

VIOLENCE AND PROTEST IN HUNGARY

Hungary is finally suffering the cost of 16 years of unreformed government. Just before midnight tonight, Monday, September 18th, demonstrators in Budapest turned violent. A crowd of approximately 10,000 gathered in front of the national television, MTV, (just across the square from the U.S. Embassy) and started attacking with hammers and chisels the World War 2 memorial to fallen Soviet soldiers. They then turned on the offices of the television and started hurling rocks through the windows and setting cars on fire. Police have responded with teargas and watercannons. At the moment, the crowd is still violent and is demanding to be allowed into the television.

Ostensibly, and this no doubt is how the events will be reported around the world, these protests are a response to a tape released on Sunday night, on which the Prime Minister, Ferenc Gyurcsány, can be heard saying, "We lied during the last one-and-a-half or two years. It was obvious that whatever we said was untrue...We have not taken any important government measures that we can be proud of apart from bringing back power from the deep shit," referring to the electoral victory of the Socialist-liberal coalition. The speech continues in a similar vein, referring repeatedly to "this f---ing country." The tape was secretly recorded, allegedly by fellow members of his party, the MSZP (Hungarian Socialist Party) who are disgruntled with his policies. Hungarians around the nation have expressed growing outrage in the 24 hours since the tape was released on the website of Hungarian public radio. Demonstrations have been taking place today in cities and towns around the country.

Hungarians are upset that they have been lied to, but also that their country should be referred to in such a way. Indeed the tape is the spark that set off these protests, but it is not the underlying cause. Frustration and discontent have been growing for a long time. Deutschlandfunk Radio recently called the situation in Hungary an economic emergency. According to the Budapest Business Journal, the International Monetary Fund has stated in its latest "World Economic Outlook" that Hungary "is in more urgent need of fiscal consolidation than any emerging market in Europe."

The Gyurcsány government was reelected earlier this year with a campaign pledge of "progress, success and victory. Not for a select few, but for everyone..." It is a concept that has been promoted by every government in Hungary since the transition from communism in 1989: the prosperity of a market system combined with the egalitarianism and safety of a welfare system. It has taken sixteen years, but we are finally seeing the impact of such a fanciful idea: 25% of the workforce employed by the government, a

projected fiscal deficit of 10%, crippling rates of taxation, and excessive corruption. Even outgoing U.S. Ambassador George Herbert Walker III, otherwise known for his kindness and moderation, recently called Hungary's budget deficit "monstrous" and the size of its government "appalling."

Many in the West, while perhaps attuned to the recent criticisms of Hungary by international financial institutions, will likely be surprised by the vituperative and violent nature of the demonstrations now taking place. But they should not be. Hungarians have watched the early promise of the late 1980s, and early 1990s wither away. Hungary started its transition to democracy well in the first position among its fellow Central and Eastern European countries. In 1989, the private sector was contributing an estimated 20% to GDP, and Hungary had highest direct foreign investment, and among the highest per capita incomes. But this early promise has steadily eroded. Government after government has failed to reform the heavily paternalistic welfare state of the communist era. Indeed, while the size of the government should have been scaled back dramatically, instead, grew. Not one government has come into power in Hungary, neither from the left nor from the right, who has understood the fundamental mechanisms of a market economy. All have promised growth, but a growth driven by the state. Victor Orbán, the prime minister from 1998 to 2002, who ran on an anti-communist, centre-right platform, was quoted in the Wall Street Journal as saying: "It's obvious that after the Second World War, the major source of economic development in many countries was the state. We also looked at the experience from the beginning of the 1980s, of how Finland, Ireland, Catalonia were modernized through global capital and the attraction of foreign investors. We have to combine the role of the state in providing infrastructure for business life and at the same time attract as many as possible foreign investors to Hungary." Every government in Hungary since 1989 has expressed, in one way or another, this same fundamental idea: the state must drive growth. Now, Hungary is facing the failure of that policy. Gyurcsány's crass confession may have triggered their anger, but it has been simmering for a long time.

As Michael Novak said recently, we will have to spend the next four to five years learning all over again that if you put a former Communist in charge of the desert, eventually you will have a shortage of sand. It looks as if we might not have to wait so long.

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