



**Crisis of Capitalism and (De-)Politicisation of Monetary Policymaking: Reflections from Hungary and Turkey**

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## Introduction

The technocratic management of money—embodied in the practices of central banks— has long been the underlying restructuring mechanism of national economies and polities under capitalism. Monetary policy has become an increasingly attractive tool for governments particularly in the post-2008 global crisis context. Nowhere is this phenomenon perhaps more apparent than in Europe’s periphery where the sharpening and irresolvable contradictions of the global crisis of capitalism and democracy manifest themselves more discernably. The cases of Hungary and Turkey are a case in point. Given this observation, this article explores the question: how can we conceptualize the direction of monetary policy in the European periphery<sup>1</sup> in the post-2008 context?

We approach this question from the perspective that monetary policymaking is fundamentally connected to the political domain and the totality of capitalist social relations. First, we propose to conceptualize the direction of monetary policy in Hungary and Turkey as a *process of (re)politicisation* with a characteristically repressive drift. The constitutive elements of the political discourse throughout the late 2000s in both countries emphasize, on the one hand, the victimization of the countries under the neoliberal austerity prescriptions of global financial capital and its “foreign” representatives and “lobbies.” On the other hand, this discourse emphasizes so-called “illiberal” development strategies. In both countries, this right-wing nationalist discourse appeals to wide swaths of the population comprising marginalized socio-economic groups while preserving the capitalist status quo. Second, the process of politicisation has *diverged in both countries*. In the Hungarian case, we identify numerous strategies by the political executive to exercise overt control over the management of money legally and institutionally. In Turkey, alongside the changing discourse, we observe a similar trajectory of governmental politicisation in other issue and policy areas alongside an active and systematic repression of progressive, radical left politicizations. However such a trend in monetary policymaking has not been as *visible* in Turkey as in the Hungarian case until recently. Nevertheless, the lack of visibility does not mean such governmental politicising efforts have not taken place in Turkey<sup>2</sup>. Third, our exploratory research highlights the importance of understanding the processes and goals of both depoliticisation and politicisation, on the one hand, and their (un)intended consequences, on the other. This is possible if we have a contextual understanding of these processes linked to the historical specificity of capitalist social relations, state-form and modes of governance in each country. Such a stance allows for a two-layered critique of the so-called “orthodox” and “unorthodox” economic policies of the capitalist states without presenting one as an alternative to the other.

The mainstream scholarship on central bank independence and independent regulatory agencies have long tended to assert the innate effectiveness of distancing decision making mechanisms from elected officials and politicians due

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3 to latter's presumed clientalistic, populist and corruptive tendencies (Kydland  
4 and Prescott, 1977, Barro and Gordon, 1983; Cukierman, 1992). These  
5 approaches can provide insights into investigating the particular relations  
6 between elected and appointed state managers and address the aforementioned  
7 *symptoms* of clientalism and corruption within the ranks of the state. While they  
8 highlight the urgency of these symptomatic issues, they do not provide a  
9 comprehensive account of the root causes of such tendencies.  
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13 We contend that this is because in large part they build on an externally defined  
14 relationship between state and societal processes; separating the study of the  
15 structure and functioning of governmental actions and processes from societal  
16 dynamics. Moreover, these approaches often carry the implicit objective of  
17 achieving a set of desirable outcomes in economic management and governance  
18 – the normative basis of which are often taken for granted as capitalist,  
19 neoliberal and orthodox. Thus, the drastic distributional effects and “social  
20 welfare function” (or lack thereof) of monetary policies—that is, their class  
21 character—which result in systematic income transfers from the working classes  
22 to the financial capital are sidelined and neglected (Watson, 2002: 187). In the  
23 absence of acknowledging these facets of monetary policymaking, we argue that  
24 the mainstream approaches fall short of fully accounting for the public  
25 disenchantment with global capitalism, financial establishment and economic  
26 orthodoxy which systematically produce social inequalities, asymmetries and  
27 exclusion as the underlying reasons behind post-crisis politicisations.  
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33 Within the critical strand of political economy, the transformations in this  
34 contested policy field have been assessed on the basis of a set of depoliticisation  
35 strategies. That is to say: removing the decision making powers and responsibility  
36 away from the elected state managers in arms' length fashion (Burnham, 1999,  
37 2001, 2014; Kettell, 2004, Rogers, 2009, 2013). The analytical strength of this  
38 scholarship, which builds broadly on the Conference of Socialist Economists (CSE)  
39 approach to state and global capitalism, emanates from its holistic approach to  
40 forms of governing and social relations. It allows the researcher to position the  
41 transformations that take place at policy level within a broader social and  
42 political critique. It accounts for their relational and conflict-ridden dynamics  
43 based on the class character of the social relations underlying them (Bonefeld,  
44 2014).  
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49 This critical scholarship, however, has largely focused on the experience of core  
50 capitalist countries in their empirical research and theory building. This article  
51 aims to conceptually capture the recent trend of central banking politicisation in  
52 Turkey and Hungary and, subsequently, raises the question of whether it carries  
53 within it objectives of depoliticisation in these countries- an observation recently  
54 made in the post-crisis UK context as well (Burnham, 2014). In so doing, we refer  
55 to the observation that repressive modes of governing in both countries risks  
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locking in the politicised monetary policy and isolating it from progressive public critique and contestation. Therefore, we put forward a double-faceted critique of both the pre-crisis depoliticising policy prescriptions (Holmes, 2014) and the post-2008 politicisation in both countries. In our view a political economy approach which explicitly problematises the capital logic and class character of policymaking processes under capitalism is required to put forward such a comprehensive critique. On this basis the article presents reflections from an exploratory analysis of two case-studies with a specific focus on monetary policy. It aims to make a contribution to this critical scholarship through an illustration of these country cases.

In the first section, we present the conceptual tools at our disposal. The second section provides a rationale for case selection and methods. The third section assesses the historical background in both countries, with a particular focus on the depoliticisation trajectory preceding the 2008 global and European crisis. The final section assesses the post-2008 politicisation developments of central banking and central bank-state relations in both countries. In conclusion, we reflect on the insights drawn from these cases for broader debates and studies into (de)politicisation and critical political economy.

### 1- State, Crisis and (De)politicisation in the Management of Money

In this article we adopt the view that the processes of (de)politicisation should be understood within a critical account of the state as a *form* of social relations and the role of state managers in the management of these crisis-ridden social relations (Clarke, 1991; Burnham, 1994; Bonefeld et. al., 1995; Bonefeld, 2014). Such an approach explicitly problematises the economic-political separation in capitalism that is taken for granted by the mainstream approaches and aims to demystify the existing power relations that it conceals and perpetuates. Through this critical lens, the necessarily conflictual and short-term orientation of the *depoliticisation processes* could be understood as facing constant opposition from politicising dynamics. In particular, these are intensified under crisis conditions, forcing the governments and politicians to reiterate and reinstate depoliticisation in various forms (Bonefeld et. al., 1995; Burnham, 2001, 2014; Kettell, 2004; Rogers, 2009; Sutton, 2016).

On this basis, the most prevalent definition of depoliticisation in the existing literature is the one developed by Peter Burnham with specific reference to the Blair government's economic policies in the 1990s. Burnham defines depoliticisation as:

placing at one remove the political character of decision-making. In many respects, state managers retain arm's-length control over crucial economic and social processes whilst simultaneously benefiting from the distancing effects of depoliticisation... By switching from a politicised

(discretion-based) to a depoliticised (rule-based) system, governments establish credible rules for economic management, thereby altering expectations concerning wage claims, in addition to 'externalising' responsibility for the imposition of financial discipline (2001: 128).

Depoliticisation is conceived here as a *governing strategy* and, therefore, retains its political character, albeit appearing otherwise. Recent research has drawn on this framework to move it beyond the governmental sphere (Hay, 2007: 82-9) and proposed "governmental/societal/discursive depoliticisation" on the basis of the actors and forms involved in particular issue areas and contexts (Wood and Flinders, 2014).

A similar set of subtleties and complexities can be found with respect to the conceptualisation of politicisation. However, it remains more underspecified, leading to multiple, sometimes conflicting definitions and normative values attributed to it. In the mainstream thinking, the link between unorthodox economic policy and politicisation hinges on the notion of discretionary monetary policy, where the electoral cycle is coupled with the business cycle for "short-term electoral expediency" (Hay, 2007: 115). This more discretionary monetary policy then translates into control and management of governance by the executive, and autonomy of the said body is decreased. Unlike the mainstream scholarship which approaches these dynamics in a rather formalistic, binary fashion devoid of political content, the notion gains a critical character when, as outlined above, it is conceived within a broader perspective of diverse governing strategies of the capitalist states in historical perspective.

It is therefore crucial to specify *what/which issue area* is being (re)politicised, *by whom* and in *what way/form* in order to provide a meaningful critical assessment. In other words, instead of conceiving of (de)politicisation 'in general', we approach it as cases of (de)politicisation 'in particular' to be understood in contextual terms.

In this article, we conceive monetary policy to be closely connected with the governing forms of broader capitalist social relations of which the state is a constitutive part. Against this background, the term *governmental politicisation* will refer to the act of returning *visibility* to the political character and control of decision making by the government through substantive policy measures. Relatedly, *discursive politicisation* will address the rhetorical problematisation of an alleged need to politicise decision making *by* the state managers (with or without fully materialising in governmental politicisation or at times accompanied with the depoliticisation strategy).

Since the late 1970s, orthodox monetary policy has come to entail a "dedication to price stability" which implies the seemingly non-negotiable subordination of so-called "real macro-economic outcomes" (e.g., (un)employment, real GDP and

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3 its growth rate) to maintaining the stability of the price level, as well as fiscal  
4 discipline) (Tobin, 1999: 14). In this context central bank independence is  
5 conceived as a means to thwarting the “political business cycle” problem  
6 lamented by neoliberal and public choice theorists and “widely promoted by a  
7 range of international institutions, such as the World Bank, the International  
8 Monetary Fund, and the European Commission, as the most effective guarantor  
9 of sound monetary policy” (Hay, 2007: 113). Otherwise, in the interest of winning  
10 office, “rational political actors” are incentivized to set inflation targets “that they  
11 have no intention of keeping” while market actors will theoretically “anticipate”  
12 inflation—a response resulting in higher average unemployment, inflation, and  
13 interest rates, as well as lower levels of investment (Alesina, 1989; Kydland and  
14 Prescott, 1977 in Hay, 2007: 114). Not bound by electoral commitments  
15 independent professional central bankers could treat “potential[ly] public and  
16 political disputes about appropriate instruments and settings” as “purely private  
17 and technical matters” (Hay, 2007: 116-17).  
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23 From 2008 onwards, however, we observe an emerging trend of a re-  
24 consideration, critique and, in certain cases, reversal of the prior orthodox  
25 strategies pursued in economic management (Morgan, 2009; Mojon, 2010;  
26 Mackintosh, 2014, Moschella, 2015). Especially evident from the early 2010s,  
27 these gradual and often ad-hoc changes in central banking practices across the  
28 globe have been accompanied by a discursive turn towards attributing a more  
29 active role to central banks in matters of growth, financial stability and  
30 employment (Cukierman, 2011). The crisis has also thrown into question the  
31 alleged credibility and trust of central bank policies in the eyes of the public  
32 (Walti, 2012; Roth et. al., 2014). Against this background, we turn our attention  
33 to the two country cases to trace both the material and discursive changes in  
34 central banking and what they mean in terms of a larger scale transformation of  
35 state and social relations in times of crisis.  
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## 40 2- Case Selection and Methods

41 Turkey and Hungary have often been analysed in the scholarship as exceptional  
42 cases within their respective designated geographies of Central and Eastern and  
43 Southeastern Europe. Often particularistic and Eurocentric theoretical  
44 frameworks have been employed, perpetuating and deepening the stand-alone  
45 characteristics of each country case, in their deviation from the Western  
46 European ideal type. Recent monetary policy changes in both countries have  
47 been previously assessed either in single case study design (Bakir, 2007; Akcay,  
48 2009) or in comparative research design which was positioned within the  
49 geographical cluster of Central and Eastern Europe (Mero and Piroška, 2016).  
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53 Both countries underwent substantive restructuring in the pre-2008 context in  
54 line with both the framework of the Washington consensus and subsequent EU  
55 accession requirements (Sadler and Swain, 1994: 390-1; Bedirhanoglu, 2007:  
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3 1246-8; Bohle and Greskovits, 2007: 109, Bakir and Onis, 2010; Sonmez, 2011;  
4 Gagy, 2016).The global crisis from 2008 onwards has similarly witnessed the  
5 emergence of a period of questioning and revision of the pre-2008 policies.  
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7 Even though Hungary is an official EU member and Turkey is a candidate country,  
8 we contend that, within the scope of the management of money, the positioning  
9 of both economies outside the immediate Eurozone and official control of ECB  
10 makes them plausible cases for exploring the common and divergent strategies  
11 of the monetary policymakers within the structural constraints and autonomy  
12 provided in such a context.  
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15 Therefore the two countries set the ground for the assessment of both complex  
16 similarities and differences within a common conceptual framework, while  
17 critically exploring the plausibility of the said framework beyond established  
18 cases in an effort to challenge particularistic, Eurocentric approaches outlined  
19 above (George and Bennett, 2005: 19-22; 75-6; 83). To this end a qualitative,  
20 exploratory two-case study approach is adopted on the basis of critical textual  
21 analysis and supportive evidence from semi-structured interviews conducted in  
22 both countries.  
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26 Such an approach allows us to retain flexibility to pose a wider number of  
27 research questions in order to assess the suitability of the conceptual toolkit of  
28 depoliticisation/politicisation. Focusing on these country cases in an interrelated,  
29 exploratory manner but not in strictly comparative terms, also cautions against  
30 producing rigid periodisation and categorization along ideal typical models. It  
31 allows room to assess the changing direction of monetary policymaking in its  
32 open-ended, dynamic character (Yin, 2003). Since both the material objectives  
33 and discursive justifications and the broader social and political impact of the  
34 unfolding politicisation as articulated and practiced by policymakers are under  
35 scrutiny, qualitative methods are deemed most appropriate in both country cases  
36 in order to identify and give meaning to these mechanisms in depth.  
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41 The article presents evidence from two prior, independent in-depth case studies  
42 (author details removed). In the case of Turkey, key resources include CBRT's  
43 annual reports, press releases, interest rate decisions and online media coverage  
44 in the post-2001 context. In addition the article draws on the semi-structured  
45 interviews that were conducted in Ankara and Istanbul with the former senior  
46 CBRT officials in 2009-2010 period. The interviewees were asked open-ended  
47 questions regarding their involvement in monetary policy formulation and  
48 implementation in the post-2001 context, the central bank-government-treasury  
49 relations, degree of independence that the central bank and its staff exercised vis  
50 a vis the government, business associations and trade unions in comparison to  
51 the pre-2001 period. However gaining access to interview current CBRT officials  
52 has not been possible. Given this limitation to investigate the internal  
53 transformation and politicisation of central banking in the post-2010 period, the  
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3 online database of parliamentary deliberations available from the website of  
4 Grand National Assembly of Turkey for the 1999-2015 period was also consulted  
5 in order to gain insight into the content of the more recent and ongoing debates  
6 surrounding the central bank, government-central bank relations and the forms  
7 of framing of monetary policy considerations in the assembly. In the case of  
8 Hungary, key resources include the National Bank of Hungary (MNB)'s annual  
9 reports, time-series data on monetary council decisions, minutes of the  
10 monetary council meetings, official opinions of the European Central Bank, press  
11 coverage available online and semi-structured, open-ended interviews with  
12 central bank insiders conducted during 2013, reflecting a mixed profile of policy  
13 preferences (i.e., orthodox approach versus new "unorthodox" approaches of  
14 the Fidesz-KDNP ruling government). The questions focused on what different  
15 respondents emphasized and considered salient in terms of the MNB's policy  
16 goals, functions, and organizational culture under Governor Simor and changes  
17 under Governor Matolcsy during the ruling Fidesz-KDNP government.  
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### 23 **3- Brief historical background in the pre-2008 context: Integration into the global 24 capitalist system and depoliticisation**

25 With the neoliberal capitalist restructuring of the national economies in the  
26 aftermath of the global crisis in the late 1970s, the depoliticisation attempts took  
27 the monetary form of disciplining through the initial promotion of privatisation  
28 and financialisation in Hungary and Turkey with the full support of the IMF and  
29 World Bank as noted earlier (Boratav, 1990)<sup>3</sup>. In the Turkish context, privatisation  
30 efforts remained partial and incomplete despite substantial sales of large scale  
31 public sector companies and institutions, partly due to an emerging public sector  
32 workers' movement and unionising from 1987 onwards. Eventually  
33 financialisation was forced to support the rolling over of public debt, which  
34 remained consistently high and fed the crisis dynamics of the 1990s, with the  
35 simultaneous development of fictitious capital accumulation (Akca, 2009;  
36 Gungen, 2010).  
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41 In the case of Hungary, the integration into the global circuit of capital visibly  
42 accelerated from 1989 onwards when the country officially became one of the  
43 Central and East European 'transition' countries (Borocz, 2000; 2012; Gagy and  
44 Eber, 2015; Gagy, 2016; Gerocs and Pinkasz, 2017). Gerocs and Pinkasz (2017),  
45 with specific reference to the accumulation dynamics in the automotive industry,  
46 argue that this integration has increasingly taken a dependent form with large  
47 scale privatisations, the foreign direct investment flows especially in electronics  
48 and car manufacturing sectors and European Union transfers as part of the global  
49 restructuring of capital and labour in this period<sup>4</sup>.  
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#### 53 **3.1 The strategy of depoliticisation: The 2000s in Turkey and Hungary**

54 A series of crises (currency/banking in Turkey and debt/fiscal in Hungary)  
55 catapulted both countries onto the path of depoliticisation in central banking—  
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3 the accepted conventional wisdom of the late 1980s and 1990s. The 2000-2001  
4 financial crisis emerged as a key turning point for the thorough restructuring of  
5 social relations in Turkey. The double crises (November 2000 and February 2001)  
6 initially occurred as a currency and banking crisis which, as it unfolded, revealed  
7 the more serious structural problems inherent in capital accumulation and policy  
8 making (Akyuz and Boratav, 2003; Yeldan, 2002). As a number of interviewees  
9 suggest, the state managers, especially in the Treasury and Central Bank, had  
10 been continuously deliberating the idea of putting forward a thorough  
11 depoliticisation agenda during the 1990s. However restructuring could not be  
12 initiated until the crisis broke.  
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17 The outcome of the process was a de facto technocratic government in the post-  
18 2001 context and the appointment of one of the Vice Governors of the World  
19 Bank to the post of Minister of Economy<sup>5</sup>. The ongoing ascendancy of the  
20 technocrats in economic policy making throughout the 1990s, a development  
21 which also took place in Hungary (Gagyi, 2015; Gerocs and Pinkasz, 2017),  
22 especially those of the Treasury and the Bank vis-à-vis the State Planning  
23 Organisation and Finance Ministry is noteworthy here. This is reflected in the fact  
24 that the IMF carried out negotiations primarily with the Treasury, the CBRT  
25 technocrats and only the Minister of State responsible for economy from the  
26 Cabinet as a number of interviewees noted. In other words the rule of the  
27 market was reinserted on social relations through independent regulatory  
28 agencies in the banking sector, agricultural and energy markets and,  
29 fundamentally, the disinflation strategy of an independent central bank (Bakir,  
30 2007).  
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35 While in Hungary there was no such landmark crisis in the same period, widely  
36 accepted orthodox monetary policies were already being implemented under  
37 then-governor Gyorgy Surányi of the MNB (1995-2001). Suranyi was appointed  
38 by Prime Minister Gyula Horn, who was facing runaway economic debt in the  
39 mid-1990s and appointed several “pragmatic problem solvers” into his  
40 administration (Inglot, 2003: 227, Hungarian Spectrum, 2009). Surányi was  
41 widely credited with bringing inflation under control, and helping transform the  
42 MNB ‘into a truly independent central bank’ (Kopits, 2014: 104). Similar to the  
43 Turkish case, this central banking approach remained largely unquestioned and  
44 taken for granted throughout the 2000s. Even in the midst of crisis (2007-2013),  
45 the orthodox position was notably reflected in the bank’s discourse about price  
46 stability and the emphasis on caution or risk aversion in times of crisis (e.g.,  
47 MNB, 2012: 11, 18; Johnson & Barnes, 2015: 548).  
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52 Between 2001 and 2005, albeit numerous crisis potentialities in national and  
53 global terms, depoliticisation efforts through central bank independence has  
54 delivered relatively “positive” material outcomes from the point of view of state  
55 managers in Turkey as interviewees also highlighted. Among them were reduced  
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3 inflation, growth recovery, enhanced competitiveness, increased capital inflows  
4 in line with the priorities and objectives of the policy. However high  
5 unemployment rate coupled with a mounting private consumer debt problem  
6 and difficulties to depoliticise the tax and social security system persisted and  
7 deepened in this period simultaneously (CBRT Data, Annual Reports, 2002-2006).  
8 Bakir and Onis (2010: 79-80) explain these discrepancies in policy outcomes with  
9 the overemphasis of the reforms on 'prudential regulation' without sufficient  
10 attention paid to the rapid financialisation of the Turkish economy in this period.  
11 This process has further led to debt-led growth with dire consequences for  
12 income distribution away from households to the financial sector (ibid: 79).  
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17 In terms of its impact on public debate, the political interest and controversy  
18 over monetary policy indeed largely increased in this period in Turkey. However,  
19 following Kettell (2008), the form and character of the interest demonstrated the  
20 short-term "success" of the depoliticisation strategy since the Central Bank was  
21 largely on target with most criticisms and controversy over monetary policy-  
22 shielding the governments from the effects of unpopular policies (Akçay, 2009).  
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25 The pre-2013 period of central banking in Hungary came to be associated with a  
26 quintessential marriage between the doctrine of monetary orthodoxy and  
27 notions of independent and non-bureaucratic, cooperative working methods as  
28 many interviewees emphasized. It lasted until the Pandora's box of the global  
29 financial crisis was opened and the financial sector came to be discursively  
30 associated *not* with independent, intellectual prudence as propagated, but with  
31 the reign of concentrated capitalist interest—backed by foreign interests and  
32 central banks. The effects of crisis eventually engulfed Hungary - and a land-slide  
33 election victory for the right-wing opposition (Fidesz-KDNP) to boot – was a game  
34 changer. The global financial crisis hit households and small businesses struggling  
35 to repay loans denominated in foreign currency. The new ruling coalition used  
36 the occasion to bring the virtues of orthodoxy to a debate and to exercise  
37 unprecedented political power over financial institutions, including the Central  
38 Bank, as well as in other policy areas (Szikra, 2014; Johnson and Barnes, 2015;  
39 see also author details removed).  
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#### 45 **4- The emerging politicisation trajectory: The Impact of the 2008 Crisis and its** 46 **Aftermath**

47 In the context of the latest global crisis and austerity, several questions arise with  
48 regards to the mission of central banks. The deepening of the crisis has called for  
49 more systemic and holistic responses in a political environment which has  
50 increasingly come to question the alleged credibility and legitimacy of the  
51 doctrine of independent central banking. From a critical political economy  
52 perspective, this process was closely linked to the return of Keynesian thinking  
53 and the resulting re-invention of the role of the state in the economy (Inman,  
54 2013; Economist, 2016).  
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3 Within this context the following section analyses the manifestations and  
4 processes of post-crisis politicisation of central banking in Hungary and Turkey, in  
5 terms of commonalities and divergent trends.  
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#### 8 **4.1 The manifestations of discursive politicisation of monetary policy in Turkey** 9 **and Hungary**

10 We trace similar processes of *discursive* politicisation in both countries, involving  
11 verbal attacks on central bank policies and the articulation of domestic  
12 alternatives to accepted policy doctrine. However, in the case of Turkey, the form  
13 of discursive politicisation was directed at the CBRT's policy decisions.  
14 Substantive politicisation was reserved for other domains of economic policy.  
15 Not dissimilarly, in the case of Hungary, verbal attacks levelled at the MNB  
16 occurred in conjunction with the pursuit of the politicisation of other domains of  
17 economic policy led by then-Minister of National Economy, Gyorgy Matolcsy who  
18 would later be appointed Governor of the MNB. The MNB's discursive  
19 politicisation served as a harbinger of the institution's subsequent governmental  
20 politicisation.  
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25 In Turkey, two seriously contested policy rate increases took place in the summer  
26 of 2006 and in the autumn of 2008 at the onset of the global crisis (CBRT Annual  
27 Reports, 2006-8). It was also a period in which a major controversy over the  
28 appointment of the new Bank Governor (Durmus Yilmaz took office in 2006 for a  
29 period of five years) and the government's proposal to move the location of the  
30 Bank from Ankara to Istanbul broke out (Akçay, 2009: 254-280).  
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34 This period reflected the consolidation of the depoliticising impact of the  
35 strategy on the level and quality of public debate (Hay and Watson, 1999; Kettell,  
36 2008). There were a number of rhetorical threats from within the government to  
37 reverse the Bank's independence and explicit controversy between the  
38 government and the Bank over its alleged "high interest rate, low exchange rate"  
39 policy, as reflected in the wide media coverage (Ankara Chamber of Commerce,  
40 2007; Ozatay, 2007; Sonmez, 2007). However, no such reversal actually took  
41 place. Instead the government exploited the opportunities of having transmitted  
42 its control over monetary policy to the independent central bank by jumping into  
43 the bandwagon of criticizing the Bank alongside business and exporters  
44 associations and unions. The Bank ultimately lowered policy rates from  
45 September 2007 and November 2008 onwards after the brief increases between  
46 May-July 2008 as an initial reaction to the global crisis (CBRT Interest Rates).  
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51 Nevertheless, these developments did not result in fully fledged adoption of an  
52 'unorthodox' position in economic policy making due to the state managers'  
53 efforts to ensure that certain pillars of economic policymaking remained  
54 *seemingly* outside the political process<sup>6</sup>. On the other hand, the government  
55 articulated a discourse which repeatedly promised the signing of a new IMF  
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3 stand-by agreement from May 2008 onwards in order to garner credibility  
4 without an actual commitment (Financial Times, 5 Dec 2008; 27 Jan, 10 Feb, 16  
5 May, 20 June 2009). This stance presented the crisis as though it were outside  
6 the dynamics of the Turkish economy. It was argued that the economy proved  
7 much more resilient than it had been in the pre-2001 period (Prime Minister  
8 Speeches, Sep-Dec 2008; see also Onis and Guven, 2011).  
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12 An overview of the content of parliamentary debates during the 2007-2010  
13 period reveals that a set of criticisms were initiated against the effects of the  
14 Bank's monetary and credit policies on the "real" sector (Parliamentary Debates,  
15 23. Term, 1-4 Legislative Years). By late 2008, the Ministers responsible for  
16 economy came to explicitly acknowledge the effects of the deepening crisis on  
17 the domestic economy (3. Legislative Year 17.Meeting 13/Nov/2008 Thursday, p.  
18 33). Nevertheless the-then Prime Minister and the Finance Minister were still  
19 insistent that "this is not an economic crisis but a financial crisis" and that "this  
20 crisis is not Turkey's crisis, this is a global crisis" (28. Meeting 16/Dec/2008  
21 Tuesday, p. 13, 67-8). The rhetoric of "turning crisis into opportunity" and  
22 emphasis on the "inevitability of change to which everyone needs to adapt"  
23 complemented this representation of crisis *and* restructuring (ibid., p. 13, 15).  
24 The 2009 budget deliberations set off heated debates in the parliament,  
25 including discussions on the substantial modifications of the CBRT's mandate. As  
26 a member of parliament stated: "The Central Bank must definitely take initiative  
27 in this process. [It] must be taken toward a policy orientation to look out for the  
28 real economy beyond its focus on the inflation target, monetary and credit  
29 policies." (79. Meeting 21/Apr/2009 Tuesday, p. 7).  
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35 However, the Ministers' response to these challenges did not fundamentally  
36 divert from the depoliticisation principle in monetary policy making as they  
37 reiterated the importance of the CBRT's independence (37. Meeting  
38 25/Dec/2008 Thursday, p. 126). Without explicitly impinging on the official  
39 status, institutional structure and governing of the Bank, the AKP government  
40 had instead chosen to politicise other areas of economic policy, namely fiscal  
41 policy and borrowing via increases in the Treasury borrowing limit (37. Meeting  
42 25/Dec/2008 Thursday, p. 127), incentive/stimulus packages for select sectors  
43 and industries and a new public finance and debt management law (110.  
44 Meeting 25/Jun/2009, Thursday, p. 41).  
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48 The transformation of the crisis into a European sovereign debt crisis across the  
49 continent from 2010 onwards has had a lasting effect. This period also set off the  
50 formulation of a policy mix towards 'a flexible monetary policy' with "lower  
51 policy rates, a wider interest corridor and higher required reserve ratios" with a  
52 renewed and explicit mandate to uphold financial stability alongside price  
53 stability (CBRT AR, 2010: 27, 32, 43; CBRT Press Releases, No: 2011-23, 26-27, 29,  
54 40-41; CBRT website). These changes appear to have aimed at striking the  
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3 balance between two objectives at the same time: providing the required  
4 amount of money into circulation to offset recessionary effects, facilitate the  
5 conditions for accumulation and avoid any medium-term inflationary effects and  
6 exchange rate risks due to the relaxed credit mechanism and easier borrowing  
7 conditions from the Bank (CBRT AR, 2010). In terms of the way these measures  
8 have been discussed in the public political domain, the occasional calls for the  
9 change of CBRT mandate to include the objectives of “production and  
10 employment”, the overhaul of the floating exchange rate regime and the issue of  
11 CBRT's location change from Ankara to Istanbul further intensified in the 2010-  
12 2011 period (Parliamentary Debates, 4<sup>th</sup> and 5<sup>th</sup> Legislative years; Jul, Dec 2010;  
13 Jan-Feb 2011). The uncertainty surrounding the change of CBRT governor in 2011  
14 also became a matter of contestation in this period. The “policy mix” has  
15 continued with intensifying foreign exchange interventions by the Bank to  
16 overcome periods of volatility and stabilize the exchange rate. Continuous  
17 appraisals as well as criticisms within the public debate have accompanied this  
18 process as to whether this amorphous policy toolkit is and could indeed be a  
19 successful one (Hurriyet, 4 Jan 2012; 8 Jan 2012; Parliamentary Debates, 24<sup>th</sup>  
20 Term, 2<sup>nd</sup> Legislative Year, Dec 2011). We observe that the post-2010 period was  
21 marked more by the debate and contestation over the exchange rate, growth and  
22 the current account deficit than inflation targeting and price stability (Hurriyet, 9  
23 Jan, 26 Jan 2012)<sup>7</sup>.

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30 In the case of Hungary, we characterize the form of discursive politicisation as  
31 distinctly nationalist<sup>8</sup> (articulation of domestic policy alternatives) and as a  
32 harbinger of governmental politicisation of the MNB. This politicisation of  
33 monetary policy unfolded in a particular context – that of the Fidesz-KDNP ruling  
34 coalition two-thirds majority electoral victory and “so-called” mandate in 2010,  
35 the fall out in Hungary from the global financial crisis and recession, and the  
36 2014 elections in which Fidesz-KDNP were expected to retain power. These major  
37 events and their consequences led to a markedly more nationalist economic  
38 policy discourse on the part of the ruling coalition, emphasizing Hungary's  
39 independence from the external influence of international financial institutions,  
40 credit rating agencies, and foreign banks (also reflected in its criticism of  
41 traditionally “western” and European values) and a call for national  
42 “cooperation” and “harmony” (Simon, 2011; K.A., 2013; K.M., 2013; Feher,  
43 2014). Among Prime Minister Viktor Orban's declarations were that the country  
44 “had let go of neo-liberal economic policy” (e.g., “letting go of the policy of  
45 austerity, just before [Hungary was] about to share the fate of Greece”). By 2014,  
46 Hungary had become “an economic success story, which Europe, too, is slowly  
47 beginning to acknowledge” (Orban, State of the Nation Address, 2015). “The  
48 most popular topic in thinking today is trying to understand how systems that are  
49 not Western, not liberal, not liberal democracies and perhaps not even  
50 democracies, can nevertheless make their nations successful,” citing China,  
51 Turkey, and Russia as examples (Orban, 2014).

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4 Prime Minister referred to Hungary's "new direction in 2010" as the moment  
5 when the "new era of national politics began" (Orban, State of the Nation  
6 Address, 2015). This new direction was synonymous with a rejection of foreign  
7 debt and a departure from liberal democratic politics more generally (Orban,  
8 2014; 2015). Feeding off of nationalist sentiment, including from voters who had  
9 moved to the far-right due partly to wider disenchantment with neoliberal  
10 economic policies, the government's discourse centered on Hungary's  
11 independence from debt-led growth, which was argued to have lasted between  
12 1960 and 2010 (ibid.). However it is crucial to emphasise that this discourse,  
13 albeit seemingly anti-liberal, was not anti-capitalist.  
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18 Since coming into power in 2010, the ruling government had repeatedly clashed  
19 with the EU and the ECB regarding taxes, constitutional issues, central bank  
20 independence, as well as the foreign-currency loans (e.g., Feher, 2014). Much of  
21 this discourse was fueled by the foreign-currency loan fallout, in which hundreds  
22 of thousands of Hungarian borrowers' monthly payments skyrocketed thanks to  
23 Central European currencies plummeting in value against the Swiss franc in 2008.  
24 The foreign banks which had initially sold these loans at formerly favorable  
25 exchange rates became the target of widespread public anger—an important  
26 factor in Fidesz-KDNP garnering a landslide victory in 2010. The ruling coalition  
27 took it upon itself to find a nationalist solution to the problem in the run up to  
28 the 2014 elections. It passed legislation allowing borrowers to convert  
29 outstanding loans from francs and euros into forints at market rates, while also  
30 burdening the (mostly foreign) banking sector with additional taxes (Economist,  
31 2014). The ruling coalition's credibility was further augmented in 2013 when  
32 Hungary repaid to the IMF its outstanding debt of 2.5 billion euros "from a 2008  
33 emergency loan program" (Dunai & Szakacs, 2013) and the country was able to  
34 exit from the European Union's excessive deficit procedure (Council of the  
35 European Union, 2013). Against the backdrop, the government could successfully  
36 position itself, both discursively and substantively, against the prevailing western  
37 dominance of its economy, including financial sector (Gagyi and Eber, 2015: 605-  
38 6; Gagyi, 2016: 359-360).  
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45 The engineer behind this discourse and subsequent policy measures was Gyorgy  
46 Matolcsy—a key figure inside the ruling Fidesz party and Prime Minister's "right-  
47 hand man" in economic affairs (Dunai, 2016)<sup>9</sup>. Together with the PM, he  
48 "spearheaded the government's criticism of the [MNB]," criticizing its "strong  
49 forint' policy" and favoring some measure of inflation in order to kick start  
50 economic growth and avoid deflation (Buckley & Eddy, 2013; KA., 2013; Reuters,  
51 2013; author details removed). Moreover, in positioning himself as a defender of  
52 national interests, Matolcsy had openly "called on the four major credit rating  
53 agencies to start negotiations on Hungary's rating upgrade," as well as on "the  
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3 resignation of Olli Rehn” for having “conducted bad economic policy” at the  
4 European Commission (K.A., 2013).  
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7 Matolcsy furthermore cited “traditional economic policy” as the reason for the  
8 ousting of 19 failed EU member state governments at the polls. According to the  
9 bank governor, the unorthodox path deviates from the traditional one because it  
10 is built on “solidarity” rather than “austerity” (K.M., 2013). There was also a  
11 tendency to cast Hungary’s direction as the new normal. Matolcsy had argued  
12 that the world’s largest central banks followed an unorthodox monetary policy  
13 after the great recession: “since August of last year, we, the majority of the  
14 monetary council were always right in this respect” (K.M., 2013).  
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18 These statements are reflective of a repeated emphasis on the government’s  
19 overarching System of National Cooperation which was authored by Fidesz-KDNP  
20 with the supposed aim of defining the principles and common goals uniting  
21 Hungarian society (Lambert, 2016). There was a deliberate goal to “harmonize”  
22 fiscal and monetary policy (e.g., Than and Szakacs, 2012) and to aim for a  
23 “strategic partnership” between the MNB and the cabinet while adhering to  
24 price stability (e.g., Reuters, 2013)<sup>10</sup>. Thus, unlike in the case of Turkey, where  
25 discursive politicisation sustained depoliticised strategy in monetary policy  
26 materially, discursive politicisation in Hungary signaled and was part of an  
27 evolving substantive paradigm shift.  
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#### 31 **4.2 Governmental politicisation of monetary policy in Hungary and reflections** 32 **on Turkey** 33

34 This section analyses the *governmental* dimension of the MNB’s politicisation,  
35 with reflections on how the Turkish case thus differs. In the name of Fidesz-  
36 KDNP’s overwhelming electoral mandate, nationalist policy discourses developed  
37 in the general context of increasing centralization and ministerial take-over of  
38 previously more-or-less independent organizations. Between 2010 and 2013,  
39 there has been a palpable endeavor to bring the Bank in line with the “electoral  
40 mandate”—a phrase often and strategically employed by the ruling coalition in  
41 its discursive defense of controversial policies. This is evidenced by Fidesz-KDNP’s  
42 controversial amendments to the MNB Act CCVIII of 2011 (author details  
43 removed)<sup>11</sup>. There were two rounds of political appointments to the MNB  
44 monetary council made under Fidesz-KDNP. The first turnover took place in 2011.  
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46 The second shake-up in 2013 saw the replacement of Simor and his two  
47 deputies, with Matolcsy and three new deputies commencing the substantive  
48 policy changes at the MNB. Thereafter, the translation of the prevailing  
49 nationalist discourse into so-called unorthodox policy involved a pro-growth  
50 stance, including—among other measures—a preference for reducing and  
51 maintaining low interest rates, designing cheap, domestic financing instruments,  
52 the absorption of banking supervision (absorbing the Hungarian Financial  
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Supervisory Authority into the MNB), and the concept of “self-financing” in order to increase the bank deposit portfolio (MNB, 2014: 7).

Matolcsy’s takeover also involved the passage of a new MNB Act entering into force on October 1, 2013. The Act integrated financial supervision and consumer protection functions into the central bank’s structure, and a Financial Stability Council was also established for micro and macro-prudential issues<sup>12</sup>. While the previous crisis years saw mixed responses (rate cuts, increases, and rates unchanged), 2013 was characterized by consecutive rate cuts.<sup>13</sup>

The “policy dilemma” of the post-crisis period, or the problem of weak demand and subsequent calls for looser monetary policy, on the one hand, and persistently high inflation carrying implications for the medium-term, on the other, culminated in 2012 (MNB, 2012). The monetary council members appointed by the ruling coalition broke with the orthodox policy actors by the summer of 2012. From March 2013, with a new executive leadership at the helm, the Governor voted in favor of decreases for the remainder of the year, as did all other Fidesz-KDNP appointed members. The majority of council members continued to vote for rate reductions until August 2014 (Magyar Nemzeti Bank, no date). From August to December of 2014, members unanimously voted to maintain rates (Magyar Nemzeti Bank, no date).

Similar to CBRT, MNB’s politicisation had been visibly manifested through its internal structural changes, which sparked criticism in the media among policy experts and analysts because they featured a markedly stronger emphasis on loyalty to government policies (e.g., via select hirings, firings, loyalty tests), a reinstated hierarchical management structure, and a more politicised cadre of middle management (Varkonyi, 2013; Simon, 2013; Reuters, 2013; author details removed). In this scenario, the doctrine of orthodoxy and the sheltered ivory tower of knowledge were not only questioned, but incrementally and partially dismantled in the interest of a nationalist capitalist political and economic agenda, i.e., garnering a secure super majority from the economically and politically disenchanted working classes and electorate in the context of crisis. The MNB’s path to ‘unorthodoxy’ was legitimated by Fidesz-KDNP’s electoral victory, paving the way for “harmonizing” fiscal and monetary policy.

In Turkey, by comparison, it was the proponents of the pre-2008 orthodoxy who were particularly critical of the pro-growth, low interest rate policy of the Bank during this period (Hurriyet, 2 February 2012). The Bank’s interventions into the exchange rate have often been viewed as de facto competitive devaluations fueling growth and inflation simultaneously and, therefore, interpreted as the Bank’s implicit surrender to government pressure (Parliamentary Debates, 24<sup>th</sup> Term, 2<sup>nd</sup>- 3<sup>rd</sup>- 5<sup>th</sup> Legislative Year, Feb, Nov-Dec 2012, Feb-Apr 2013, Dec 2014). The Prime Minister and his Cabinet ministers’ continuous mention of the



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3 “interest rate lobby” and the need to support the exporting industries and  
4 foreign trade have also contributed to such an outcome (Hurriyet, 2 March 2012;  
5 Akcay, 2014; Birgun, 8 March 2015; Parliamentary Debates, 1 July 2013, 19 Dec  
6 2014).  
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10 The onset of the growing societal politicisation that reached its peak in June 2013  
11 and the subsequent rifts within the ranks of the state and government set off a  
12 new period of monetary policy tightening (which subtly ensued in early 2013). It  
13 included policy rate increases in July 2013 and, finally, a very significant increase  
14 in January 2014 (CBRT website, Policy Rates Data). The process, while  
15 demonstrating that the Bank could still exercise its mandate in relation to price  
16 stability despite delay, also set off a renewed discursive battle between Erdogan  
17 in particular and the Bank, the recent manifestation of which could be observed  
18 from early 2015 (Guardian, 23 March 2015; Financial Times, 9, 12 March 2015;  
19 Parliamentary Debates, Feb-Mar 2015). This trend has become more pronounced  
20 from late 2015 onwards as the political pressure over the Bank in formulating  
21 and implementing its monetary policy found more space in the press. Efforts on  
22 the part of the government to support small and medium sized companies, the  
23 construction business and Islamic capital have been frequently highlighted (The  
24 Economist, 2016, 2016a; Al-Monitor, 2017). The internal struggle and sharpening  
25 contradiction within the capitalist state as revealed in the contested coup  
26 attempt in the country also contributes to the complex picture in Turkey and the  
27 underlying dynamics of its divergence from the case of Hungary. In the post- July  
28 2016 purges, the central bank has been among the many targeted state  
29 institutions with 105 employees dismissed (Bloomberg, 2017).  
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35 In the post-2008 context, the monetary policymaking and central banking has  
36 been rather discursively politicized by the government without an explicit  
37 legal/institutional revocation of the independent status of the Bank and its  
38 operations as observed in Hungary. This, in line with Akcay (2014), indeed meant  
39 that the formal independence of the Bank continued shielding the government  
40 from the impact of potential unpopular policies and, simultaneously, accrued  
41 credibility for those that become successful (Parliamentary Debates, 14 Dec  
42 2013, 4 Sep 2014). Building on this arm’s length control over the monetary policy  
43 pillar in this fashion has allowed space for the government, alongside other  
44 dynamics, to politicize and articulate a strongly oppressive discourse and practice  
45 in a number of other issue areas outside economic policy (author details  
46 removed). Depoliticisation, therefore, was not absolute or all-encompassing.  
47 While in the case of Hungary, the discursive politicisation was a *harbinger* of  
48 governmental politicisation and the latter could be legitimised in the context of  
49 the ruling government’s seemingly “successful” nationalistic economic policy, the  
50 Turkish case demonstrates how *limiting* politicisation to the discursive form in  
51 monetary policy until recently served to legitimise politicisation of other areas.  
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## Conclusion

This article aimed to shed light on the contested post-crisis dynamics in monetary policymaking in two country cases, Hungary and Turkey. The peripheral positioning of both countries has previously resulted in a rather constrained policy autonomy due to either the formal inclusion (Hungary) or potential promise of being part of the European Union (Turkey). In addition, both followed the textbook restructuring recipes streamlined by the IMF and EU from the early 1980s in the Turkish case and 1990s in the case of Hungary. Despite the divergent historical trajectories of the two countries, the situation by the late 1990s and early 2000s was similar in both cases and in line with the predominant trends seen elsewhere within the periphery of global capitalism. This was also the ground upon which the post-2008 backlash and search for the so-called nationalist alternative governing strategies emerged.

Against such a background, the global crisis played a crucial role in the changing trajectory of economic policy making and discourse in both countries- with slight temporal variation. The discourse surrounding this trajectory change was more about the so-called motto of “turning crisis into opportunity” in Turkey, while in Hungary it was rather a nationalist reaction against the EU’s (mis)handling of the deepening crisis – with a rationale and final outcome not too dissimilar. The constitutive elements of this political discourse throughout the late 2000s also carry similar elements in both countries in terms of the victimization of the countries under austerity prescriptions of global financial capital and its “foreign” representatives and “lobbies”.

While both central banks underwent discursive politicisation, in Hungary this was part of a broader nationalist discourse and changing economic paradigm. In Turkey it was confined to opportunistic verbal attacks against a backdrop of politicisation of several (extra-)economic domains. Moreover, in Hungary, we observe a more comprehensive and systematic process of governmental politicisation, manifested as overt structural control of central banking alongside a major paradigm shift in economic and monetary policy. In the Turkish context, we are confronted with a more complex picture due to the presence and eventual suppression of a growing left-wing opposition in the post-2013 period and the strong explicit rift between different ranks of the state (i.e. Central Bank vs. government, government vs. president, judiciary and police as it became evident with and escalated further from the corruption scandal of late 2013). The latter dynamic, we suggest, may still lead to the overlapping of politicising dynamics with depoliticised forms of governing in the Turkish context, while the Orban government possesses a stronger grip, enabling a tighter, and more centralized control over monetary policy making. Recently more fundamental and systematic substantive politicisation efforts have become visible in this policy field in Turkey along similar lines to the Hungarian case as highlighted earlier (Birgun, 2015; 2015a; 2016; 2016a).

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These reflections bode well with an understanding which treats the politicizing and depoliticising processes as parts of diverse governing strategies of the state managers. We contend that these are not necessarily mutually exclusive or separable from each other on the basis of a strict historical periodisation, but potentially co-existing and overlapping (Burnham, 2014). Our research in the context of these two countries also highlights the importance of understanding both the process, the goals and (intended/unintended) consequences of (de)politicisations. First, both country cases demonstrate how uncontested processes of depoliticisation stand on weak foundations of legitimacy and their institutions particularly vulnerable during major crises. Second, they demonstrate *how* such crises can trigger various processes of politicisation, potentially leading to increasing centralization and repressive governmental control. We argue that it is possible to recognize these dynamics if we have a contextual understanding of these processes within the historical specificity of the capitalist social relations, state-form and modes of governance in particular contexts. Conceiving discursive and governmental politicisation as state strategies in this manner allows us to uncover that seemingly illiberal, anti-neoliberal discourses and policies perpetuate the capitalist status quo in repressive form in the case of both countries. Such a stance also allows for the double critique of the so-called “orthodox” and “unorthodox” economic policies without presenting one as an alternative to the other. In this light we would like to further pose the question: Does the politicisation process as identified here in the cases of Hungary and Turkey lead to policies that are nevertheless shielded from contestation and perpetuate existing class and power relations in a context which is increasingly centralized and ultimately depoliticising? If so, what forms of politicisation can lead to progressive, emancipatory outcomes beyond these reactionary state-led variants? The critical assessment of the Turkish and Hungarian cases herein sheds light on the need to continue further research in this direction with the aim of uncovering these interrelated dynamics and demystifying the conflict-ridden nature of social relations and state under capitalism.

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43 <sup>1</sup> For the purposes of this article 'European periphery' refers to an analytical, not a geographical, category referring  
44 to the hierarchical characteristic of European capitalism which became more overt with the unfolding global  
45 financial crisis since 2008(Milios and Sotiropoulos, 2010). While identifying Spain, Portugal, Greece and Ireland as  
46 the 'internal periphery' of the Eurozone in line with Lapavitsas et. al. (2010: 4), Milios and Sotiropoulos (2010: 230)  
47 emphasise that 'there is an even sharper division between the core of the Eurozone and several countries in  
48 Eastern Europe, which might be called the external periphery. Since 2008 the latter has also entered a crisis with  
49 similar characteristics to that of the internal periphery' (ibid.). Therefore the concept does not refer to a specific  
50 typology of state in reified form (peripheral vs. core) (Burnham, 1998 cited in Sutton, 2016).

51 <sup>2</sup> The legal and institutional transformation of the management of money in a politicised manner have not been as  
52 rapid and observable in Turkey with systematic changes in the central bank law and direct political appointments  
53 from the Cabinet to the central bank governor post as in Hungary in the post-2010 period. However there have  
54 been incremental legal changes in appointment and selection criteria of the senior bank staff in 2012 and the  
55 appointment procedure, professional background and experience of the new Governor in 2016 in particular have  
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4 been criticized strongly in the media (Gurses, 2016). The rise of visible political pressure over the central bank in  
5 Turkey through the Economic Coordination Board and the recent governmental proposal in changing the Central  
6 Bank Law, however, have come onto the governmental agenda and become more strongly pronounced in the  
7 media during the 2015-17 period (Ozatay, 2016. Birgun, 2016a).

8 <sup>3</sup> The seven-year long ban on union organisation and activism and party politics following the 1980 military coup  
9 certainly facilitated the swift adoption of these novel tactics by suppressing active dissent and opposition in the  
10 public political realm in Turkey. Boratav (1990: 224) suggests that the 1980s witnessed 'fundamental deterioration  
11 in the relative economic position of labour in general against capital in general; and, secondarily to important  
12 changes in the balance of forces within the sub-groups of the dominant classes in the Turkish society'.

13 <sup>4</sup> It drastically transformed the ownership structure of the industries towards a concentration in transnational  
14 corporations, led to profit and income transfers in the medium term and exacerbated the current account  
15 problems and external debt burden (Gerocs and Pinkasz, 2017). The presence of cheap, highly skilled labour power  
16 as well as geographical proximity and developed infrastructure was particularly attractive for global capital (ibid.).

17 <sup>5</sup> Some analyses highlighted the 'political' and 'institutional entrepreneurship' of the former WB Vice Governor,  
18 new Economy Minister Kemal Dervis, in facilitating and justifying this neoliberal policy framework (Bakir, 2009).

19 <sup>6</sup> Bakir (2009a: 73) argues that there was also reluctance and 'ideational rigidity' within the central bank itself  
20 towards implementing expansionary monetary policies in this early phase of the unfolding crisis.

21 <sup>7</sup> It should be noted that the fixed inflation rate target of 5% has not been met from 2012 onwards but it was  
22 achieved in 2009 and 2010 thanks to its upward revision (CBRT Website, Inflation Targets Data). Following a brief  
23 increase in its short term lending rate in 2010 and 2011, CBRT continuously lowered it until the summer of 2013  
24 while also gradually lowering its borrowing rate until early 2014.

25 <sup>8</sup> Nationalism is defined more broadly as "an ideology seeking to establish or promote the unity, identity, and  
26 autonomy of a nation or potential nation" (Shulman, 2000: 368), while "financial nationalism" is more precisely "an  
27 economic strategy that employs financial levers - including monetary policy, currency interventions, and other  
28 methods of interaction with local and international financial systems - to promote the nation's unity, autonomy,  
29 and identity" (Johnson & Barnes, 2015: 536).

30 <sup>9</sup> Gyorgy Matolcsy as economy minister (2010-13) had been one of the key authors of the ruling coalition's  
31 economic policies which were characteristically pro-Keynesian (e.g., Novak, 2014) and included hiking taxes on  
32 banks and other sectors, nationalizing private pension assets, and seizing private-sector assets for the state (e.g.,  
33 Reuters, 2013; Than and Peto, 2013).

34 <sup>10</sup> Several of the MNB's policies since Matolcsy's takeover, including its tendency to reduce interest rates, the  
35 "Funding for Growth Scheme," its expanded role as the country's chief financial supervisory authority (having  
36 absorbed the Hungarian Financial Supervisory Authority), its highly controversial spending on real estate and other  
37 national assets, and its setting up of foundations which were shown to have benefitted close allies of Matolcsy and  
38 Fidesz are reflective of this policy and discourse. In the interest of space, this paper cannot cover each of these  
39 issues.

40 <sup>11</sup> In response to attempted amendments to the MNB Act, the ECB and wider foreign press sounded concerns (ECB  
41 Press Release, 2011, 2012). This legal wrangling is illustrative of the government's attempt to pull the institution  
42 closer to its political agenda against largely unquestioned orthodox norms of central bank independence.

43 <sup>12</sup> The MNB made reference to the link between the passage of the act and the financial crisis. "The negative  
44 repercussions of the financial crisis in Hungary and the best practices of several EU Member States have both  
45 demonstrated that the harmony between macro and micro level supervision is indispensable for the prevention  
46 and resolution of individual or systemic financial crises." (Magyar Nemzeti Bank, 2013: 8).

47 <sup>13</sup> A period of conservatism commences from January to August 2012, with interest rates either unchanged or  
48 increased. One interviewee described how "behavior changed" after the crisis, with policy experts becoming more  
49 "more risk-averse". In the first half of 2012, the monetary council did toe the line of risk aversion, the majority  
50 deciding either to increase rates (Simor and his two deputies) or to maintain them at the current level (MNB, 2012:  
51 7).