Economists about and for our future

In the past few months we have frequently heard that the change of the political system was spoilt, we were driven into crisis and lost our way. This is why the Presidency of the Hungarian Economic Association has decided that – as the most prestigious organisation of the economics profession – the economic situation should be assessed and a suitable solution should be recommended for the most imminent problems. The Economic Association has scheduled six meetings, the first of which, on 20 February, explored the reasons for the evolvement of the present situation.

The first presenter of the debate, BÉLA KÁDÁR, academician, the President of Hungarian Economic Association, went back to the Second Word War to understand the current situation. After Poland, the greatest material and human loss of the war was witnessed in Hungary. Compared to other East European countries, a significantly higher proportion of the population was affected by the post-war deportations, later retaliations and oppressive measures: 1.5 million people lost their possessions and homes. These factors lead to the Revolution of 1956 in Hungary. The Kádár-era tried to gloss over the lack of their own legitimacy through welfare measures. For more than thirty years Hungary was characterised by a political behaviour doing penance through consumption, i.e. the 'goulash communism'. It is both a political and social trauma that – unlike in Spain starting in the in the 1960s –, no propitiation has taken place between the winners and the losers of the post-war era. This division, which was further worsened by the legacy of the political changes, should be taken into account by all political regimes.

Contrary to the prevailing belief, the regime change taking place more or less at the same time in the Central and Eastern European countries, found the affected countries in different situations. The most striking differences were seen in foreign debts. In the end of 1989 such debts amounted to 2000 USD per person in Hungary, 1200 USD in Poland, 500 USD in the Czech Republic and 100 US in Romania. The production structure of the Hungarian economy differed significantly (due to the predominance of the heavy industry) from the world's leading countries compared to other countries in this region. However, we were in the best position as far as institutional framework, mental attitudes, market oriented economy and the openness towards democratic institutions are concerned. With regard to the institutional framework, Hungary ventured furthest from the Stalinistic model. Due to our openness and more liberal scientific relations the Hungarian intelligentsia was far more susceptible to the world's dominant neoliberal attitude of the late 1980s; however, it also meant that expectations were much higher. Not even after 40 years of cold war had the West any specific strategy for the transition of the ex-Eastern bloc into market economy. Therefore, the Washington Consensus – established for deeply bureaucratic and indebted third world countries – was recommended for Hungary, although it was not developed for regime change purposes. Copying – depending on its intensity – caused more or less damage everywhere. The shock originating from liberalisation, in addition to an institutional shock and overwhelming imports, ruined the still existing state sector. Through privatisation the weakened state companies were sold to persons formerly in key positions or foreign investors. This legacy still exerts its effects. The period between 1990 and 1994 were burdened by adverse circumstances:

- In summer, 1990, Iraq raided Kuwait and the first Gulf War was triggered off,
- In 1991 Yugoslavia fell apart followed by the Soviet Union causing significant economic damage to Hungary,
- Between 1991 and 1994 recession in Western Europe hit the bottom further restricting our markets.

That was the starting point. Where are we now? Now the public is aware of the fact that has been highlighted by the roaming conferences of the Hungarian Economic Association since 1993: this imbalance of the state finances is unsustainable, and there is no economic theory that could offer a solution for the expansion of consumption exceeding the GDP growth.

Between 1998 and 2002, the consumption increased by 5.4 per cent and the GDP by 4.6 per cent. Between 2002 and 2006, the consumption increased by 4.1 per cent and the GDP by 6.4 per cent annually on the average. This inevitably led to indebtedness. Compared to the 5 per cent average deficit of the central budget during the period between 1990 and 2001, this figure increased to 7.5 per cent between 2002 and 2006, although in the Treaty of Accession Hungary made a commitment to decrease the deficit. In the past year this figure could have exceeded 11 per cent; due to corrective measures it was decreased to about 9.5 per cent. The deficit of the central budget was mismanaged, the budgets were compiled improperly, and months later it was seen that they could not be fulfilled. This discredited Hungary to an extent that Hungary has continuously been sitting on the dunce's seat for two years. Due to the loss of credibility and the high country risk Hungary pays 2 percentiles more than the Czech Republic in terms of real interest rates for foreign loans.

Why is it so? Are the people at the Ministry of Finance unsuitable or do politics press such budgets? Or perhaps are we lagging behind in the institutional framework or in the international division of labour? Why is it so that Hungary came up with the highest deficit in the European history of economics after the Second World War?

Are we behind in the transformation of the market economy? However, international comparisons show that Hungary was the first to get over the most difficult phase of the transformation process. The proportion of the private sector exceeded 80 per cent as early as in 1995, and this figure has been increasing since. In addition, the privatisation of the public sector began, too. Thus there are no arrears in this field.

Or is the extent of the arrears that makes our position so unfavourable? It is true that in the last three years the adverse signs of the slowing down of the growth dynamics have multiplied. Between 1989 and 2006, the volume of Hungary's GDP increased by 33 per cent, which – taking into account the starting position, which was less favourable than the regional average – cannot be considered bad. It was only Poland, which benefited from debt relief, that could achieve better results. Slovenia and Estonia also come before us. In the 1980s the Hungarian economy grew by 1.2 per cent, and thus from the perspective of a quarter of a century the general rate is below 2 per cent, which is highly unfavourable for an entire generation. The Czech Republic, Slovakia and Romania produced much higher rates and the world economy as a whole expanded by a rate exceeding 4 per cent in the last 4 years. In this comparison the gap is obvious especially as far as the Far East is concerned.

The deterioration of Hungary's international position was significant during the period of 1913 and 1989. As far as global exports are concerned, by 2003/2004 we managed to achieve the level of 1937 and since then we have even exceeded this: currently this rate is 7 per thousand. After 1989 the rate of exports covered by imports was 88 per cent on average over the decade to be as high as 97 per cent in 1997. The product structure of exports was transformed. In 1913 the proportion of machine industry products was high (one sixth) and nowadays this rate is the highest in the region and outstanding in the world (over 60 per cent). With regard to structure significant refinement took place. We are doing well concerning capital resources. Until recently the value of FDI was the highest in Hungary: approximately 7500 USD. The global average is 1800 USD and 3000 USD in our region – so we could be satisfied. This is an important growth factor. Similarly, the rate of capital export is the highest in Hungary. One fourth of the capital export of the former socialist countries comes from Hungary. Accordingly, the reasons for the problems do not lie with foreign trade.

What is then our weakest point? The problems are rooted in the deterioration of the quality of the human potential. In Hungary the rate of the active population is 55 per cent compared to 64 per cent in the EU and 75 per cent in Scandinavia. This results in a significant reduction in tax and contribution revenues for the state. The state finances cannot be balanced without expanding employment and whitening the economy. After the regime change, the number of workplaces decreased by 27 per cent (to 3.6 million). This figure is the highest in the region. In the last five years employment has increased only by 2 per cent, while the GDP has grown by 20 per cent. The growth in Hungary is thus capital intensive. Why is it so? This could be put down to the high level of wage costs, lack of manual workers and the inappropriate educational background of the workforce. The level of wage costs has caught up with the Czech average and is two times more than the Romanian average. Therefore the relocation of industry is self-evident. 'People-friendly' governments and unions could ensure higher minimum wages for unskilled or low skilled workers; however, facilities employing such workforce are relocated to the neighbouring countries or even further away. What is more valuable: a well-paying, but non-existing job, or an existing and possibly morally offensive one, which pays significantly less? – asks Béla Kádár.

As far as the workforce is concerned, the primary problem lies with the lack of those with medium or high level technical education. The real gap is evident not in the number of those in education, but in knowledge, as supported by the PISA evaluation. The conditions of higher education are not better either: resources are scarce, standards are low and the educational structure is inadequate. Only 11 per cent of those between 19 and 29 years of age attend technical or natural sciences courses – this is absolutely the last place in Europe. In the European Union the number of PhD students per 10 thousand people is 37 compared to only 9 in Hungary. The number of those participating in scientific research is the third of the EU average, the funds spent on scientific research is half of the EU average and only a fourth of the Swedish and Finnish average. Is it possible to build a future this way in the age of knowledge-intensive economic growth? However, as early as in the 1960s specialists in the economics of education realised and stated that the 'production' of workforce is more meaningful than material assets.

The political sphere is a specific aspect of the human potential. Since the millennium administration has been increasingly overshadowed by politics in Hungary. In the Central Eastern European region the notion that communication is the core of the governance – as opposed to technocratic control – is the strongest in Hungary. Within the region, liberalism has the deepest roots in Hungary; therefore this is the country where direct utilitarianism overshadows socioeconomic usefulness to the greatest extent. This results in a special interpretation of the role of the state: state administration methods are replaced by business management processes.

Although the change of the Hungarian political system was distorted, slow to start and difficult to achieve, the real problem lies in the ever increasing number of negative indicators of the past five years. Unlike our leading position 18 years ago, we have fallen behind by now. As far as the integration in the global economy is concerned, we are among the leaders; however, we are lagging behind in the quality of the human potential. This cannot be improved from one political cycle to another (although we have managed to do damage in no time). To improve a comprehensive development strategy is needed, which we have never had so far in the economic policy. For this purpose an adequate institutional framework should be developed. The most important task is to promote rational thinking in all sectors of the society. The situation is not hopeless as we are going to receive significant EU funds, the efficient use of which will generate lots of tasks for the economists.

LÁSZLÓ PARRAGH, a businessman, the President of the Hungarian Chamber of Commerce and Industry has well illustrated the economic history of the period following the change of the political system through the development of his company bearing its owner's name. The business was set up in 1989 with high hopes later to be proved by the company's success. However, a more difficult period started in 1995 and the company had to make great efforts to survive.

When the company was established, the market was characterised by excessive demand; it was impossible to import goods that could satisfy such demands. In the 'golden era' for 1 billion HUF 500 million HUF coverage was available, therefore it is no wonder that year by year the company multiplied its sales. Although interest rates were high, banks were willing to provide funds to this highly profitable company. Initially the company hired equipment from state-owned companies, and later was able to buy such equipment. There were various opportunities in privatisation, from which the company did not benefit; even more, as the victims of fraud they failed to acquire a company. Their sales gradually increased. The company opened 15 tile shops and entered the Russian market. By the mid-1990s the market situation had changed: new competitors emerged (multinational companies, shopping centres, 'cash and carry' stores), the Hungarian Forint was devaluated, public dues increased and the privatisation process came to an end. During the Russian crisis the company had to say good bye to receivables of 1 million USD.

After 2003 they realised that their resources and opportunities were different than those of the multinationals. This revelation finally marked the end the 'golden age of dreaming' starting with the foundation of the company:

they suddenly realised that they would not be able to build even a single store like those of Raab-Karcher or Praktiker. Since their foundation the company is currently making extra high profits, but now they are focusing exclusively on property management.

Changing the focus from microeconomic objectives to macroeconomic ones, László Parragh first concentrated on employment issues. The number of working hands was sufficient, but the structure was inadequate, he said. For example, when streamlining was carried out at the IBM facilities in Székesfehérvár, 90 per cent of those made redundant were skilled workers working as unskilled workers. In addition, the regional allocation of the workforce is inadequate; due to low wages the unemployed cannot migrate to workplaces. Similarly to Béla Kádár, the President of the Chamber believes that the main reason is the lack of technical training.

During the last 17 years, the corporate sector has been characterised by a continuous lack of resources except for the beginning of this period when start-up loans, compensation coupons and privatisation opportunities were available. A real increase in resources for SMEs started in 2002 through the introduction of the Széchenyi Card: it generated competition among banks and 80 thousand customers took out loans in the value of 380 billion HUF. As far as the credit portfolio is concerned, the private sector has taken a leading position in the former socialist countries; however, we are far behind the original EU member states.

After the change of the political system a significant property reallocation took place towards the private sector. After 1995 the initial – inorganic – development was thwarted. It is still difficult for businesses to obtain capital and sources; however, this applies only to small and medium sized Hungarian companies. The biggest blow on the businesses has been the delay of the accession to the euro zone. Hungary is the first in the region with regard to the operating capital per person; however, we are far behind Portugal and Austria.

Initially, the Hungarian Forint was too strong. Later, the otherwise necessary measures in the 1990s significantly weakened it, which heavily burdened businesses importing into Hungary. It was not surprising that the Forint became stronger when the crawling peg exchange rate system was given up. There were fluctuations but this has been stabilised so far.

A more important problem is the tendentious increase in taxes and public dues. It has always been the economy that had to bear the consequences of the change of the political system as well as the faults of the economic policy. In the recent years the amount of levies grew by 100–200 billion per year. This figure is as high as 630 billion HUF for 2007. As a result the black economy has grown stronger and the rate of economic growth has slowed down. Therefore the economic management should look at the causes of the problems: levy rates should be significantly decreased. In the European Union the rate of the budget centralisation is 42 per cent compared to 52 per cent in Hungary.

No improvement has been achieved in the field of R+D. Most of the Hungarian economy is involved in assembly activities. Applied research is especially weak; funds are primarily spent on basic research, the results of which are then realised abroad.

Corruption is a major problem for our economy. This slows down the growth of the economy as it is cheaper to 'buy' the decision-maker than developing businesses. Notwithstanding, competition in the market is rather strong. Through controlling the inflation the economic problems burden the real economy, while in the market segments under state influence the players on the supply side are in a more favourable position, since here the increase in prices is above the average.

Monopolies are very strong in the Hungarian economy, especially in the energy and telecommunications sectors. Although in the latter – theoretically – there is strong competition, the prices of the Hungarian providers are extremely high compared to Europe.

Our economy is far too bureaucratic: while in the EU 3 to 4 per cent of business turnover is spent on such purposes, this figure is 6.8 per cent in Hungary.

László Parragh agreed the President of the Hungarian Economic Association in that the economic policy was deeply permeated by political motives, the main disadvantage of which was that very short term considerations prevailed. Only 14 per cent of the resources allocated through the National Development Plan is scheduled for the development of the economy – in a period when the economy is slowing down. There are too many mayors in the Hungarian legislation, which is obvious when you look at the developments: far too many main squares are reconstructed and numerous fountains are built. It is a great fault to spend so much on useless things.

The economic/business changes should be completed – as have been done in the market sector – but it is still ahead in education, health care, research and at the local governments.

The economic policy cycles are not identical with the political ones. Between 1995 and 2000 the economic policy was driven by the exports. Subsequently, internal consumption was focused on. This phase ended in 2005. In the last 17 years, the economic policy has been characterised by extreme fluctuations: we have tried everything from patriotism, from the slogan "we can cope on our own in the Carpathian Basin" to liberalism. Objectives and instruments have scarcely been in harmony. For example, a core objective of the National Development Plan is to increase employment, while the Convergence Programme would bring different results. The professional strategies of the individual ministries are not in line with the macro-economic objectives. While the European Union would promote an investment-oriented economic policy, the Hungarian government follows a market-oriented, liberal scheme. In practice, however, there is a great number of individual bargains and exceptions. It is not surprising that it has consequences to be borne by the economy.

Since the change of the political system it has been impossible to balance the export- and the internal market-oriented approaches; one or the other has always been overemphasised.

It is a well-known fact that the growth in the GDP and wages has not been correlated. The 13.8 per cent increase in wages seen in 2002 took its toll in 2004. Since then the situation has improved, but even in 2007 there is great tension in the system.

The Hungarian economy is a typical a dual economy: besides multinationals, there exist Hungarian SMEs, most of which merely scrape along. Export is highly concentrated: 15 companies account for one third of the Hungarian export, and Audi for 10 per cent of it alone! 80 per cent of the export activity is carried out by non-Hungarian owned companies. Naturally, this is not a problem; still, economic policy makers need to be aware of this fact. SMEs focus on the domestic and regional markets – obviously.

The economic and budgetary backgrounds are rather unpredictable. 2,000 billion HUF needs to be saved, and we wish to achieve this through focusing on small items – e.g. the surgery fee, which is to earn as little as 20 billion HUF for the state.

Comparing 1996 and 2006, the President of the Hungarian Chamber of Commerce and Industry said that the global economic environment was favourable at both times, whereas the domestic market had been drying up, the tools of the previous path of growth had weakened, and due to the more and more serious lack of financial balance, the economic policy primarily relied on increased cuts of funds. However, a basic difference is that while in 1995 a sufficient and properly structured labour force was available, today the same cannot be relied on any longer. At that time, EU transfer was of a small value, today we are entitled to Community subsidies greater by orders of magnitude. There used to be privatisation reserves, which we no longer have. A decade ago, economic policy makers had a freer hand, today they are bound by the Convergence Programme and EU regulations. In 1995, it was possible to attract multinational companies by cheap labour, now, less so. At that time, Hungary used to be almost the only well-off, reliable country in the region – today, the exact opposite.

There could be two breakout points available for the economic policy: one is to utilise EU transfers to strengthen competitiveness, the other is to support SMEs employing the largest workforce. However, the signs visible today do not indicate such uses.

Sales revenues of Western European companies are typically 3–4 times higher than sales revenues of Hungarian companies of a similar size, while the difference concerning value added is seven to tenfold. This is because the Hungarian subsidiaries of multinational companies typically carry out undemanding assembly activities in Hungary. The labour cost per one unit of value added is approximately the same – in other words, it is not a question of benevolence whether foreign-owned companies raise wages or not.

The highest "cost" of the period since the regime change is the loss of our initial illusions. In 1989, we believed that circumstances typical of Austria or Germany would be established in Hungary within a few years. However, we seem to have to wait for another decade to see that happen, if not more.

Ádám Török, member of the Hungarian Academy of Sciences, Professor of the Budapest University of Technology and Economics and the University of Pannonia, Vice President of the Hungarian Economic Association analysed the Hungarian economy in view of structure, behaviour and performance: what kind of behaviour was related to which economic structure and what kind of performance it made possible.

As far as the proportion of the private sector is concerned, Hungary has a leading position among the countries of the region – we are in the vanguard to meet the requirements of the Washington consensus in this respect. However, fulfilling international requirements and good economic performance are not unambiguously interrelated. For instance, Slovenia took this direction much later, and yet, it already appears to be in the lead – being the only country to have joined the EU in 2004 which has succeeded in introducing the euro in 2007. Also, its GNI per capita exceeds the level of several old Member States.

In recent years, the Washington consensus has been criticised by several renowned economists – Nobel Laureate *J. Stiglitz* being the best known among them. The former Vice President of the World Bank does not dismiss privatisation, liberalisation, or globalisation – he only recommends that the above measures and adaptation to globalization be well-founded by creating proper institutional and regulatory conditions.

In the first stage of the transition in Hungary, monopolistic companies, which stayed monopolies (oligopolies), and which are still only willing to bargain with regulators about the percentage of their monopoly profit that they are ready to give up, were sold within the framework of privatization. We accomplished the transition to market economy without a proper background provided by the legal system, consumer protection or an institutional system – in other words, we did the exact opposite of what Stiglitz recommends today.

Not multinational companies, but regulators are to be blamed for this. Exactly for this reason, we need to be cautious when eliminating the current monopolistic health insurance system: theoretically, establishing a multi-insurer health care system is definitely desirable; still, practically, in today's Hungary it is certainly not – due to the lack of consumer protection. If you have ever had a car crash, you know what insurance companies are like. They would be the new players involved – only the product would be different.

FDI per capita is an important indicator of success – but foreign investments could have been utilized much better, had we shaped our institutional conditions more effectively. Capital export is an even more significant indicator: here we occupy a leading position among the countries of the region. Some of our large companies have established positions that can be deemed significant at a regional level.

The structure of each country in the Central Eastern European region reflects a real modern economy: each state has reached the threshold of the post-industrial age. Yet, they cannot be considered mature market economies because their markets are still monopolised.

The relationship of the state and companies has largely deteriorated: the state keeps trying to further exploit them, while companies try to evade taxes. The state treats everyone as a dishonest entity – continuously harassing regular taxpayers, while quite a few "big fish" elude those trying to call them to account.

The Hungarian economy is party politics-oriented to an extreme degree. Both sides have made equally irresponsible promises, but – quite obviously -only the winner is being held accountable. Neither of the two forces has a genuine economic strategy; and the current government has been forced to develop a large-scale reorganisation and modernisation concept. They use communication to make up for lacking strategy, they often induce unnecessary consumer spending, and irresponsibly encourage individuals to run up debts.

Reacting to László Parragh's criticism, he said that basic research should not be treated as a nuisance: neither applied research nor high quality education could exist without basic research. Only a small minority of Hungarian businesses do any research or order research projects to be carried out. The reason for this is that companies focus on survival and not long-term development.

Regarding GDP per capita, Hungary has had a stable third place among the new Member States in the Central Eastern European region, though Estonia is likely to overtake us in 2007. A disproportionately large part of the GDP is produced by multinational companies, and in the three richest regions.

As for the extent of indebtedness, we are in the vanguard, but the data concerning Italy, Belgium, and Greece also greatly exceeds the Maastricht requirements. The irresponsible promotion of property loans was an important factor generating indebtedness. It also sent up real estate prices and ensured the survival of inefficient construction companies.

As far as unemployment is concerned, our position within the region is not so bad; however, the public sector being typically larger than in the other countries does play a part in this. Heavy downsizing in the public sector is bound to increase unemployment, which will still not exceed 10 per cent.

To sum it up: structural indices indicate flying colours, discipline is poor and performance is mixed. Therefore, unfolding progress does have a basis. However, it necessitates reforms in areas that have not been mentioned or considered yet: we still have a lot to do regarding the legal system, consumer protection, and the elimination of monopolistic systems.

Professionally so inclined, political scientist LÁSZLÓ KÉRI, Senior Research Fellow of the Institute of Political Science of the Hungarian

Academy of Sciences counterpointed the views presented previously, contrasting the promises of the regime change and reality. In his view, the beginnings were characterised by general naivety. For instance, nobody had expected unemployment figures of 730 thousand. Originally, the promises of all the political parties could be placed within the quadrangle of democracy, Europe, market economy and welfare – in that respect, there were no significant differences among them. (For instance, in those days even conservative parties anticipated the lasting co-existence of several forms of proprietorship.)

Regarding the construction of market economy, the level typical of Western Europe had been reached by 1997. However, nobody had expected society to become this shattered by the huge differences of wealth, incomes, and opportunities. Not even the "Pannon–Hun" division prevails any longer because differences are huge even within one micro-region. The total number of cars was 2 million, whereas it is 3.2 million today. However, among the top ten car makes there is not one "socialist" make today. Behind this, there are individuals' investments worth several thousand billion Forints. Knowing foreign languages has become a similar investment, and a huge number of language schools have relied on private individuals' funding. Only half the number of the flats built 18 years ago are being constructed now, but their sizes and the amenities are not comparable with those built back then. All these points need to be taken into consideration when consequences are being drawn regarding Hungarian people's impoverishment. For instance, 1.5-1.8 million people in poverty were inherited from the previous regime, which topic, however, had been a taboo before the regime change.

The basic institutions of democracy were fast to be established, i.e. within 13 months, but the legitimacy of this institutional system has been deteriorating quite fast as well. The further away an institution is from everyday life, the better chances it has stood to maintain its prestige. The current "popularity indices" of politicians at the top of popularity lists would hardly have qualified them to stay at the very end of such lists right after the regime change.

The freedom of the press and the changes in the trends of media consumption have made the real state of the economy unfathomable for lay people. This is because, processes having become uninteresting for it, the media only highlights moments and states.

The notions of market economy, being European, and democracy need redefining, not through rejecting previous institutions, but focussing upon the future.

The first person to comment, *Frigyes Solymosi,* Chemist and Member of the Hungarian Academy of Sciences (Batthyány Society of Professors), drew the participants' attention to the following: research had great potential but researchers were not commissioned to do any research work by the industry – not even the largest companies with a huge capital were responsive enough to Hungarian intellectual achievements.

András Lukács (President of the Clean Air Action Group) spoke about the dangers of economically harmful subsidies. The operation of heavy vehicles receives subsidies of 1,000 billion HUF, while the private use of company cars 800 billion HUF annually. He proposed that the Hungarian Economic Association put this issue on the agenda.

Environmentalist *Károly Balog* drew the participants' attention to the message of the Göteborg Summit: the primary objective of the Lisbon Strategy, i.e. to catch up with the USA and Japan, was unrealistic due to the limitations of environmental sustainability. In Hungary, the incomes deriving from eco-taxation are not spent on environmental protection. Improving public health is an important social element of sustainability – however, our debts are significant in this respect, too.

Mrs Katalin Pál-Németh (GKI Economic Research Co.) referred to the research findings of her institute according to which Hungarian companies did not even take advantage of the opportunities provided by the tax system.

In his reply, László Parragh claimed that the economy did not "order" enough research work because the number of truly Hungarian companies was small. Multinationals do research and have research done within their own circles, and SMEs focus on survival. The economic policy is unwilling to address this issue and fails to establish focal points. Had the leaders of the Hungarian economy in the 1970's not assigned chemical industry as a priority, we would not have Borsodchem, TVK and MOL today. Currently, economic policy making basically concerns trimming the budget deficit.

Answering *Zoltán Mádi's* question about the possibility of the reconciliation of the two political sides, László Kéri answered it was impossible, referring to the National Development Plan, which could have provided a fine opportunity for that. Hungarian politicians have been writhing about in the trap of extreme opposites since 2001. Not even external disciplinary forces can significantly affect them. Moreover, we export internal conflicts to EU institutions.

In the summary of the debate, BÉLA KÁDÁR claimed that Hungary was doomed to duality. Between the 1867 Ausgleich (Constitutional Compromise) and First World War, duality concerned public law, while today it concerns economy and society: the huge deficit of state finances on the one hand, and the sphere of large, prospering Hungarian companies on the other hand. People are divided, too. Our global economic integration happens parallel to economic and social disintegration. For this reason, there is a huge demand for a development policy – and even more so, as the Prime Minister has admitted that the political parties fail to deal with the real problems of the Hungarian economy.