

Going Untraditional Ways

Foreword by the Chief Editor



According to our family legends and my early personal memories, my late great-grandmother¹ often said, for didactical purposes: “*Debt eats from your bowl*”. Yes, from your bowl, because the interest paid to creditors takes the money from the family, from the estate, from the national economy and from development opportunities. Before anything else, you must pay the interests, and only whatever is left can be used for financing the education of your children, the cultivation of your land and projects to boost the national economy. If you have any money left at all. By their nature, creditors limit the way a family, an enterprise and a country can manage their finances. They determine the method and conditions of engineering economic activities. *A creditor likes staying a creditor*, since, if he were to get his money back in one go – by some miracle or other – he would not be able to lend it out again, and he would not stand to gain an abundant interest income. The creditor would be deprived of the source of his livelihood. For this reason, it is just natural that when a mortgage loan is granted on landed property, a Swiss franc based foreign exchange loan is allocated or an IMF loan is taken by a country, the *creditor quite obviously prescribes the way to manage finances*, and encumbers the borrower’s remaining assets by a mortgage. He even considers the borrower’s future income as cover for the loan. Thus the creditor’s highest priority is not to encourage the debtor to profitably invest his money to make a handsome income and one day become independent of bank credits. Rather, the creditor wants his money be allocated and the debtor produce his interest even if the estate, the family, or the country “suffer a bit”. *The point is to create a situation where everything always depends on the creditor*. Once the Hun-

garian aristocracy, the large landowners also fell victim to this banker's approach. Huge estates were lost in the former Upper Hungary (today Slovakia), in the Kemenesalja region and on the Great Hungarian Plains. In Transylvania, Albina Bank offered the estates of dead-beat landowners, quickly falling from their ranking and ending up, at best, in a smallholder lifestyle², to immigrating Romanians. Eventually, two thirds of the territory of the country, land that had been made unprofitable in Hungarian hands, was lost in 1920.

Hungary fell into a debt vacuum again – the umpteenth time – *during its modern-time history* in the period following the 1989 change of regime. In the late 1980's, external public debt amounted to USD 20 billion. When the Socialist Party left government in 2010, Hungary was struggling under an external sovereign debt of USD 120 billion, an aggregate local council debt of USD 20 billion, and retail loans amounting to USD 40 billion, let alone corporate and agricultural producers' debt. *Our creditors came off well while we got into a vulnerable position.* Our economy fell through, at both a family and national level. Then we switched to an economic policy that allowed the repayment of the IMF loans, save families from complete disruption, and through the new type of monetary policy adopted by the National Bank of Hungary offer enterprises preferential loans in the amount of HUF 2750 billion. We are stabilizing our economy in our own right by establishing new fiscal, monetary and state supervision practices.

This development, a new type of economic policy not determined by creditors' own sweet will, was the topic of presentations by László Domokos, President of the National Audit Office, and György Matolcsy, governor of the National Bank of Hungary and former Minister of National Economy, in the final session of the 51st Symposium of Economists, held in Gyula on 28 September 2013. As the chairman of the Society of Economists put it, *the large audience, most of them far from being rightists or conservative, listened to László Domokos and György Matolcsy, to our greatest surprise, in stunned silence.* And there was a lot for them to listen to. After 9 long years we finally managed to exit from the European Union's excessive deficit procedure (EDP³). We have reduced the inflation rate to the lowest in forty years. We have reduced the central bank's base rate to one third. The National Bank's losses have disappeared. During the past two years the net financial wealth of the population

increased by HUF 2,867 billion. As against the other 26 EU Member States, the euro area, the Mediterranean Region and the other countries of Central Europe, Hungary was the only country where public debt has decreased. Everywhere else it increased. *During the governments of Medgyessy, Gyurcsány and Bajnai the general government debt increased from 53.6 percent to 85.3 percent. The real success is always to win the competition from the worst position.* True, the bank tax is the highest in Hungary (0.5 percent of GDP). But we have experienced an exceptional growth in employment. 207 thousand new jobs were created in three years, only one third of which is related to the community service programme. The growth rate is already measurable. Elsewhere, there is no sign of growth. Europe is still sinking. We are growing. *Untraditional crisis management has been successful in Hungary, as the deficit is below 3 percent, public debt is on the decrease, employment is increasing, growth has been triggered, and we managed to exit the excessive deficit procedure. It seems, or better to say it is a fact, that we were right, and the EU, which criticises us and threatens us with infringement procedures, is going the wrong way.*

Polgári Szemle is the recognised scientific journal of conservative intellectuals and workshops. Its mission is to publish the findings of the new type of research, progressive workshop materials and studies, which are of key significance from the viewpoint of the national economy. In the first part of this issue the Hungarian version of the British “funding for lending” refinancing scheme prepared in the scientific workshop of the National Bank of Hungary is presented, and a scientific paper on benchmarking prepared in the workshop of the State Audit Office is published. *These fragments of the research conducted by NBH and SAO properly reflect the new scientific methodology which serve the universal interests of the nation and upon which the Hungarian economic governance is built, and which have given new strength for the Hungarian economy.*

In our “On Untraditional Bases” column you can read about national level development banks, articles by our long-time and highly appreciated author, Professor József Alvincz, Senior Counsellor of the Ministry of Rural Development, and Sarolta Baritz aka Sister Laura on the foundations of an economic theory built on characteristic human features. Sister Laura is convinced that morality is an integral part of the values and the mindset of man, and human activities are based on moral grounds. This type of ethical approach is described by Christian teachings, and

Sister Laura, who enjoys general respect, does her best to raise awareness and spread knowledge in this regard.

Under the title “Science at a High Level” you will find writings by Academician Dr Gábor Hamza and university professors Dr Gábor Máthé, Dr Gábor Török, Dr István Bukovics, Dr Mihály Samu, as well as interesting excerpts from the scientific papers of constitutional lawyers Stefánia Bódi and József Zoltán Tóth, and research fellow Ágnes Gereben.

In order to provide another opportunity to the younger generation, this issue is enriched by the papers of talented students of the Faculty of Administrative Sciences of the National Public Service University, and the Faculty of Law of the University of Pécs.

The number of scientific papers providing the foundation of conservative governance seen in the recent period is on the increase⁴. This has been the very objective of compiling this issue of the journal: to introduce scientific rigour into the dream, demonstration and testing of new and good ideas and everything that serves the benefit of our nation, and then give account of the results.

It is worth reading untraditional papers and books, as they present novel approaches compared to the practice of the past forty years.

Prof. Dr. Csaba Lentner
full professor, chief editor

NOTES

¹ Mrs Kálmán Kiss Nemeskéri, countess (1892–1973). In the extended and immediate family of Count Miklós Kiss Nemeskéri (1820–1902), General in the Hungarian Revolution, later in the Italian war of independence lead by Giuseppe Garibaldi and Knight of the French Legion of Honour, the perpetual struggle for survival, loss of land and indebtedness became persistent phenomena during the more than a hundred and sixty years following the 1848–1849 war of independence, and especially during the repression periods following failed wars of independence and other attempts at separation from foreign rule.

² This means that the estate was no longer sufficient to provide a living for the family (in the event of part-time farming), and so landowners were compelled to seek employment as government bureaucrats or military officers. In the period preceding World War I arable land was losing its economic significance, and for the sons of the gentry the last hope was to pursue a military career. One-time aristocrats

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were declassified, and after 1947 their status was destroyed by direct measures of the single-party state.

- ³ Excessive Deficit Procedure or EDP. Hungary was subjected to the EDP right after its accession to the European Union in 2004 and kept sitting on the so-called bench of disgrace for nine years, the longest time a country has been under such a procedure.
- ⁴ My most recent book describing the scientific methodology of untraditional economic governance was published simultaneously with this issue of the journal. See Csaba Lentner: *Közpénzügyek és Államháztartástan (Public Finances and General Government)*. Nemzeti Közzolgálati és Tankönyvkiadó, 2013, 341 pages. www.nktk.hu