

Weekly Newsletter

News

Fidesz Wants to Jail Former Socialist Prime Ministers

Once again, Fidesz intends to divert public attention from its own economic policy mistakes as well as austerity measures and the curtailment of workers' rights by the criminalization of its domestic political opponents.

The parliamentary subcommittee responsible for the investigation of public debt increases issued a report last week proposing a probe into the legal liability of previous government members in order to determine whether legal proceedings could be launched against them. According to the motion, the subcommittee will turn to the Parliament's Financial and Budgetary Control Committee and to the Committee for Constitutional Affairs in order to take a stand on the possibility of initiating criminal proceedings in connection with the substantial increases in Hungarian state debt between the years of 2002 and 2010. The report was voted unanimously (7 – 0) by committee members representing only governmental Fidesz and KDNP [Christian Democratic People's Party] parties, plus by an independent member. Another member of the committee – associated with Jobbik party – did not vote due to leave abroad. MPs belonging to the Socialist Party and to LMP (Politics Can Be Different party) refused to take part in the work of the subcommittee.

Péter Szijjártó (Fidesz), who acts as vice-chairman of the parliamentary body, said at a meeting that the report of the subcommittee showed that former Socialist and liberal governments, which had been in power for 8 years in Hungary, committed 'political sin' against the country. According to Szijjártó, it was established that these governments tumbled Hungary into debt through their wrong and misguided economic policy decisions, and that is why the public debt to GDP ratio increased from 53 percent to 80 percent by 2010. The figures mentioned by Szijjártó distort reality given that the first government of Orbán did not account for several off-balance-sheet obligations, so the public debt to GDP ratio was actually more than 53 percent already in 2002, while the second Orbán cabinet took over less than 80 percent in public debt in early 2010. The 53 percent claimed by Mr. Szijjártó did not include hidden obligations of the Hungarian Development Bank (Magyar Fejlesztési Bank; MFB), which had to be added later to the official 2002 budget deficit number in line with European Union accounting rules (according to the National Bank of Hungary [MNB], this move alone increased the actual public debt to GDP ratio to 55.6 percent by the end of 2002), while Hungarian state debt reached 80.2 percent of GDP by the end of the year in 2010 – so it already contained obligations assumed by the new government that has been in power since May. Neither should it be forgotten that, in the period between 2002 and 2010, Hungarian governments also faced exceptionally harsh conditions due to the worldwide financial and economic crisis; however, the dynamics of the increases in the budget deficit and state debt were actually below that of the EU average, and still, they are not excessive.

A major part of the increase in Hungary's public debt can be attributed to long-term decisions made by the first Orbán government (amongst others, to the unsustainable home-buyers' tax credit system), and to the 100-day program of the Medgyessy government, which was, however, also supported by Fidesz MPs back then.

Tamás Katona, former under-secretary at the Ministry of Finance believes that Fidesz has two objectives with its intention to start criminal proceedings against former government members. On the one hand they desperately try to divert the public's attention from their own amateurish economic policy decisions, and they also try to explain their own failure by the wrongdoings of previous governments. By now, maybe even they themselves give credence to the notion that the Socialists brought the country to ruin – said Mr. Katona in an interview with Népszava. On the

other hand, the policy of reckoning [of former government officials] pursued by Fidesz obviously and completely failed – they did not find anything to show their core voters. That is why they are now trying to convert political liability for the increase in Hungary’s public debt to legal liability, which is absolute non-sense; something like this can never happen in a state under the rule of law, however, such concerns have not yet bothered the ruling government very much – Mr. Katona added.

Socialist politician László Kovács responded that he knows of no country where the budget deficit and national debt are a matter of criminal law. “One does not usually turn to the courts because an economic policy is later judged to have been the wrong one... The voters issue the verdict in matters of politics,” Kovács was quoted as saying by state news agency MTI. The Hungarian Socialist Party (MSZP) would participate in any bona fide examination but not in “show trials”, he said.

Both the MSZP and the green-liberal LMP had refused to take part in the committee meeting. In a statement, the head of the MSZP’s economic policy unit, Imre Szekeres, accused Fidesz and the far-right party Jobbik of “misleading” the public. Szekeres agreed it was important to review and learn from national debt processes over the past 20 (not eight) years, however. Szekeres recalled that the Socialist-led government of 1994 to 1998 under prime minister Gyula Horn reduced a 90 per cent central government debt inherited from the right-wing (but not Fidesz) first democratically elected government to 62 per cent in three years (this was a deeply unpopular austerity package of finance minister Lajos Bokros). Szekeres argued that the fall to 52 per cent under the first Fidesz government from 1998 to 2002 was due to a continuation of reforms implemented by Bokros. Furthermore, he blamed Fidesz for raising the debt from 77 to over 80 per cent in the second half of 2010.

Fidesz responded with its own statement: as the MSZP and LMP excluded themselves from the work of the committee, they have “no right to judge” its findings. The one-year MSZP caretaker government of Gordon Bajnai in 2009-2010 – whose work was closely monitored by the IMF and the EU – handed Fidesz “false data”, the governing right-wing populist party claimed. Horn’s debt reductions were largely due to privatisations, the party’s parliamentary group argued. During its first go at government from 1998 to 2002, Fidesz introduced a mortgage interest subsidy scheme aimed at young families and encouraging young couples to have children, with cash bonuses toward housing. Kovács claimed that this costed the treasury as much as Medgyessy’s two “100-day plans” combined. The total annual cost of housing subsidies rose from roughly HUF 50 billion (EUR 184.14 million) a year in 2000 to HUF 255 billion (EUR 939.14 million) in 2005, according to a 2009 report from the State Audit Office.

LMP also declared earlier that it was a political and legal nonsense that former premiers and finance ministers were threatened with jail.

MEP Tamás Deutsch verbally abused one of the officials of the USA

Tamás Deutsch just does not seem to rest, he keeps infecting public discourse with more and more obscenity. Following his obscene comments regarding ex-prime minister Mr Ferenc Gyurcsány (*Quote: „There are pieces of shit. There are vile people. There are malevolent madmen. There are revolting dribbles of semen. There are disgusting rotters. And there is Gyurcsány” source: The Economist*) now the Fidesz delegated MEP’s target is Thomas Melia, one of the foreign policy leaders of the USA.

The news that one of the high ranking officials of the US Foreign Affairs criticized the actions of the Hungarian government and of the governing parties (more details of this news can be found in our last week’s newsletter) was commented on Twitter last Wednesday by Tamás Deutsch: „Who the fuck is Thomas Melia? Why do we have to bother with this shit?”

In his interview with the news portal [origo] Mr. Deutsch said that in his opinion: „It is not about whether something is obscene or not, this is like the style of stand up comedy if you will. Today this type of humor is very well known. There is Pest style humor, dry English humor, flirty French humor and this one.” According to Mr. Deutsch he is not representing anybody with his blog posts

and, to the question whether there were any discussions at Fidesz leaders' circles about his blog posts and whether Viktor Orbán has ever commented his blogs, he responded: „We have discussed this face to face or in between three or four of us, when we met and laughed it off really.”

Although the Fidesz member Tamás Deutsch did not remember Thomas Melia, but the deputy under-secretary of US Foreign Affairs did not forget about Fidesz and its politicians. The placard with „Hejha...! Helyhatósági választások '90” (placard remembering the '90 local elections) was given as a present to Melia by the Orbán-led Fidesz in 1990 after the local council elections, and the placard is decorated with the signatures of 17 then Fidesz MPs. This week, following the few days before blog post „Who the fuck is Thomas Melia?” now agreeing with a respondent the new blog goes like this: „by the looks of it the role of the deputy under-secretary of US Foreign Affairs is just a joke”.

Ervin Tamás the lead publicist of Népszabadság (socialist/liberal daily), in his publication titled „Twitterdeutsch”, mentions that whatever we read from Deutsch is not a mere coincidence. „Many could have read the very obscene words coming from him and the ones mentioning Gyurcsány as the final punch line, and also one could have expected that the media (TV and radio) will analyze whether it is permissible for an MEP to do such things. His explanations were clear cut, on Twitter he is only dajcstomi (Tamás Deutsch user name on Twitter), nothing more, which – of course – looking at other situations is not that very simple, actually rather difficult, since in many cases the most private matters can become public instantly. But let us not believe that dajcstomi's lashing out is randomly and unexpectedly – while causing a lot of harm and damages – making its way into Fidesz's communication sphere. It may well be that Tamás Deutsch loses somewhat of his political capital and standing, but let us not forget that there are plenty of buttheads around who like this as they believe that the more barbarian is somebody, the more honest he is as well. He speaks to them. This is the resort of internal affairs from Brussels.” – quotes the publication.

Poor youth could be squeezed out by language exam

Orbán's government would keep poor youth out of the higher education. According to latest plans of the prepared education act package, language exams would be required for admission to universities and colleges maybe from 2015. Rózsa Hoffman, state secretary responsible for education pronounced that this change is necessary “while in some institutes of higher education some graduates are unable to gain their diploma because they did not make a language exam”. Ágnes Kunhalmi, socialist politician suggested that the motivation for the new plans could be that the Széll Kálmán Plan, the government's austerity package aims to subtract HUF 38 billion from the higher education. According to members of the executive board of the Hungarian Socialist Party (MSZP) these measures will lead to the radical decrease in the number of students taking part in state-financed higher education. This would mean that only 35.000 students will have started their studies in the system of free higher education in 2014, after 56.000 students in 2010 and 53.000 students in 2011.

Referendums cannot be called on retroactive laws

The National Election Committee (OVB) rejected an initiative by the main opposition Socialist Party (MSZP) on a referendum seeking to ban detrimental legislation of a retroactive effect on Monday. The OVB's decision was based on two arguments. The first is that the word „detrimental” is not unambiguous in that context. The second is that the current constitution already contains the prohibition of retroactive legislation. Zoltán Lukács, socialist MP argued that according to paragraphs 70/I and 70/E of the constitution it is possible to circumvent that ban in some cases. These paragraphs have been added as amendments to the constitution. According to the OVB if the MSZP's initiative would be successful that could result in an implied amendment of the constitution. And referendums should not be called on constitutional issues. MSZP will appeal the OVB decision at the Constitutional Court.

Fidesz lead over Socialists narrows slightly in July - Szonda Ipsos, Medián polls

Hungary's governing Fidesz party has shed some of its lead over the main rival Socialist party, and the radical nationalist Jobbik has increased its camp, the latest *Szonda Ipsos* poll published in last Saturday's *Nepszabadsag* showed.

Among all voters, support for Fidesz went down to 22 percent from 23 percent in June while the Socialists added one point to 14 percent, said the poll. This translates into about 1.8 million votes for the centre-right ruling alliance and around 1.1 million supporters for the Socialists. Jobbik's support base rose from 7 to 8 percent from June to July. The green opposition LMP party had 4 percent support in the whole sample..

Fully half of respondents were undecided, the poll said.

Among decided voters with a clear party preference and the willingness to show up at the polls, support for the Fidesz fell to 49 percent from 51 percent in June. In this group, the Socialists, lost support, from 28 to 27 percent in the same period. Jobbik support among committed voters has risen significantly from 12 to 17 percent. That would give the party some 600,000 votes, the most since elections last spring, the paper said. The poll said that voters have overall been dissatisfied with the performance of both the governing and opposition parties over the past year. On a scale of one to 100, opinion of the work of the governing parties measured 31 points, while that of the opposition only 26 points, according to the poll.

Fidesz has maintained a lead of 51 to 25 percent against Socialists in July, among decided voters, *Medián's* latest poll published on Wednesday said.

Fidesz's lead was 53 to 24 percent in the same group in June, the poll, conducted with a sample of 1,200 adults, showed. The radical nationalist Jobbik had 15 percent of support while the green opposition LMP party had 6 percent, same as a month ago. Among the whole voting sample, Fidesz garnered 35 percent of support, as against the Socialists' 16 percent. Jobbik stood on 9 percent and LMP on 4 percent in the whole sample.

However, fully 60 percent of respondents told Median things were going in the bad direction in the country and 32 percent felt things were going well. Six out of ten respondents reported dissatisfaction with the Orban government's work, although a slight positive trend was recorded for the first time since October in this figure, the poll said.

Politicians' popularity standings were largely unchanged, with Prime Minister Viktor Orban leading the popularity list, followed by President Pal Schmitt and Zoltan Pokorni, former education minister. Budapest Mayor Istvan Tarlos and Mayor of central Budapest's 5th district Antal Rogan both lost 4 points in the popularity index from June, the poll said.

Source: MTI

„I should have known that I don't have a place in the system of the national cooperation" an interview with László Sólyom

An important power of balance is kicked up by the government by dissembling their intentions to the voters, changing the constitution without any substantive discussion, merely out of political interest, told László Sólyom, former head of state to the news portal [origo]. He said that sometimes the government was strongly attacked in the last year, but "a vital organ of the constitution suffered a blow" that cannot be left unmentioned. He talked also about how he survived when he realized that the government did not ask him to run for a new cycle; he regrets that sometimes he did not speak more strongly as President, however, he was sure not to return to the politics again.

He also criticised the increase of the number of court judges by four to 15, insisting that sessions had been going much smoother before, in a court with nine members. He expressed concern that with the restructuring of the ombudsman system, the individual posts of future generations and minority rights ombudsmen will be scrapped. At the same time, Solyom said, current ombudsmen "have not been too active" before the public. Under the new constitution, coming into effect on Jan 1, 2012, the ombudsman for fundamental rights will have new powers to initiate proceedings over alleged violations of the basic rights of large groups of citizens. The ombudsman will work with two

deputies for the protection of interests of national minorities and future generations, respectively.

source: www.origo.hu

Hungarian debt unattractive to investors, CDS highest in 6 months

Hungary was unable to meet debt issue plans on Tuesday as the HUF 40 billion tranche of 3-month zero-coupon T-bills on offer was lowered to HUF 27 billion by the State Debt Management Agency. Yields rose only slightly, however demand was slack; the agency received HUF 47 billion in bids for the lot. Hungary's State Debt Management Agency offered HUF 40 billion worth of 3-month treasury bills (D111109) in an auction. Demand was very low with a debt-to-cover ratio of only 1.17, something unprecedented since November 2010 in the case of 3-month T-bills. The amount was decreased in response to weak demand. Yields on accepted bids ranged from 5.64% to 5.84%, averaging 5.72%. This is only 5 bp higher than the average yield of the previous auction two weeks ago.

Meanwhile the cost of insuring Hungarian debt against default rose to levels unseen since late January on Wednesday after Hungarian local governments asked for a delay on principal payments on about HUF 600 billion (\$3.18 billion) of Swiss franc loans, Reuters reports. Hungary's five-year credit default swaps rose 17 basis points to 338 bps, according to data from Markit. Hungary's local councils have outstanding debt of HUF 1,200 billion of which about HUF 600 billion was issued in the form of bonds in 2006-2008, but mainly in 2007, MOSZ chairman György Gémesi told Hungarian wire agency MTI. The Hungarian Association of Local Governments (MOSZ) has asked Prime Minister Viktor Orbán in a letter to intervene with banks in the interest of achieving a delay. "Informal talks have confirmed that lending banks are open to such an agreement with local councils," the MOSZ said in the letter. Most of the bonds had 20-year runs with three-year grace periods, thus principal payments will be due on many this year, he said. Many of the bonds were denominated in Swiss francs, and that currency's "brutal" exchange rate to the forint will require many local governments to seek assistance to avoid defaulting, he explained. About 85% of municipal bonds were denominated in foreign currency at the end of March, latest National Bank of Hungary data show. About 89% of the bonds were subscribed by domestic banks. The rest were held by foreign entities. "Credit markets have not particularly appreciated the...move which would be tantamount to a restructuring," Reuters cited Tim Ash, head of CEEMEA research at RBS, as saying in a client note. "The move is perhaps weighing on sentiment as this somehow implies a lack of willingness to pay on the part of some public sector entities."

Source: Reuters, Portfolio.hu, Budapest Business Journal

Hungary growth to remain subdued in 2011 - GKI report

Economic think tank GKI has released its latest snapshot of the Hungarian economy. Only moderate changes are in store for the rest of 2011, says the market researcher.

The negative effects of the European debt crisis have eased, says the report, as a result of the latest Greek rescue package. However, Europe, including Hungary, is still in danger. In Q1 2011 the Hungarian economy grew by 2.5%, but is not expected to be higher in the rest of 2011. Owing to the decline in European demand, Hungarian exports will grow less rapidly than before. Due to relatively favourable weather conditions, agricultural production, will increase significantly. Its growth rate remains dynamic in 2011. In construction recession is continuing due to the lack of demand. Housing construction will decline further, by around 30% in 2011, due to the lack of demand and the shrinking credit sources available to real estate developers. Retail sales stagnated in the first half of 2011. Household consumption will increase by about 1% in 2011. Investments will grow by about 1% in 2011. Demand for domestic business services also stagnated, and it is not expected to pick up in the second half of the year. The only dynamic sector will be the automotive industry. Gross earnings will increase by 4%, resulting in an average rate of increase of 2.5% in real earnings. The unemployment rate will decline slightly in the second half of the year. Consumer prices were 0.2% lower in June than a month earlier. Thus inflation has been tamed, thanks to primarily the

weakening upward pressure on food prices. The exchange rate of the forint against the euro did not change much; however it weakened considerably vis-à-vis the Swiss franc. The official rate of the central bank is likely to remain unchanged this year. An increase of this rate would not be justified by inflation, whereas its reduction is still impossible due to concerns about the European debt crisis.

Source: Budapest Business Journal

Comments

Shabby reason is coming

They have not been able to find a case which would be proper for arresting Gyurcsány. The retribution launched by the Orbán administration last year is inefficient. And some additional information: there were far more socialist bloomers investigated by the Bajnai administration than by its successor.

Well, if increasing the debt is a crime, one could say Orbán is criminal-minded and he should be kept under 24/7 surveillance. (There is a legislative plan to make debt increasing unlawful). It is the country's luck that Orbán is not as powerful as he seems, and he needs to be guided in the world of finance.

In fact, debt increase is not a crime. It is just bad policy with well-known consequences. If the country believes that the prime minister cannot govern well, than he will not be re-elected. This is the penalty. It is pathetic to threaten the political opposition with legal steps. It is bad policy, too.

Politicians can fail because of rising debts and because of dozens of other reasons. Sooner or later Orbán has to leave as well. If they go on with the show trials, this legal and political process will be acceptable. They cannot complain after their fall when they will sit on the receiving end of this game.

Árpád Tóta W.; Index; August 1. 2011.

Hungary's terrorising Twitterer rides again

Tamás Deutsch, an MEP from Hungary's ruling Fidesz party best known for his exuberant use of Twitter, is going global. The latest target of his ire is Thomas Melia, a deputy assistant secretary of state in the United States government. Like many of his colleagues (including his boss, Hillary Clinton), Mr Melia is worried about the erosion of democratic checks and balances in Hungary since Fidesz took office last year.

In late June Mrs Clinton expressed her concerns at a joint appearance in Budapest with Viktor Orbán, the Hungarian prime minister. She called for "a real commitment to the independence of the judiciary, a free press, and governmental transparency".

Building on this theme, last week Mr Melia told a committee of the House of Representatives of his "significant concern" over Hungary's "democratic trajectory". Calling on Fidesz to "temper the pace of change", Mr Melia drew particular attention to a new law that he said could damage religious freedom in Hungary.

Mr Deutsch wasted no time in responding. His tweet translated roughly as "Who the fuck is Thomas Melia and why do we have to deal with this kind of shit every day?"

Yet this was comparatively tame compared to a previous effort, in which Mr Deutsch, describing a previous (Socialist) Hungarian prime minister, wrote:

"There are pieces of shit. There are vile people. There are malevolent madmen. There are revolting dribbles of semen. There are disgusting rotters. And there is Gyurcsány."

This time, however, Mr Deutsch may have cause to regret his haste. As Hungarian Spectrum, a liberal blog, points out, Mr Deutsch and his fellow Fidesz activists owe a lot to Mr Melia.

As his biography on the State Department website notes, Mr Melia has more than 25 years' experience in promoting democracy and human rights. He managed the National Democratic Institute's programmes for central and eastern Europe during the crucial years of change, from 1988 to 1993.

He and his colleagues trained Fidesz politicians how to run an election campaign, and even brought some of them to the United States. They did a good job: the young activists, including Mr Deutsch, won 21 seats in Hungary's first free elections, in 1990. The new MPs were so pleased with their success that they signed a poster and sent it to Mr Melia.

Still, at least Mr Deutsch has a self-deprecating sense of humour. Soon after sharing his opinion on Mr Melia, he tweeted one of Bertrand Russell's best-known quotes: "The fundamental cause of trouble in the world today is that the stupid are cocksure while the intelligent are full of doubt".

<http://www.economist.com/blogs/easternapproaches/2011/08/fideszs-antics>