

Weekly Newsletter

News

Right-wing economists also criticize Hungarian government's economic policies

Economic policies of the ruling Orbán government have been harshly criticized recently by Tamás Mellár, a conservative economist who belongs to the right-wing academic establishment, in an article that appeared in the government friendly daily newspaper, *Magyar Nemzet* [literally: "Hungarian Nation"]. Mr. Mellár is a former chairman of the Central Statistical Office [common Hungarian abbreviation: KSH; from 'Központi Statisztikai Hivatal'] and a former research director at Századvég Gazdaságkutató Zrt., a research firm that is closely associated with the governing Fidesz party. In his article, Mr. Mellár urges an immediate and radical shift in the government's economic policies. The right-wing economist calls for the abolition of the 16 per cent flat tax rate in personal income tax hence advocating progressive taxation, and also the introduction of a wealth tax. "The exchange rate cap instituted by the government in order to help citizens and enterprises indebted in Swiss franc (CHF) is going to be an outright failure" – wrote Mr. Mellár. "The economic policies pursued by the Orbán government were obviously unsuccessful: government policies in the past one and a half years did not manage to spur sustainable economic growth in the country" – the professor noted.

Tamás Mellár is not the only one in the right-wing academia who is critical of the second Orbán government's economic policies. Mr. Attila Chikán, economy minister during the first Orbán government (from 1998 to 1999), also aired harsh criticism of the current administration's economic policy measures in an interview with origo.hu, a leading Hungarian online news portal. "The [economic] policy pursued by current economy minister György Matolcsy – according to which growth should be kick-started by increased domestic consumption – is almost totally unfeasible, and amounts to a 'textbook failure' in case of a small and open economy like that of Hungary" – told Mr. Attila Chikán to the interviewer of origo.hu.

"To maintain Hungary's financial equilibrium, higher taxes are inevitable" – economist László Csaba, considered as affiliated to the current government, said on Duna TV's 'Közbeszéd' show. "Due to the openness of the country's economy and the lack of structural reforms, Hungary's situation is unstable" – he said. "Hungary has to follow a very strict budget policy in the upcoming years, meaning that austerity measures have to be implemented"; "but not in the fields of education, health care, public safety or legal certainty", he added.

Former prime minister Ferenc Gyurcsány also commented on the news about anti-government criticisms stemming from economic experts closely associated to the ruling Fidesz party via a Facebook post on Saturday. Mr. Gyurcsány stated that "*an increasing number of economists considered as belonging to the right-wing academic establishment are also declaring a judgment: the economic policies pursued by Orbán in the past one and a half years have obviously failed; there's a need for a complete turnaround*".

Tough times await Hungary in the autumn – PM Orbán

The crises of the Eurozone has pushed Hungary into a very dangerous situation in the past three months therefore the autumn will be a tough period, a time of battle for sovereignty, said Prime Minister Viktor Orbán on Monday. On the first day of meetings with the heads of Hungary's foreign missions Orbán addressed the future of the euro, the importance of reducing the country's state debt and the need to reject a uniform European tax.

Orbán said Hungary has drifted into a highly dangerous situation in the past three months due to the euro crisis and so the autumn will be a tough period as the country fights to hold on to its

sovereignty. Hungary will need to continue what it had started more than a year ago, otherwise it will drift back onto the Greek path and lose its sovereignty because of financial speculators, the PM said. The decisions determining the future of Greece are not taken by Greece anymore. Hungary must avoid this fate at all cost, he added. Orbán emphasised that in order to achieve this Hungary will need to implement more economic measures and the government is yet to pass cardinal laws in the autumn. If this job is not taken care of now, the efficiency of these measures will be a lot smaller later, he added. "This means the Hungarian society and public life has not had a period as tough for a long time as it will be this autumn."

Orbán told Hungarian diplomats working abroad that a good foreign policy is what does not question the country's trans-Atlantic commitment, but what also strives for the most intensive possible co-operation with China, Russia, the Arab world and the emerging Central-Asian region. The PM said there is a race going on for new alliances and those who do not want to take part will cause damage for their country. Orbán confirmed that a Hungarian delegation will soon visit Saudi-Arabia. Orbán said Hungary must try to repel all efforts that strive to implement uniform taxation in Europe. Such endeavors are against the country's interest, he added. The PM stressed the government will continue to pursue its policy to lower state debt. "Until the country fails to lower it to 70% of GDP and then to below 60% it will not be out of the centre of the danger zone," he said. "The government will attain the 3% (of GDP) budget deficit (target) by all means, just like its policy to create one million jobs in ten years," Orbán said, adding that in the following year some 200,000-300,000 people will get a job via the public work programmes. "In Europe, the unorthodox economic measures for which the Hungarian government has been put under fire in the past year have become mainstream by today," Orbán said. He added that "we have nearly been crucified" for implementing the bank tax, while today 12 European Union member states have put in place such levies. Also, while Hungary is in a lawsuit over the special taxes an increasing number of member states are imposing extra levies on certain sectors and "every second prime minister is talking about a work-based economy", Orbán said. Orbán suggested being prepared that the crises of the Eurozone and the related real economy crisis will not pass in the next few months or years. He said the euro and the European economy will not get out of the focus of attacks for another 8-10 years. "Hungary needs to be prepared to operate in a space, sentiment and political power field that are determined by constant offensives against the euro," he said. The PM added that the euro crisis and financial crisis have consequences for the real economy as well, primarily on the rate and quality of growth.

Source: MTI, Portfolio.hu

The Charta would make LMP to withdraw its charges against Gyurcsány

The Hungarian Democratic Charta challenged András Schiffer – leader of LMP's parliamentary faction – to withdraw his charge in relation to the Sukoró casino development against the ex-prime minister before the Parliament would make its decision to suspend the socialist politician's right of immunity. Former SZDSZ politician Tamás Bauer, writer and author László Márton, and socialist MP Iván Vitányi write in a letter to András Schiffer that if the LMP faction leader „does not want to take part in the preparation of a show-trial, if he does not want his name to be associated with a revenge process that ignores democratic rules”, then he should withdraw his charges.

András Schiffer charged Ferenc Gyurcsány with abuse of official power back in October 2009. In his submission to the public prosecutor he pointed out that, in his belief, when preparing the act on turning the Sukoró casino development project into a project of increased importance the law on publicity and inclusion of citizens had been violated. According to the LMP faction leader, the letter addressed to him is „extremely hypocritical and provocative” with regard to a number of points. „Mr. Ferenc Gyurcsány's friends and the leaders of the Democratic Charta are simply not in the position to lecture anybody on democratic rules today in this country” said András Schiffer.

No decision yet on private pension fund transfer - Socialists ready to go to Strasbourg

Hungary's Constitutional Court failed to take a decision on the transfer of private pension funds to the state at a debate on Tuesday, the court's press chief Andras Sereg told MTI. From September 1, the court will get five more judges – all of them candidates of Fidesz - , elected by Parliament in June.

Hungarian private pension fund members had until the end of January to opt out of a move, together with their pension assets, to the state pension pillar. About 97 percent of private pension fund members decided to return to the state pillar and their assets were transferred to the state in June. Those who returned were paid any yield on their assets over the rate of inflation. Julianna Baba, who heads pension fund association Stabilitas, said earlier that it would be difficult to re-establish private pension fund membership after the real yields were paid out. It would have been most fortunate if the court could have taken a decision before the pension assets were transferred, she added. The real yields are being paid out at present.

Hungary's main opposition Socialist party will go to the European Court of Human Rights in Strasbourg if Hungary's top court fails to overrule a law stripping people who did not return to the state system from private funds of their state pensions. Lajos Korózs, a Socialist politician, told a news conference the Constitutional Court was expected to either fully scrap the law or annul parts of it, allowing 100,000 people who chose to stay with the private pension funds to receive state pensions. If the court "whitewashes" the issue, however, the Socialists will launch an appeal in Strasbourg, Korózs said.

Source: MTI

Orbán's foreign policy: a boogeyman that just won't go away

A successful EU presidency combined with defending the national interests and those of the minorities were the main characteristics of the rotating presidency. At least this is what supporters of the present government would have you to believe. Critics say that the media law, the new constitution and our more than disturbing relations with Slovakia cast a dark shadow over our presidency. Hungarian ambassadors from around the world will have the opportunity to hear the prime minister's opinion on the country's foreign policy. Last year Orbán surprised his audience when he didn't even mention Hungary in relation to our upcoming EU presidency. What many foreign policy experts found interesting though was the prime minister's opinion on the role of the west. According to Orbán, the west, which is losing more and more political weight, should come to terms with Russia. Of course, this rapprochement should not be happening at the expense of Central and Eastern Europe. Indeed, a strong Central European axis that would involve Warsaw, Budapest and Bucharest, featured in the election manifesto of the government. But, for understandable reasons, the Polish premier Donald Tusk did not want to unnecessarily offend his southern neighbor. Anton Pelinka, a political scientist teaching at the Central European University, said that relations between Hungary and Slovakia have improved. This improvement is due to the change of government in Slovakia. The populist and conflict-ridden policies of Robert Fico were replaced by those of the calm and reasoning Iveta Radicova. This change contributed to the normalization of relations. Although the concept of dual citizenship is known within the EU, issuing passports to citizens of another state without consulting its government is a highly unfriendly gesture, to say the least. According to Pelinka, Orbán managed to find a common voice with Romania. Romanians and Hungarians walk in the same shoes regarding the question of dual citizenship. According to estimates, more than one million former Soviet citizens from Moldova are waiting for their passports. Pelinka said that the Visegrád Cooperation between Poland, Czechoslovakia and Hungary was supposed to counterbalance the nationalist sentiments of the revolutions towards the end of the 1990s. However, with the disintegration of Czechoslovakia, the project lost its political weight. Of course, this doesn't mean that the four countries do not have common interests for which they could lobby together, or which they could represent together. According to Pelinka, there is one negative aspect to US and Hungarian politics. Unfortunately, the successes of both countries' foreign policies are measured by the successes of their domestic policies. So, in the case of Hungary, the undoubted

successes of Croatia's EU negotiations are dwarfed by the controversies that surround the media law and the new constitution. Pelinka also added that the ruling party didn't have a good press as it is frequently confused with the right-extremist Jobbik. The professor pointed out that the government deserved credit for making the integration of the Roma a central issue.

Source: Népszabadság

MSZP calls for demonstrations

Socialist party MSZP called on its supporters on to attend trade union demonstrations MTI reported. Party spokesman Zsolt Török said that everyone has to go out to the streets "for themselves" as the current government is establishing an autocratic system while workers get salaries reduced by an unfair tax scheme and have to face higher prices generated by the extra levies imposed on several sectors. The party supports the different trade union demonstrations planned to be held on September 12 and 29, Török added. Also, MSZP's youth movement Societas has launched a creative tender and awaits proposals by October 10.

Source: Budapest Business Journal

Government should heed UN human rights recommendations, says Socialist deputy

The Hungarian government should give better consideration to recommendations made by the UN Human Rights Council, a bulk of which it has rejected, Ildikó Lendvai, a deputy of the main opposition Socialist party, told a press conference on last Saturday. In its draft response to the 29 recommendations made in May the government has rejected 20, accepted six and partially accepted three, Lendvai said. She added the Socialists urge the government to pay heed to the Council's recommendations and to seek the advice of the European Commission for Democracy through Law, better known as the Venice Commission, and other international organisations for future legislation. Lendvai said the recommendations rejected by the government included incorporating the death penalty ban into Hungary's new constitution, amending the media law and the government's media policy, changing new abortion clauses in the constitution, changing policy concerning ethnic Hungarians abroad and taking steps to fight child poverty and family violence. The government has to give until September 10. a final response to the recommendations, Lendvai said, adding that the government should rethink its rejections. The ruling Fidesz party earlier said it was open to professional consultations with the Venice Commission, but did not consider the Socialists' views on lawmaking as relevant.

Source: MTI

The FreeHungary English newsportal had 30 thousand visitors in August

An English newsportal that was launched in February and is run by progressive young people on the left enjoys unbroken popularity. The number of visitors of the newsportal exceeded 30 thousand in August. Visited by embassies in Hungary, politicians from Hungary and abroad, the news portal offers the latest news, analyses, summaries from Hungary, and a weekly newsletter is also sent out to those who subscribe to the free list.

The aim of the editors of the newsportal is to provide English speaking readers interested in Hungary with a well balanced view of political activities in Hungary by featuring contents from various printed and online sources together with their own commentaries. They are convinced that Hungary is built on all sorts of different ideas, thoughts and opinions and, despite of the new Media Law, their aim is to provide an alternative and reliable source of information – contrary to the one-sided press of the government – for those who want to hear the voice of a free Hungary.

Kodály work banned in Pécs for fear it might offend city's mayor

Director Zsolt Horváth of the Pannon Philharmonics in Pécs has banned a performance of a piece by renowned composer Zoltán Kodály, for fear it might offend the city mayor. Horváth forbade the orchestra from playing Kodály's "Peacock Variations" based on the folk song "The peacock has

flown onto the county office” (*The surname of Pécs mayor Zsolt Páva means “peacock”*).

In a letter to the orchestra’s music director Zoltán Peskó, Horváth wrote “The public may have perceived the song as mocking Mr. Páva”. Peskó promptly resigned. Peskó included the piece in a performance for the opening of the Kodály Centre concert hall in the city. Peskó told political and literary weekly *Élet és Irodalom* that he considered the intervention a restriction on his freedom and therefore resigned. Páva, who is also a Fidesz MP, said “I have absolutely no objection to ‘The Peacock Variations,’ as I am not disturbed by seeing a peacock in a zoo”. He added that he has no idea of what Horváth was thinking.

China to set foot in Hungary's government bond market?

Bank of China Ltd. may be a new addition to the currently 15-strong list of primary dealers of Hungarian government bonds, CEO of the State Debt Management Agency (ÁKK) Gyula Pleschinger told Bloomberg in an interview on Monday. Government-level talks between Hungary and China have already taken place, Pleschinger said, noting that "if China buys, it will do so on a market basis." The head of ÁKK has released crucial information on 2012 forint and FX debt issue plans as well. In June during an official visit of China's Prime Minister in Hungary, Wen Jiabao pledged his country was going to buy "a certain amount" of Hungarian government bonds. This statement prompted Hungarian premier Viktor Orbán to say he was confident about Hungary's ability to finance itself in the medium run.

Source: Portfolio.hu

"Acceleration Indicator" shows increasing chance of another recession in Hungary

Business daily *Világgazdaság's* Acceleration Indicator shows that the recovery from the crisis has stopped, and there is increasing chance for another recession in Hungary. The indicator showed a 0.24% drop for August compared to the previous month. Such a figure was last seen in spring 2009. Expansion slowed down already at the end of the first quarter, then the economic performance started dropping at the beginning of summer. As recession is defined by the GDP dropping in two consecutive quarters, the situation has not reached this point, but based on the indicator, the trend is going this way.

WikiLeaks releases further US embassy cables on Hungary

Whistle-blowing website WikiLeaks made available a total of 27 US diplomatic cables about Hungary late on last Wednesday. The website made the cables available on its website directly, unlike in the past, when they were published in high-profile newspapers or magazines. The diplomatic cables prepared by the US embassy in Budapest are dated between 2006 and 2010. None of them belong in the “Secret” category but four, which had been published in the past already, were classified as “Confidential.” The majority of the newly available cables discuss Hungarian foreign policy and reactions to US foreign policy moves. One of the cables, dated December 2008, concerns Hungary’s sole nuclear power plant in Paks. The cables can be viewed at the wikileaks.org website.

Source: MTI

14th Budapest Jewish Summer festival offers international stars

The Jewish Summer Festival featuring international stars, popular Hungarian groups and solo performers opened its doors in Budapest on last Sunday. Organised for the 14th year, the festival offers a variety of programmes at eight venues until September 5. Opening the festival in downtown Gozsdu Court, Gusztav Zoltai, the chief executive of the federation of Hungarian Jewish communities, said that the programmes and large number of domestic and international visitors the festival had attracted over the previous years "reflect perfectly well how much the event has belonged to the whole of Hungary, a country that has been home to the Jewish community for several decades."

Speaking at the opening, Zoltan Kovacs, the state secretary for government communication,

welcomed the past 13 years of the festival's tradition and stated that the government is in partnership with the Hungarian Jewish community and would support similar events in future.

The main venue of the festival is traditionally the Dohany Street Synagogue, the largest in Europe, where the Metropolitan Opera Brass of New York will give a concert with French pianist Françoise de Cloos on Sunday evening. Among the highlights, Eastern European stars of world music, Felix Lajko, Marko Markovic and the Kalman Balogh Gypsy Cimbalom Band will give a concert together on August 29. In another crowd-catcher event, Israel's Idan Raichel Project world music will perform an acoustic concert in the Synagogue on September 4. The festival's Guest of honour will be Giorgio Pressburger, the Hungarian-born writer and director living in Italy.

www.zsidonyarifestival.hu.

Comments

Orbán's economic policy is a failure

More and more right-wing economists declare that the economic policy followed by Viktor Orbán is a failure, and that a turn is necessary. International sources say 'it's fine', but what's the exact motion of the right-wing experts? They suggest introducing a progressive income tax system. This is exactly what we say. They also suggest introducing a property tax. This is what we want, but the political right fought violently against the idea. They ask for a compromise with foreign capital. Well, we were attacked for allowing too much of foreign capital into the country, and the political right was parading with promises to defend Hungarian interests. So the Hungarian interest now is to make a compromise with foreign capital. Why is this a novelty? Well, another thing. They urge to fund farmer co-operations in agriculture. Who the hell was abolishing them? Or to the contrary, who was organizing the Producer and Sales Co-op's? And who was supporting them to integrate small producers? We were. We did that while the political right was building the myth of family farms. So, here we are. It is a hard and cruel thing to live in an open market economy. A lot of people think that a modification of the system is avoidable. Naives are to be found on the political far-left and in the center of the political right. Sadly, they will lose because there is no magic charm. It was great if there would be one, but there is not. The lesson is hard, and I am not just talking about politicians. Millions need to sober up. If it happens, then we may grow. If it will not happen, our fate will be constant struggle and inner fight. The catharsis is so far away.

Ferenc Gyurcsány, Facebook, August 27. 2011.

It is six of one and half a dozen of the other

The Hungarian *Democratic* Charter, a civic movement, did not expect the abolition of the preparations for the show trial against former prime minister Ferenc Gyurcsány when it requested András Schiffer, leader of Politics Can Be Different Party (LMP) to withdraw his claim against the former prime minister. It only wanted to provide him with an opportunity to perform a political gesture provided he has already realised what is going on based on his accusation. The initiative was successful: we can see clearer now. Schiffer in turn can vote to lift Gyurcsány's immunity assuming its national and international political consequences.

Schiffer's answer was not unexpected but only made him fall into discredit. The formula he used in his reply – the Charta is 'not in the position' – is the same what Péter Szíjjártó, the current prime minister's spokesman uses when someone dares to criticise the current development of dictatorship in Hungary. Schiffer's and Szíjjártó's pride stems from the same origin. Maybe the reason lays in the last minute boom when LMP was collecting voting recommendation slips. (The party only managed to collect enough signatures in the last moment to field a city-wide mayoral candidate in Budapest, in the party's stronghold. It is still not clear whether they 'received' them from an outer source).

Zsolt Gréczy, Gréczyblog, August 15. 2011.

Yes, it was you Viktor

It is quite obvious that by blaming the European crisis, Orbán is preparing the ground for his own austerity package. There is no such crisis. Though the growth rate is low, there is no recession. The Mediterranean countries of the euro-zone have significant budgetary issues, but they can still manage to finance their budget deficit.

Europe is in a major institutional trouble. The most obvious problem of the EU is its fragmentation into smaller groups of countries, while the most powerful and influential group – the euro-group – is facing the issue of supporting the common currency through a common fiscal policy and the necessary regulatory and institutional framework. This implies more complete harmonization of tax than social policies. The latter affects century-old national traditions, cultural patterns. It is quite hard to imagine matching the labour regulations of Germany and Portugal.

Hungary is struggling with self-inflicted problems. It is a fact, even if the prime minister does not admit it. We cannot expect him to since he would have to admit that he himself is part of the problem by doing so. The HUF 800 million budget correction constraint was not created by Europe but by the amateurish Orbán government. GDP growth in Poland is above 4%, while we are not moving forward at all. And Orbán has been governing for more than a year.

Let's remember that at the end of the year 2008, just before the crisis hit Hungary, the budget deficit was 3.8%. Several crisis management measures allowed us to keep this level of deficit until the change in government last year. Then came Orbán's economic populism, mindless tax reductions, and he destroyed the budget. And now here he stands helplessly pointing his finger at Europe.

Like a kid who starts to cry after breaking the glass in the window:

“No, no, it wasn't me!”

But the kindergarten teacher and the others saw what happened, and with a little rebuke in their voice they say:

“But yes, it was you Viktor.”

Ferenc Gyurcsány, Facebook, August 31. 2011.