulsory for the Eurozone member states, as it deepens cooperation between member states, but in the East-Central European region, countries mostly aim for an opt-out. There are several political reasons behind the lack of interest to join the BU: the loss of ownership over the banking system, the lack of national supervision of banks, the need to conduct Supervision Review Process (tool for

[37] "Banking Union | Fact Sheets on the European Union | European Parliament," accessed September 23, 2020, https://www.europarl.europa.eu/factsheets/en/sheet/88/banking-union.

[38] Vasiloiu, "Expanding the Eurozone. The Stage of Economic Convergence for Bulgaria, Czech Republic, Croatia, Hungary, Poland and Romania," 12.

[39] Written Kornél Kisgergely and Anikó Szombati, "MNB Occasional Papers 115," 2014, 15.

enforcement) and imposing fines domestically, and the inability to impose national bank regulations in order to enforce the government's will). [40]

As I have demonstrated there are advantages and disadvantages of joining the BU for non-Eurozone member state with small, open, export-oriented market. BU has the potential to provide a stamp of confidence to non-eurozone markets, but it is not clear if it may really increase stability or efficiency in these markets. However, it certainly would demand giving up part of national sovereignty and decision-making power. Therefore, it is up to the political decision maker to evaluate them- The BU is a one-size-fit all solution that may not serve the interest of Eastern dependent market economies such as Hungary. As it is clearly pointed out by Dora Piroska, Yuilya Gorelkina and Juliet Johnson[41] whilst structural and EU-specific institutional factors do provide the frame of policy space, the choices made within the frame by governments on the local implementation of macroprudential policies define the overall outcome. Therefore, I argue that joining the BU, with all its creeping supranationalism, has become an essential requirement of the eurozone accession process, but the fulfillment of criterion is again something that must be politically rather than economically evaluated by governments outside the Eurozone.

[40] Katalin Méró and Dora Piroska, "Banking Union and Banking Nationalism — Explaining Opt-out Choices of Hungary, Poland and the Czech Republic," *Policy and Society* 35, no. 3 (September 2016): 215–26, https://doi.org/10.1016/j.polsoc.2016.10.001.
[41] Dóra Piroska, Yuliya Gorelkina, and Juliet Johnson, "Macroprudential Policy on an Uneven Playing Field: Supranational Regulation and Domestic Politics in the EU's Dependent Market Economies," *JCMS: Journal of Common Market Studies* n/a, no. n/a, accessed January 23, 2021, https://doi.org/10.1111/jcms.13097.

3. The power of discourse

In order to fill the gap in existing literature I aim to address the puzzle of the lack of introduction of euro in Hungary from an interdisciplinary point of view, considering the role of political discourse in the indefinite postponement of the fulfillment of the obligation. As I have already demonstrated through the empirical analysis, the phenomenon cannot be explained solely from an economic point of view. Therefore, as I have pointed out, the lack of fulfillment of the obligation to join the Eurozone by the country should be politically driven.

There are several methods through which political interest can be examined but I will use discourse analysis. The reason why I aim to present the political motivation of the indefinite postponement through discourse is because it shapes our reality and allows us to understand the multi-layered complexity of the issue, going beyond solely economic factors, and combining historical, sociological and cultural factors. The power of discourse has been increasingly recognized in International Relations and is best demonstrated by Michael Foucault through the concept of madness, whereby he illustrates how something which has been regarded normal for centuries can become unnormal through discourse.[42][43][44] Using discourse as the tool to examine the knowledge – power nexus is a form of critical theorizing.[45] Discourse embraces the "*logic of interpretation that acknowledges the improbability of cataloguing, calculating and specifying real cases, …., with considering the manifest political consequences of adopting one mode of representation over another*"[46]. Through discourse different regimes of truth can be established and therefore, it has the ability to indirectly create an alternative reality must be studied and understood.

I will analyze hegemonic discourse, meaning the discourse of the dominant party, supporting the current social order and positioning it to the existing institutional framework, in order to demonstrate the multi-layered complexity of the indefinite postponement. Examining the hegemonic discourse is essential, as it is incorporated into the individual subjectivities and legitimizes certain policies[47]. I aim to position the Foucauldian term of discourse, meaning, that discourses give meanings to objects, and they are the structures of meaning that are attached

[42] Foucault, "The Subject and Power."
[43] Wendy Brown, "In the 'Folds of Our Own Discourse': The Pleasures and Freedoms of Silence," n.d., 15.
[44] Ferrara et al., "Exports vs. Investment."
[45] JENNIFER MILLIKEN, "The Study of Discourse in International Relations:: A Critique of Research and Methods," *European Journal of International Relations* 5, no. 2 (June 1, 1999): 225–54, https://doi.org/10.1177/1354066199005002003.
[46] D. Campbell, *Politics without Principle: Sovereignty, Ethics, and the Narratives of the Gulf War* (Boulder: Rienner, 1993), 7–8, https://ceuedu.sharepoint.com/sites/itservices/SitePages/vpn.aspx.
[47] Milliken, "The Study of Discourse in International Relations."

to objects and subjects within an instutional frame. Within this framework, I will put the variety of ideas and discourses into an institutional context, which serves as the background of information. Positioning the Foucauldian term of discourse within an institutional framework is essential in order to understand the policy outcome of the country, the limitations and complex interplay between the government's sovereignty and the EU's intergovernmental and increasingly supranational structure has to be examined. I aim to examine the power of political discourse, as the process through which ideas are constructed and conveyed to the public by political actors.[48]

Heavily relaying on Foucault's performativity of discourse, I will demonstrate how creating social reality through the regime of truth, can be then acted upon and realized by actors. Prime Minister Orban through his rhetoric creates an interpretation of reality, which he can then act upon. As I will demonstrate, his discourse of reality is strictly interest-driven, his redistribution policies support his aim to remain in power. This political underpinning leads to the ultimate a problem of democracy, whereby short-term gains (power accumulation and material gain) of the political elite overwrite the long-term interest of the country. As it has been pointed out, joining the Eurozone has several long-term advantages from an economic point of view, such as stability, greater security, greater integration in financial markets and improved economic performance[49]. However, the political costs on the short run, mainly the loss of sovereignty in monetary policy tend to drive the elected party to disregard its obligation to introduce the common currency.

Furthermore, within the approach change is seen dynamic and triggered by ideas and discourse. I also aim to elaborate on this change and will illustrate how the political agenda of the regime regarding the Euro adoption has changed through time. I will elaborate on the change in the hegemonic discourse, represented by the dominant party, Fidesz, in 2005 and between 2018 and 2021, by analyzing speeches and articles.

However, it is important to highlight the one-sidedness of the public media in Hungary and the imbalance between the ability of the opposition to present arguments, as they are restricted to six basic platforms: hvg.hu, index.hu, merce.hu, 24.hu, atlatszo.hu and 444.hu. It is clear, that where there is power, there is resilience, but when resilience is limited and repressed to such an extent and only the privileged storytellers have the ability to create

[48] Ferrara et al., "Exports vs. Investment."
[49] Péter Ákos Bod, Orsolya Pócsik, and György Iván Neszmélyi, "Political and Policy Dilemmas of Euro Adoption in CEE Countries: What next When Crisis Hits?," *European Policy Analysis* n/a, no. n/a, accessed May 8, 2021, https://doi.org/10.1002/epa2.1111.

narratives about an issue the policy creation and implementation is rendered[50]. Therefore, discursive productivity will be analyzed from an elitist point of view, examining how their regime of truth has the introduction of euro has been excluded and addressed as unworkable or improper.[51]

My discourse analysis will be divided into two sections. First, I will elaborate on the significant role of silence on the issue and its meaning, and will demonstrate the dynamics of hegemonic discourse, the change occurring in the past two decades. Secondly, I will examine speeches from a different approach, presenting the current discursive framework surrounding the issue, elaborating on the articulated dichotomy between the national and international, the foreign and domestic interest. By using predicate analysis as a tool I aim to demonstrate how these subjects are defined through being ”a*ssigned capacities for and modes of acting and interacting*”[52], thereby analyzing the social construction of space and economic reasoning. Closely linked to the above-mentioned dichotomy, I will then elaborate on the anti-European rhetoric of the government, best demonstrated by the discourse surrounding the 2014 migration crisis. Both cases demonstrate that the liberal ideology and the main principles of the EU are generally presented as contrary to the national interest, which allows us to draw conclusions regarding the introduction of euro as well, as it would mean greater policy harmonization and further integration with the EU. This is essential for my research, as it is directly connected to the introduction of euro, as it means giving up monetary sovereignty.

In the discourse analysis, through examining twenty speeches, five statements and several interviews with the Prime Minister and Gyorgy Matolcsy I aim to demonstrate how discourse and the unspoken words shape policy outcomes and our reality. Whilst I will mainly focus on the speeches made between 2018 and 2021, in the third elected period of the Fidesz government, in order to efficiently demonstrate the shift in discourse I will examine the statements made between 2005 and 2014 as well.

3.1. The role of silence and the current attitude towards euro adoption

It is evident that in the recent years the accession to the eurozone has not been part of the hegemonic discourse. Whilst it was a cornerstone of the campaign of Fidesz in 2005 to introduce the euro, by now there is no target date set in the agenda and the issue is rarely mentioned. Whilst in 2004, when the country joined the EU a heated debate surrounded the

[50] Ágnes Urbán, “Ez nem a sajtószabadság vége, hanem a tisztességes versenyé.,” November 7, 2017, http://index.hu/velemeny/2017/11/07/propaganda_mediapiac_verseny_nmhh/.
[51] Milliken, “The Study of Discourse in International Relations,” 236.
[52] Milliken, 232.

accession to the Eurozone, by now the issue is delegated to very small expert forums that receive no public attention. Therefore, it is essential to understand that what is not being said has an equally important role to what is actually articulated. Silence does not only have an aesthetic value but a political as well[53]. As it is formulated by Foucault: silence is a" *shelter for power*" [54], meaning that the lack of discourse on a certain issue is also a way to reinforce power dynamics, an internal part of the process of reality creation through the establishment of a regime of truth.

Whilst at the beginning of the century, joining the eurozone was a crucial part of the first Orban government's agenda, and even in 2009, it was a significant part of the European Parliamentary Elections Campaign, but by now it has completely vanished from the hegemonic discourse. Whilst in the Prime Minister Viktor Orban's Party's Electoral Manifesto to the European Parliament in 2009[55] it was stated that: *"...we have committed ourselves to the introduction of euro*[56]" and "*we need the euro"*[57]. In comparison the same campaign, ten years later consisted of seven points, which were all about migration and the introduction of euro was not mentioned in any of the speeches, articles, manifestos or interviews.[58]

Despite the overall silence about the indefinite postponement of the once prioritized obligation, the relevant economic determinants of the convergence criteria, including public debt, inflation, GDP, the structure of the banking sector, and the evaluation of the success of the eurozone are often addressed in the speeches of the prime minister and the governor of the Hungarian National Bank.

The steps taken at this point of time are driving us to conclude that the will to fulfill the euro adoption has gone and the driving force behind this decision is deeply political. The nationalization of MKB[59], and now the establishment of a "megabank"[60], called Bankholding. all indicate that the unorthodox new economic policy practiced by the current government, best characterized by financial and banking nationalism[61] is not compatible with the EU's monetary

[53] Brown, "In the 'Folds of Our Own Discourse': The Pleasures and Freedoms of Silence."
[54] Michel Foucault, *The History of Sexuality*, 1st American ed (New York: Pantheon Books, 1978), 100.
[55] "A Fidesz európai parlamenti választási kampánya 2009," accessed February 27, 2021, http://static-old.fidesz.hu/download/yar/program2009_magyar.pdf.
[56] " A Fidesz európai parlamenti választási kampánya 2009," 169.
[57] " A Fidesz európai parlamenti választási kampánya 2009," 172"
[58] HVG Kiadó, "Összesen hét mondatból áll a Fidesz európai választási programja,"
, April 5, 2019, https://hvg.hu/itthon/20190405_Het_mondatbol_all_a_Fidesz_europai_valasztasi_programja.
[59] "Hungary's Banks Thrive in Era of Nationalization | GlobalCapital," accessed April 10, 2021, https://www.globalcapital.com/article/b1f9hxl6t9mxy6/hungarys-banks-thrive-in-era-of-nationalization.
[60] "Itt a Nagy Bejelentés: Megérkezett a Magyar Szuperbank - Portfolio.Hu," accessed April 10, 2021, https://www.portfolio.hu/bank/20201030/itt-a-nagy-bejelentes-megerkezett-a-magyar-szuperbank-455246.
[61] Johnson and Barnes, "Financial Nationalism and Its International Enablers."

policy. These decisions, and the discourse surrounding them allows us to draw conclusions on the government's current viewpoint on the issue and will enable us to understand how this discourse produces the world. In our case, as there are no insuperable economic barriers in the path of accession, so analyzing these discourses is essential to understand the political motivation behind the indefinite postponement.

„*Hungary cannot seriously consider joining the euro zone until the country's average economic development reaches 90 percent of the level of euro states...Hungary is aware that we live in Europe and we participate in the European market. At the same time, we have our own currency and our own national economy, but we cannot detach ourselves from what is happening around us*,"[62] In 2014 the Prime Minister set additional criteria to be fulfilled in order to join the Eurozone. This means that even if the Maastricht criteria are met by the country, the accession could be postponed for decades.

"We need to admit the euro was a mistake…The time has come to wake up from this harmful and fruitless dream. A good starting point would be to recognise that the single currency is a trap for practically all its members — for different reasons — not a gold mine." [63],- In 2019 Gyorgy Matolcsy wrote in the Financial Times that the introduction of euro was a mistake, calling the eurozone a trap, from which an escape is necessary. He urges member states to leave the eurozone, and closes with the line: "Let's *celebrate the 30th anniversary in 2022 of the Maastricht treaty that spawned the euro by rewriting the pact*"[64] In another speech made at the conference he proposed the creation of a Eurasian common crypto currency. [65] The gradual shift away from liberal market economy, from the West, towards the East, starting as an improvised crisis management have evolved into the building block of a new economic model is well demonstrated by these statements. However, the attempt to address the challenge of growth acceleration through the reorientation of Hungary's trade towards the East and South is seen as a policy blunder for now.[66] The statements made by the President of the Hungarian National Bank clearly indicate that there is no will to join the eurozone, and its macroeconomic advantages are also undermined.

[62] "Orbán: Hungary Will Keep Forint until Its GDP Reaches 90% of Eurozone Average | Politics.Hu," January 19, 2015, https://web.archive.org/web/20150119115544/http://www.politics.hu/20130426/orban-hungary-will-keep-forint-until-its-gdp-reaches-90-of-eurozone-average/.
[63] Gyorgy Matolcsy, "We Need to Admit the Euro Was a Mistake," November 3, 2019, https://www.ft.com/content/35b27568-f734-11e9-bbe1-4db3476c5ff0.
[64] Matolcsy.
[65] Tamás Mészáros, "Kipcsak kriptovalutára váltaná az eurót Matolcsy?," November 12, 2019, https://index.hu/gazdasag/2019/11/12/matolcsy_gyorgy_euro_putyin_eurazsiai_gazdasagi_unio_kozos_valuta_kina_egy_ovezet_egy_ut/.
[66] Csaba, "Unorthodoxy in Hungary."

„*Dear Friends, this is why we must also be cautious in the matter of joining the eurozone. I advise that we do not board a train to an unknown destination*"[67] - stated Prime Minister Orban in his State of Nation Address in 2020: although he starts by outlining the interdependence between the economy of the eurozone member states and Hungary, declaring that *" ..their problem is also our problem.."*, he argues that further integration, the creation of a federal Europe would result in the Hungarian economic growth to come to halt. However, economic analyses do not necessarily comply with the statement. The overall policies practiced by the current Orban government fall in line with the concept of financial nationalism, which includes monetary sovereignty, floating exchange rate, undermining the Central Bank's independence, a preference of national financial institutions over foreign ones and general skepticism of the IMF, WB and other international institutions.[68] Pursuing financial nationalism allows us to draw conclusions regarding the euro adoption as well, as it can be argued that the reason behind the lack of interest to introduce the common currency in the country is the fact that this nationalistic approach allows greater influence and control over the economy. As it is pointed out by Johnson and Barnes[69], the success of the financial nationalism exercised by the Orban government and argue that that Orban's position against the EU and the euro makes sense from Hungary's peripheral position in the Single Market and all the negative consequences of it. However, they disregard the fact that on the long run serious costs follow, such as: undermining democracy, discrimination of foreign owners and increased inequality. Furthermore, as it is also pointed out by Laszlo Csaba, the success of the illiberal story through the employment of unorthodox measures was mainly due to external factors.[70] It was the inherited and tacit knowledge and embeddedness in the transnational network that account for the success.[71] State ownership and state interventionism both increased during the period, and nationalization, as a prelude to privatization became increasingly visible.

"*We belong to the more cautious camp...We want to be an integral part of the European community while at the same time remaining open toward other regions and communities. This*

[67] the editorial board of the Visegrád Post View All Posts, "Full 'State of the Nation' Speech of Viktor Orbán, 2020 | Visegrád Post," February 19, 2020, https://visegradpost.com/en/2020/02/19/full-state-of-the-nation-speech-of-viktor-orban-2020/.
[68] Johnson and Barnes, "Financial Nationalism and Its International Enablers."
[69] Dorothee Bohle and Béla Greskovits, "Politicising Embedded Neoliberalism: Continuity and Change in Hungary's Development Model," *West European Politics* 42, no. 5 (July 29, 2019): 1069, https://doi.org/10.1080/01402382.2018.1511958.
[70] Csaba, "Unorthodoxy in Hungary."
[71] Johnson, *Priests of Prosperity*.

will also have to be expressed in our decision about the euro,"[72]- stated the Prime Minister in 2018 on the CHINA-CEEC Central Bank Governors' Meeting, confirming the country's wait and see approach concerning the euro adoption and reassuring its openness towards the East.

3.2. The overall discursive frame of euro adoption

3.2.1. National and international dichotomy

„*We no longer sit in rapt wonder at every kind of liberal folk-tale about the self-regulating market, good capitalism, the European Union and the beautiful world order. We live in our own way, according to our own rules and our own decisions. Our nation knows this: Hungary comes first*."[73]

The dichotomy between the national and international is probably the most obvious indicator of the shift in the hegemonic discourse, a very different picture is painted about the country's positionality and strength in comparison to the EU. Whilst in the 2000s the poor economic performance is blamed on the inability of the previous government's unorthodox measures and the divergence from the EU policy standards. This is well demonstrated by the Electoral Manifesto[74] to the European Parliament issued by Fidesz in 2005, whereby it was stated that: "T*he catastrophic performance of Hungary is alone standing in the EU: it has been the only country who failed to fulfill the Convergence Criteria three times in a row*". However, in the recent years the success is connected to the persuasion of the very same unorthodox measures. It is argued that the good performance is not due to the turn towards the west, but rather, the conduction of nationalistic policies, pursuing the interest of the country, as it is demonstrated by the below cited State of Nation speech by Viktor Orban made in 2020.

„*Perhaps those with more experience than me can back up my view that if we look to the European continent's successful periods, we can see that Europe was never strong – or at least, not over an extended period – when it was directed from a single centre of power. We were strong when multiple centres of power existed within Europe. And today it is the policy of Brussels to transform these centres of power into a single centre of power*."[75] The Prime Minister clearly paints an undesirable picture about the EU, presenting it as a weak system, criticizing it is not so creeping supranational aim and seeing its strength in its multipolarity.

[72] Reuters Staff, "Hungary Should Be Cautious about Euro Entry: PM Orban," *Reuters*, November 9, 2018, https://www.reuters.com/article/us-hungary-china-euro-idUSKCN1NE14O.
[73] Posts, "Full 'State of the Nation' Speech of Viktor Orbán, 2020 | Visegrád Post."
[74] " A Fidesz európai parlamenti választási kampánya 2009," 169.
[75] "Prime Minister Viktor Orbán's Speech at the Lámfalussy Conference – Miniszterelnok.Hu," accessed May 7, 2021, https://www.miniszterelnok.hu/prime-minister-viktor-orbans-speech-at-the-lamfalussy-conference/.

This clearly contradicts to euro accession, as further integration through giving up sovereign monetary policy and banking protectionism is required.

The discourse on the role of foreign ownership changed significantly as well when it comes to the banking sector. Whilst the Prime Minister stated in 2021 that: *"we're competing to bring foreign investment projects to Hungary."*[76] meaning mostly the attraction of multinational corporations, when it comes to the banking sector nationalization is taking place. So, we can see a very different discourse when it comes to finance than for the rest of the economy. In addition, whilst further integration with the EU and the increase of FDI was presented as a desirable goal, and the only way to sustain growth and development, in the second part of the decade, the very same things are seen as weaknesses, hindering competitiveness and development, and undermining the national interest.

The attitude of the current government towards FDI is paradoxical. Whilst the policies tend to support the national insiders over foreign ones, providing support for infant industries, at the same time the country is aiming to attract multinational companies, through granting tax benefits and keeping low wages and constantly expresses its openness towards the East. [77]

"You may remember that in 2010 we identified four sectors as being strategically important for the national economy, in which our goal was at all costs to increase the percentage of Hungarian ownership to over 50 per cent. These included the following: the energy sector, where in 2010 Hungarian ownership was 29 per cent, while today it is 59 per cent, meaning that we have achieved our goal; the banking sector, where in 2010 Hungarian ownership was 40 per cent, while today we stand at 57 per cent; and the media and related industries, where we started from 34 per cent, and are now at 55 per cent. We've been successful in three sectors."[78]

The objectives outlined hereby are clearly contradicting to the requirements of euro adoption, and the accession to the BU, which, as I argue, have become a preliminary condition of the eurozone since 2014. This rigid attachment to sovereignty in general is also true when it comes to financial sovereignty. Considering it the backbone of the national identity is not solely a post-communist phenomenon, contrary to the common belief. What is more, the attachment of the powerful western countries to preserve domestic control over the banking sector resulted

[76] "Address by Viktor Orbán at the Hungarian Chamber of Commerce and Industry's Opening Event of 2021 – Miniszterelnok.Hu," accessed April 11, 2021, https://miniszterelnok.hu/address-by-viktor-orban-at-the-hungarian-chamber-of-commerce-and-industrys-opening-event-of-2021/.
[77] Bod, Pócsik, and Neszmélyi, "Political and Policy Dilemmas of Euro Adoption in CEE Countries."
[78] "Address by Viktor Orbán at the Hungarian Chamber of Commerce and Industry's Opening Event of 2021 – Miniszterelnok.Hu."

an uneven liberalization process, which had a great role in the European debt and currency crisis. As it is pointed out by the Epstein[79], even in the increasingly globalized economy, powerful states restricted foreign access to their banking sectors, as they were thought to be a threat to national sovereignty, due to the loss of domestic supervisory and regulatory mechanism. The reason behind this global trend, mirrored on the EU level, leads back to a political and theoretical consideration. The belief is rooted in the political foundation of the banking system. The banking sector is regarded as the backbone of national sovereignty, as it makes it possible to retain control over domestic deposits, macroeconomic management, and provides control over money printing. Furthermore, they are the primary consumer of government debt and can be used as domestic power consolidation. They also have an important role in channeling credit to the economy and meeting lending targets of the government. The theoretical considerations behind the perceived advantages of banking sector protectionism are rooted in the significance of finance in the state's global power position, as the process of catching up requires access to finance for strategic purposes, therefore control over capital is a must. It was believed that domestic bank ownership limits financial vulnerability to shocks can be limited and maintains institutional distinctiveness.

„*In my decades in politics, I have observed that every success story – the success story of every rising nation – begins with the strengthening of self-esteem. Just think of the two most recent Western examples: Trump's America and the success of Boris Johnson. And I have also noticed that the personal self-esteem of citizens in a troubled country can only return together with that of their nation. So the key to upward progress is the restoration of national self-esteem. So in 2010 we set ourselves the goal of proving to ourselves – and, of course, to the world – that we are still somebody, and not the people we seemed to be, anxiously cowering as we pleaded for IMF loans and EU money*"[80]

In 2021, the Prime Minister in his State of Nation address brought about two examples, in order to demonstrate success: Trump's populist America and the leader of Brexit, as they demonstrate national strength and keep national interest above all whilst labeling the dependence on EU and the IMF as a weakness.

[79] Rachel A. Epstein, *Banking on Markets: The Transformation of Bank-State Ties in Europe and Beyond*, *Banking on Markets* (Oxford University Press), accessed November 28, 2020, https://oxford.universitypressscholarship.com/view/10.1093/oso/9780198809968.001.0001/oso-9780198809968.

[80] "Prime Minister Viktor Orbán's 'State of the Nation' Address – Miniszterelnok.Hu," accessed May 9, 2021, https://miniszterelnok.hu/prime-minister-viktor-orbans-state-of-the-nation-address-4/.

3.2.2. Anti-European rhetoric

Taking a closer look into the general anti-European rhetoric and the presentation of the EU, as well as defining the meaning of being European also allows us to draw conclusions regarding the accession to the eurozone. Here I would like to point out that the significance of the choice of wording. On the one hand, up until recently, the term Brussel was not used in order to refer to the EU, and even if it was occasionally done, it had a neutral meaning. On the other hand, with the intensification of the national propaganda with the outbreak of the migration crisis in 2014, the EU started to be addressed as Brussels and in a pejorative way. Today, the term obviously has a negative meaning attached to it implying, the elitist villain, against which protection is needed, in line with the populist anti-European discourse of the regime. The EU has been referred by P*rime Minister Orban as "the new Brussels empire"*[81]*, "the bubble of bureaucrats in Brussels*"[82].From this line of thought it is evident that the current regime does not aim for further integration with Brussels. Therefore, the euro adoption which would mean the accession to the Banking Union and would allow a greater control of the ECB is not a desirable goal. The general anti-European discourse is best demonstrated through the examination of the hegemonic discourse during the migration crisis when the anti-liberal, nationalistic propaganda reached its peak.

„*Good-for-nothing liberal European immigration policy!"*[83] *stated in the Prime minister in 2020.* Through the repetitive anti-European, antimigration and often Islamophobic rhetoric articulated in the government-owned state media the government shaped the identity of the nation and managed to establish a parallel reality, whereby during the crisis the refugees were considered to be a threat to national security and sovereignty. Through the use of identitarian populism[84] by the government, diminishing the difference between the public, the nation and the government and posed as the representer of the will of the people. Hungarian border and the overall proclamation of crisis put the Hungarian government in a position to produce itself as a cohesive actor and pose as the savior of the nation by protecting the "public" by the threatening "Others". This is well demonstrated by the Prime Minister's words in 2021:

[81] "About Hungary - PM Orbán: Europe Must Not Succumb to the Soros Network," accessed April 10, 2021, http://abouthungary.hu/speeches-and-remarks/pm-orban-europe-must-not-succumb-to-the-soros-network/.
[82] "About Hungary - Samizdat No. 6," accessed April 10, 2021, http://abouthungary.hu/speeches-and-remarks/samizdat-no/.
[83] "Viktor Orbán's Speech at the 14th Kötcse Civil Picnic," Government, accessed June 1, 2020, https://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/viktor-orban-s-speech-at-the-14th-kotcse-civil-picnic.
[84] Boldizsár Nagy, "Hungarian Asylum Law and Policy in 2015–2016: Securitization Instead of Loyal Cooperation in: Special Issue Constitutional Dimensions of the Refugee Crisis," *German Law Journal* 17 (November 21, 2016): 1033–81, https://doi.org/10.1017/S2071832200021581.

„There are many of us who do not want migration, for whom the traditional family is important, who do not want multiculturalism, who want to protect our nations, who want to maintain our national identities,and who do not want to live in a Brusselocentric European empire, but want to continue our lives within the customary national framework...[85]- Repeatedly expressing the importance of national sovereignty and interest, contrary to the European liberal values suggest that there is not will to further integrate the Hungary within the framework of the EU.

Orban has clearly articulated that the **„***the whole issue of asylum and mass migration, the whole problem of economic migration is nothing more than the identity crisis of liberalism*."[86], therefore he repeatedly calls for the strengthening of nationalism, and Christian identity. As a result, it can be concluded that the current discourse of the regime does not only label the EU as an elite, from which protection is needed, but also questions the underlying liberal ideology of it, and states that it is contrary to the national interest. As the euro adoption would mean enhanced cooperation and further integration with the EU, it is logical to conclude that the current regime does not favor this line of though, and rather pushes for the indefinite postponement of the obligation.

[85] "Interview with Prime Minister Viktor Orbán on the M1 Television Programme 'This Evening' – Miniszterelnok.Hu," accessed April 10, 2021, https://miniszterelnok.hu/interview-with-prime-minister-viktor-orban-on-the-m1-television-programme-this-evening/.
[86] "Viktor Orbán's Speech at the 14th Kötcse Civil Picnic."

Conclusion

As I have demonstrated, the motivation behind the indefinite postponement of the obligation taken up by Hungary in 2004 to introduce the common currency is multi-layered and complex. The macroeconomic conditions outlined in the Copenhagen criteria suggest that the accession is simply based on the economic performance of the country, but a closer examination of the requirements demonstrates that the decision very much depends on the political will of the government. This became even more evident following the 2008 financial crisis, when in 2014 the BU was established and accession to it became an additional requirement to enter the eurozone. Whilst Poland and the Czech Republic have also not set a target date for accession, and they both aim for control within their banking sector[87], their motives are different from the Hungarian ones. Poland introduced a set of macroprudential measures in order to defend themselves against financial nationalism and the Czech Republic faces increased pressure to join the eurozone, whilst both the government and the central bank and the general public are highly euroskeptic and postpose euro introduction as a result. .[88]

Existing literature tends to focus on the macroeconomic factors behind the phenomenon, and disregards the important change brought about the BU in 2014. Even when social and political factors are taken into account, they are not examined through the power of hegemonic discourse. I argue that it is essential to fill this gap, as discourse is the process through which ideas are constructed and conveyed by political actors, leading to not only policy formation but the creation of social reality, a regime of truth.

In order to efficiently demonstrate my point, I first elaborated on the four convergence criteria, set out in Article 140(1) of the TFEU. The criteria on price stability is currently not fulfilled by the country, from 2014 and 2017 the inflation rate was within the reference value prescribed. This demonstrated that the process of accession could have been initiated by the country during this period, and if the will from the government side is given, then this criterion could be fulfilled, especially in light of the economic effects of the pandemic. The second criterion outlines sound public finances is currently fulfilled by the country as due to the effects of the pandemic, Prime Minister Orban was forced to let go of his agenda, to keep deficit levels low in order to avoid the EU Commission's interreference in domestic politics. The third condition of the accession is exchange rate stability. Hungary has not expressed its willingness

[87] Méró and Piroska, "Banking Union and Banking Nationalism — Explaining Opt-out Choices of Hungary, Poland and the Czech Republic," September 2016.
[88] Piroska, Gorelkina, and Johnson, "Macroprudential Policy on an Uneven Playing Field."

to join ERMII, and it does not fulfill the requirement. However, it must be noted that it is not the macroeconomic conditions that dictate the euro exchange rate, it is rather the decision of the central bank to keep the exchange rate low or high. The final criterion outlined in the Treaty is regarding the long-term interest rates. The country fulfills this requirement, as its annual interest rate is well below the reference value. Therefore, as I have demonstrated through my empirical analysis, the country would have been able to join the Eurozone form a macroeconomic perspective. The criteria which are currently not met are mainly due to the lack of willingness to fulfil them and not because the inability or weakness of the Hungarian economy.

As the 2008 financial crisis shed light to the weakness of the European economy, hitting the eurozone countries especially hard, the Banking Union emerged as a key pillar of the European integration. Eurozone members are automatically members of the BU, bringing about a political shift in political economy through the reallocation of national oversight and authority of banking supervision. As the Hungarian economy would be able to fulfill the economic conditions of the accession, the BU is in fact a proxy to understand Hungary's position regarding the accession. As joining the BU would require giving up part of national sovereignty and decision-making power, the choice is clearly political.

The roots of the resistance to give up the domestic currency lies in the loss of sovereignty in times of economic slowdown and the ability to independently counterbalance economic cycles. Although it is beyond doubt that the current structure of the BU, being a precondition for accession from 2014, ought to represent the interest of the eurozone, and thereby favors the bigger and more developed western economies. Therefore, the interest of the small, open economies is often disregarded. However, this is not the reason why the current government refuses to fulfill its obligation to join the eurozone. Rather, the unorthodox policies are driven by financial nationalism, allowing the government greater influence in the monetary policies as well as in the banking sector. The loss of the leverage over sovereign monetary policy also means that the practice of boosting the economy through devaluation of the Forint before the election and thereby creating the illusion of economic growth, and the contestability of export industries on the expense of import-oriented companies has to be given up as well.

In order to understand the political drive behind the phenomenon I used discourse analysis to demonstrate how discourse shapes reality, allowing a deeper understanding of the complexity of the issue, going beyond sole economic, cultural, and sociological factors. Taking a closer look at this seemingly paradox approach towards the EU through a financial lance provides a deeper understanding of the anti-liberal, nationalistic propaganda of the country.

Through the examination of the hegemonic discourse and putting it into an institutional framework efficiently demonstrates the complex interplay between the government's sovereignty and the EU's intergovernmental and increasingly supranational structure. In my discourse analysis I first elaborated on the significance of silence surrounding the issue in the recent years. Whilst in the beginning of the century, joining the eurozone was an essential part of the first Orban government's agenda, by now it has completely vanished from the hegemonic discourse. I argue that the roots of the resistance to give up the domestic currency lied in the loss of sovereignty in times of economic slowdown and the ability to independently counterbalance economic cycles.

Then, by using predicate analysis as a tool I analyzed speeches and statements from a different perspective, elaborating on the articulated dichotomy between the national and international, the foreign and domestic interest. Whilst in the 2000s the poor economic performance was blamed on the inability of the previous government's unorthodox measures and the divergence from the EU policy standards, in the recent years the success is connected to the persuasion of the very same unorthodox measures. Elaborating on the general anti-European rhetoric of the government, demonstrating how the liberal ideology and the main principles of the EU allow us to draw conclusions regarding further integration and increased policy harmonization with the EU through the euro adoption.

The presented conclusions provide ground for further research. The accession to the eurozone is most likely to be put on the agenda of the MNB, as the ECB plans to introduce the digital euro.[89] Businesses in Hungary already favor the use the common currency over the Hungarian Forint and the introduction of a digital currency could make the domestic currency practically unnecessary.

[89] European Central Bank, "Digital Euro," European Central Bank, April 13, 2021, https://www.ecb.europa.eu/paym/digital_euro/html/index.en.html.

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