PRO DOMO

NO LAUGHING MATTER

EDITORIAL
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"Oh, if we could just live as well as we !" – sighed the anecdotal Hungarian in the late '70's hinting at the fact that the average citizen enjoyed such perks of 'Goulash-Communism' as cheap transport, ridiculously inexpensive food and easily accessible culture. Hungarians inhabiting "the merriest barrack" in the Peace Camp-, seemed not to worry too much about restrictions of free speech and accepted that, in turn, they enjoyed a relative freedom in travel to the West and a relatively abundant supply of goods and services while its socialist peers in the region were perceived as the frustrated customers queuing for hours in front of empty shelves.

Yet, 20 years after the 'changes', Hungarians are apparently the unhappiest people in the tegion. A recent poll by Ipsos released on the 20th anniversary of the collapse of communism, showed that the vast majority of Hungarians consider themselves losers of the epochal changes.

Hungary, of course, does not stand alone with its troubles, as differing extents, each country of the former Soviet Bloc suffers from the economic burdens of their instable political institutions, inefficient and costly economic structures inherited from their 'glorious' past. Post-communist Central Europe entered the European Union in 2004 with of catching to catch up with Western economies in a reasonable time. Foreign capital flowed in, fuelling rapid industrial restructing, introducing modern managements skills, creating state-of-the-art production plants and retail outlets, logistics centers and warehouses. Hundreds of new shopping plazas and glittering supermarkets opened their doors wide for millions of consumption-hungry Eastern and Central Europeans. Apart from often reckless domestic consumption, economic growth was also driven by strong exports of goods and services.

However, by 2008 capital sources started to dry out: China, India, Brazil and other fast-developing economies absorbed most of the word's liquid and profit-hungry investment resources and, simultaneously, flooded world markets with their exported products at unbeatable prices. And then, of course, the global economic crisis also hit the region hard: sharp drop in foreign investments, domestic consumption, exports, growing unemployment, indebtedness, and finally falling or decreasing or stagnating GDP.

As Tolstoy put it "Happy families are all alike; every unhappy family is unhappy in its own way." What can be unique in the unhappiness of Hungarians that makes them more low-spirited than others?

Hungary was a clear regional leader in terms of economic development in the early '90s, so expectations among the population were high that it would keep its leading position further on. Zsolt Holop may have had a point in the Czech *Mladá Fronta Dnes*: "Hungarians never took the fall of communism and the change of regime seriously enough. Having always looked up to the Austrians [...] they thought the transition to a market economy would simply mean the arrival of Austrian-style prosperity." Political and economic mismanagement of successive governments however, have pushed the country to the bottom of the league. Successive governments often spent taxpayers' money to buy loyalty and votes unscrupulously, putting extra weights on budgets already over-burdened by expenses of the obsolete health and pension system. Holop adds that people are despondent about the recession, the mass layoffs, the depreciation of the currency, and tens of thousands of families are unable to keep up their credit and mortgage payments. "It is depressing enough to consider that neighbouring Slovakia has overtaken Hungary in several indicators and is enjoying the euro while Budapest is unable to meet a single criterion for joining the Eurozone."

Social scientist Elemér Hankiss at the Hungarian Academy of Sciences, in a recent interview with the *Hírszerzo*, arrives at a similar conclusion: "When you look at our defeated country stumbling from crisis to crisis, you will encounter a sea of concerned and gloomy faces. You might add that our country is also a humiliated one. We feel humiliated by our own failures and by our neighbors' successes. Particularly since, as tecently as in the early '90s, we were a young, promising democracy."

Apparently, while desolation seems to dominate both media and common talk in Hungary, international analysts are much more optimistic about the country's future. The European Commission projects Hungary's economy to contract by 6.5 pct in 2009 and by 0.5 pct in 2010, but starting in 2011, it expects a recovery – GDP growth of 3.1 pct – supported by external factors and characterized by moderate wage growth, low inflation and decreasing income taxes which would improve cost competitiveness and attract additional FDI. A group of international analysts quoted by *Portfolio.hu* also sees the signs of a recovery. London-based analysts at JP Motgan underlines that Hungary's cyclically adjusted primary budget balance has improved by 4.5 pct of GDP between 2007 and 2009, while it has deteriorated by 3 pct of GDP on average in the Euro area and the rest of Central Europe. JP Motgan's analysts said they believe that Hungary is on the path to recovery. Industrial production data for September for example, were "surprisingly strong" and suggest that recovery in the manufacturing sector is "well under way". "We remain confident that growth will turn positive by next year, helped by recent structural and tax reforms [...] We project GDP growth to rise 1 pct in 2010 and 3.5-4 pc in 2011." Meryl-Lynch, Bank of America and others in the City believe that Hungary found her chance in the crisis and will become the fiscal champion of the world.

Reading more of the foreign media may not be enough for the Hungarian public to regain self-confidence. Professot Hankiss, quoting examples from history, believes that a new social contract, a 'New Deal' is needed with credible leaders and teliable social institutions for a turnaround. In less than seven months, Hungarians will have the chance to elect a new government instead of the one which, according to the the latest joke, as part of its cost-cutting measures, has switched off the light at the end of the tunnel. ■