

# Our Chances

## Welcome by the Editor-in-Chief



In the summer of 2016, two crucial questions are at the forefront of public interest in Hungarian society: the migrants flooding Europe and the shock-resistance and effectiveness of the Hungarian system of public finances.

Decades ago, strategic forecasts predicted that the United States of America would lose its global leading role and even its hegemony in the global dynamics. The European Union was thought to suffer considerable losses to Asia, and fall back third in global development, however, it would retain or even increase its significance as a role model in sciences, culture, innovation, security, and even politics. Alternatively, sharp voices also howled in the ether and break the silence of scientific conferences, predicting that the economic impetus of the globe would be given by the large Asian economies, rather than the United States of America and the European Union, in other words, world economic development would be driven by the emergence of China and India.

By now, everything seems to be taking a different shape. Between 2008 and 2014, the central bank of the United States of America (Fed) completed a successful crisis management, cut the interest rate, actively participated in the re-launching of corporate lending and in boosting the sovereign security market, and as a result, the US got back its old glory. The unemployment rate is below 5 percent, and it has a powerful capacity to enforce its foreign policy. It successfully localizes its political opponents, whether Russia or South-east Asia, or any other candidate intending to appear as a comet, withholds them and pushes them back to their regional roles. The European Union's nearly decade-long freefall is undisputed, and now the good old continent seems to be losing even those values it could have boasted of. It is becoming doubtful, questionable, and what is more, increasingly uncertain that Europe is able to remain a role model in the field of science, culture, innovation, the safe environment and political culture.

*Europe has been flushed by several millions of migrants, and after a few years their number will rise to tens of millions, thus re-drawing the ethnic and religious map.* Although at around the turn of the millennium, economic demographic predictions expected the population to decrease by approximately 50 million from 750 million by 2025 as a result of the very humble economic development and considerable loss of population.

However, since the “Arab Spring” all this seems to shatter. Instead of improvement in the fertility rate of European nations, population numbers increase due to the legions of Central Asian and North African refugees coming to Europe. Qualified, motivated, hardworking and talented labour was expected to become the bottleneck in global markets decades ago, but in Europe’s case this problem can hardly be solved by those who intend to settle here. The poorly qualified Asian and African immigrants not socialised for the European work culture and the rules of European social coexistence and not used to strict, Prussian work discipline can hardly make a labour basis for European hightech products, and can hardly reinforce social stability and security on the European continent. Thus the European region will continue to suffer from the lack of highly qualified and motivated professionals, while the population of originally European nations will continue to decrease. Every condition is given for Europe’s further deterioration and for the continued devaluation of the values still retained. Millions of Greek, Spanish and Portuguese unemployed have been waiting for employment for years, while the “social democratic” Angela Merkel hopes to top up the empty places in German industry with African immigrants.

In the global money and capital markets, enormous excess capital has been accumulated and has led to a supply market, with the population commuting between continents or – and this seems to be the more dominant trend at the moment – move from the war-torn zones to Europe for good. Wars may start for the acquisition and retention of the increasingly scarce resources, and the ongoing political and military conflicts might increase. The “back to basic” approach will soon become the key trend: agricultural land, climate, water, energy and food, and especially safe and liveable environment will appreciate. In the future these will have a higher impact on the operation, successes or failures of the individual families, communities, regions, countries, nations and large economic integrations than during the industrial and post-industrial eras. At the moment, Europe still abounds in these resources and basic values. But if its ethnic and religious map is re-drawn, the situation can hardly remain the same.

*In addition to the repeated waves of migrants, Hungarians have been on tenterhooks with the attacks on the system of state finances and public funds re-organised in 2010. Between 2010 and 2013, the Hungarian government successfully consolidated the fiscal system. State finances kept stabilising, families were saved from the clutches of banks in hundreds of thousands, all with the contribution of the National Bank of Hungary under the control of a new leadership from 2013. The Funding for Growth Scheme was launched to provide 33676 businesses with investment and working capital loans in an amount of about HUF 2281 billion. In the frame of FGS, loans were granted predominantly for capacity increase, laying safe foundations for boosting investments and the concomitant GDP increase. FGS gave an impetus to corporate lending, toxic instruments (FX mortgage, project financing) were removed from banks’ balance sheets, bank interests dropped, and simultaneously, the policy pursued by the central bank facilitated bank system stability. FGS considerably mitigated the interest burdens for the businesses participating in the program, and as a result of both the*

new loans and the redemption of FX loans, businesses and households could both realise higher income. As a result of the 83-percent cut in the central bank base rate, Hungarian state financing became cheaper, state debt dropped by 10 percent, and the exposure of sovereign debt to foreign exchange fluctuations fell to half. In the aggregate, the economy can be said to start growing, and simultaneously with a stable financial balance, households' solvent demand has increased, and as a result of price regulation (overhead cuts), halved personal income and corporate taxes, the active role played by the government in market organisation and regulation, and of lower interest rates, more money is left in family budgets.

In the first round, the change of regime in public finances, brought to fruition by Viktor Orbán and György Matolcsy, tapped the funds available for foreign banks and international companies, and then after 2013, as a result of a drastic reduction in the central bank base rate, foreign financial investors and investors in government securities could earn less profit on interest. As these are all needed to maintain equilibrium in Hungarian public and household finances, the economic policy government under the leadership of Viktor Orbán and György Matolcsy is compelled to endure permanently recurring attacks from the international space, while the population enjoys the benefits of the unconventional system of public finances. The enemy is now attacking the Headquarters, the haven where money and loans are issued and foreign exchange is kept safe: the National Bank of Hungary and its governor. They make efforts at destroying the central bank's credibility and indirectly, government operation. What can we, Hungarian citizens do? Can right-wing intellectuals be expected to fight as lions for the Headquarters and for the security of the areas under its protection, just as the soldiers who defended Europe at Szigetvár from the spread of the Osmanic Empire 450 years ago, in 1566?

With consideration to the above described priorities, this issue of our journal rightly focuses on the scientific, historical and legal approaches to the problem of migration, in a study by professors Miklós Kásler and Tamás Prugberger, and the next issue as well as the English special edition will focus on the achievements and scientific taxonomy of Hungarian public finances. We hope to be able to narrow the gap in understanding the world political correlations that can be considered as a tragedy for Hungarians and to bring and maintain ourselves in an advantages position.

It is worth reading *Polgári Szemle!*

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