

The finance minister forever

Hommage to István Hetényi

István Hetényi, once vice president of the National Planning Board, former minister of finance, university professor, one of the best known Hungarian representatives of the profession of economics, once deputy chairman of the Hungarian Economic Association, member of the editorial committee of Public Finance Quarterly, passed away on November 11, 2008.

The Hungarian Economic Association chose the most solemn framework available to express their respect for István Hetényi: they convened an enlarged board session held at Festetics Palace on January 14, 2009, attended by the members of the executive bodies of the Hungarian Economic Association (HEA) as well as those of the editorial committee of Public Finance Quarterly, together with numberless former colleagues and respecters of István Hetényi.

In his introductory address, private professor Árpád Kovács, president of the State Audit Office explained that the best way a scientific professional body could pay tribute was by discussing an issue, with excellent theoretical and practical experts participating, that had been important also for István Hetényi; an issue that he himself had cultivated, researched and taught, at the highest possible standard. The professional lectures therefore focused on tax affairs, the system of taxation and the development opportunities of the latter.

As chairman of HEA, Árpád Kovács emphasised that István Hetényi had played an important role in the Hungarian Economic Association. As is publicly known, HEA was forced to suspend its activities – under political pressure – in the early 1950's; the organisation with over half a century's past at the time was not dissolved but its operation was practically banned. HEA was re-established on December 15, 1959, and István Hetényi became the founding chairman of the newly established Department of National Economic Planning, keeping this position for several terms and being a member of also the national board thereby. In 1987, he was elected deputy chairman of HEA, which position he kept until the next general assembly in March 1990. His relations with HEA remained excellent even thereafter; he was a most acknowledged member of the association, with high prestige and authority, until his death.

The editorial committee (and reading audience) of Public Finance Quarterly remember István Hetényi with similar gratitude. Several years ago when the then finance minister decided to close down Public Finance Quarterly, the professional journal of the Ministry of Finance with a 50 years' past at the time, it was István Hetényi who contacted the board of the State Audit Office, persuading SAO to take over the publication of the journal, and he, as a member of the editorial committee, helped in the formation of the professional profile of the journal the same in name, but radically new in content and form.

On behalf of the colleagues and friends, it was university professor László Békesi, twice former minister of finance to commemorate István Hetényi, the creative economist, the

responsible statesman, the school founding leader and university professor, the deeply humanist intellectual with an encyclopaedic knowledge.

Already in his family background, István Hetényi was thoroughly prepared for his would-be leading intellectual role: at a young age, he learned respect for knowledge and performance, humble behaviour in one's chosen profession as well as love for literature and music.

István Hetényi attended Palatine Joseph University of Technology and Economics, where he was one of the last students of Farkas Heller (who was also deputy chairman of the Hungarian Economic Association at the time). It was partly under Heller's influence that he learned about Marx – still before World War II – with great enthusiasm and persistent thoroughness, and about growth theories later on, always making an effort to attain the latest theoretical publications.

Hetényi spent his 32-year official career at only two work places: the National Planning Board and the Ministry of Finance. There was a series of initiatives related to him and the workshops and institutions under his leadership. In the team led by Tamás Nagy, he took part in preparing the reform of 1968; he worked with the “great generation” and, from the members thereof, with Béla Csikós-Nagy, for example: a determinative personality in the new age history of the Hungarian Economic Association.

It was under his leadership that input-output models were first used at the Planning Board. He had huge disputes with András Bródy and other outstanding researchers, as well as with other important economists like Lajos Faluvégi and Mátyás Timár.

Hetényi had an outstanding role also in the price reform implemented in the early 1980's, which was meant to establish market relations in the price system, and it was under his term as finance minister that the movement was launched which, with the same goal, opened up room for new forms of small enterprises (economic work partnerships, enterprise economic work partnerships and small cooperatives).

The preparation for the introduction of the really modern taxation system can also be related to his term as minister, even if he had no chance to submit the related bill due to his early forced retirement.

László Békesi quoted from several of István Hetényi's budget speeches, in which the finance minister had reminded of the necessity to respect economic laws and of the importance of economic balance and market value judgement.

While he always kept away from political wrangling, he did not conceal his negative opinion of politically determined, wrong economic political decisions, which he, however, formulated with the elegance characteristic of him and often with soft irony. At the end of 1986, it was exactly because he stood up for his opposition of a voluntarist economic policy even in the publicity of Parliament that he was forced to retire.

The respect for work and performance permeated the activities of István Hetényi, which was what he demanded of his colleagues also. He took institutes employing “botheaded youngsters”, like Pénzügykutató (Financial Research Plc.) and the Institute of Economic Sciences of the Hungarian Academy of Sciences, under his protective wings. His team produced a prime minister, six finance ministers, two ministers of economy, two bank of issue presidents and even a minister of justice.

Although the “paperwork” necessary for academic titles was not one of his strengths, he delivered excellent lectures, making a great impact at both professional forums and at the

University of Economics, and his students were precisely aware what professor with immense knowledge they had.

Probably the best evidence for István Hetényi's unchallengeable professional prestige is the fact that, after his retirement, for 22 years (with the exception of two years) he was an advisor of the finance ministers in office.

Minister of justice and law enforcement Tibor Draskovics commemorated István Hetényi in his double quality of a former colleague and a representative of the government. Tibor Draskovics had been a secretary of István Hetényi for two years.

István Hetényi's work philosophy was the following: whatever politicians want, the only thing a serious person may take as a basis is facts. He had the courage to recognise what needed to be done and to try to reach that goal even under unfavourable circumstances. He was persistent: if his proposal was rejected by the political leadership, he did not give up upon realising his objective but tried to find new ways – and he usually did find them.

All his actions were characterised by long-term thinking: this was evident in both the transformation of corporate management and in working out the system of taxation. He was a genuine promoter of the political change in the sense that he supervised the establishment of the market economic institutional system (two-level bank system, European system of taxation).

István Hetényi was a model student of “learning as long as you live”. As a high-rank Planning Board leader, he learned to speak Russian so as to be able to participate in the negotiations with Soviet partners with higher efficiency. It was even later that he familiarised with computers and informatics. He continuously studied the most up-to-date economic theories as well.

He was well familiar with corporate operation: already as a pensioner, he was a member of the boards of Aegon Insurance and Fotex for decades.

István Hetényi was characterised by a respect for knowledge and performance as well as an unquenchable interest in culture. In addition, he even performed everyday household duties – even as a minister.

How did he use his power? He used it for the implementation of duties, but never for his own interest! When participating in debates, he was calm and open to the viewpoints of others, while representing his own standpoint flexibly but consistently, never raising his voice.

Tibor Draskovics, who had worked as a secretary for István Hetényi for two years said, also with reference to his own personal experience, that István Hetényi had always looked for talented youths, having a good eye for choosing the best, and acted as their manager, assigning them duties and sending them into conflicts, praising or scolding them, as required.

There were also two professional lectures delivered at the commemorative session. The first one, under the title “Why is it difficult to make a tax reform in Hungary? On the failed efforts of a »think tank«”, was delivered by professor *Ádám Török*, regular member of the Hungarian Academy of Sciences, deputy chairman of the Hungarian Economic Association. *Ádám Török* is the head of the round table convened by the prime minister in February 2007 with the aim of exploring opportunities to enhance the competitiveness of the economy. The round table comprises the most prominent representatives of the profession, who have made seven studies and have held numerous debates on several issues including the system of taxation. The main conclusion of their efforts is that there is no need for a tax reform because the current tax categories do meet the demands of modern market

economy, but the system needs modernisation by all means. The main reasons for the latter are that budget withdrawal is much higher than in rival countries in the region and there is excessive tax burden on the workforce. The round table has worked out a single modernisation package for the government, underlining that it was to be treated as a single unit only. Unfortunately, the amendments of the system of taxation implemented since then have selected parts of the proposal package, because of which the desired effect has not been and cannot be attained.

The transformation of the system of taxation and even its sensible amendment are difficult to implement because of what are referred to as distribution coalitions and interest groups. This is a global phenomenon, which is made worse in Hungary by the fact that those in authority are reluctant to implement changes even at the detriment of less influential interest groups.

The other lecturer, scientific researcher Zoltán Pitti, member of the board of HEA agreed with Ádám Török in that it was wrong to talk about a tax reform, while tax modernisation was essential. The latter should not be an ultimate goal but should be a means, however, that would simultaneously serve the social model and the economic strategy to be implemented as well as the financing of state commitments. Since there was no agreement at the societal level on any of these, the term to be used should rather be a change in taxation. Given the situation of the Hungarian budget at present and the expectations for the medium run, this change could, unfortunately, not involve any general tax reduction, he said. It was not at all sure that growth would develop according to the convergence programme and it was thus falling economic performance and decreasing earnings that were to be burdened by assumingly higher taxes. The effects of the system of taxation on competitiveness should not be identified with the extent of budget centralisation in any case; economic influences should also be considered because the current regulations were a restraint on performance – both in corporate and in personal income taxation. (The latter as well as the importance of international comparisons had been pointed out also by István Hetényi in Issue 1/2006 of *Public Finance Quarterly*.) Finally, Zoltán Pitti recalled that it was at the initiative of István Hetényi that the fundamentals of taxation and tax policy became individual subjects in the curriculum of the University of Economics.

After the invited lecturers, András Vértes, president of GKI Economic Research Institute, recalled, in a few sentences, the activities of István Hetényi in the board of directors and the supervisory committee of GKI as well as the creative contribution by which he had helped the institute in laying a better foundation for its economic predictions.

It was finally József Drečin, once vice president of the National Planning Board and state secretary of education later on, to recall the decades of working together with István Hetényi. There were two important conclusions that the participants of the session could make from his account. Firstly, there had been open and comprehensive professional workshop discussions at the National Planning Board, with well prepared experts participating. Secondly, as is also proven by the example of István Hetényi, would be leaders usually progressed through all stages of career development at the time and it happened more rarely than today that people without genuine professional experience were appointed into managing positions by politics.

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