‘National Economic Revolution’

Hungary Challenges IMF/EU Austerity

by Rainer Apel

July 30—While the Western European nations, caught in the vise-grip of the European Union, are buckling under to the Schachtian austerity demands coming from the London-run supranational bureaucrats, there are signs of spirited resistance from smaller nations, especially in Eastern Europe.

On July 22, the 386-member national parliament of Hungary passed the “National Economic Revolution” package of Prime Minister Viktor Orban, with an overwhelming majority of 301 to 12, with one abstention. The package includes a tax on banks to be used to lower the budget deficit, and several restrictions on credit issuance. The restrictions were hotly protested by the International Monetary Fund, and led to the spectacular breakdown of talks between the Fund and the Hungarian government July 17.

The IMF’s decision to “punish” Hungary by blocking the remaining EU5.5 billion of a EU20 billion loan agreed upon two years ago, was mocked by the Hungarian government, which says it can do without the doubtful assistance of the Fund. And Janos Lazar, chairman of the parliamentary group of the governing Fidesz party, said that “despite IMF pressure, we will not squeeze the poor more.”

The parliamentary debate on the legislative package was introduced by Orban, with the words: “I suggest that we study and explain our relationship with international financial institutions from a new perspective. . . . We want to restore the lost economic sovereignty of Hungary, because there is no economic growth without it.”

The agreement with the IMF signed by the previous government has pushed the country into a debt trap, but the 29-point program proposed by his government will lead Hungary out of that trap, Orban said. In his first major speech after taking office, Orban insisted on the clear differences between speculative capitalism and productive capitalism, stressing that his government has resolutely adopted the latter.

Hungarian Prime Minister Orban’s “National Economic Revolution” against IMF/EU austerity is echoed in the actions of several other European nations.

Hungary’s bank tax plan, Economics Minister György Matolcsy explained, “has caused quite a storm in the global business community,” which has less to do with the small country of Hungary itself, than with the “fear that if Hungary introduced a bank tax of this magnitude, Germany, France, the U.K., Romania, and Slovakia would follow suit.”

Not Standing Alone

Indeed, Hungary is not alone in standing up to the IMF. It received support from the other three governments of the Visegrad-4 group (Czech Republic, Slovakia, and Poland) at their Bratislava summit on July 21. Leaders of the four countries resolved to coordinate their steps before every important EU event (all are EU members), to make sure, as Orban put it, that “no new Iron Curtain, this time of finances, divides our countries from the rest of Europe.”

From Slovakia, which took over the chair of the

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Visegrad-4 group for the next 12 months, the new Prime Minister, Iveta Radicova, also announced that the drastic budget austerity of the previous government would not be continued. The Slovakian people, she said, suffered severely in the 1990s, and at the beginning of the millennium, when their living standards were cut by 10% to save the banking system. "This will not happen again. The population cannot be made the victim of irresponsible governments again and again," she concluded.

Unfortunately, rather than supporting these countries' moves to defend their populations, the French and German governments propose to impose harsher sanctions on states that do not comply with the EU's Maastricht criteria. And, virtually every Western European government has prepared crushing austerity packages for their own populations, even as such policies are already dooming them.

In France, in the midst of the scandals pouring down on the Sarkozy Presidency, some media are comparing Prime Minister François Fillon with Premier Pierre Laval, the budget cutter of the pro-Nazi Vichy government in the 1930s. In Italy, although the Italian austerity program is modest in comparison to other EU members, the population sees it as a shift and a betrayal of the nation. The austerity demands have robbed Prime Minister Silvio Berlusconi of majority support in opinion polls, while his government coalition is cracking under centrifugal tendencies.

A Homeowners Protection Act

The new tax on banks that Hungary is to apply is not the only cause for concern in the international banking community: The new Hungarian government also intends to put an end to one of the most profitable looting operations by Western banks in Eastern and Southeastern Europe—foreign currency-based home loans. Families are lured into taking huge mortgages denominated in Swiss francs, for example, at interest rates slightly lower than those offered in domestic currency.

Now, with the speculation-driven collapse of national currencies in those countries, many debtors, *a fortiori*, those that have lost their jobs, are no longer able to pay back the loans in the foreign currency. The creditors then move in and seize the home, as collateral on the unpaid debt.

This issue was addressed in clear terms by Orban in his June 9 speech before the national parliament, in which he presented the 29 measures to restore economic sovereignty for Hungary. Those dealing with mortgages are similar to some provisions of the Homeowners and Bank Protection Act, called for in the United States by Lyndon LaRouche in September of 2007.

Hungarian Measure 24 provides for the establishment of "a national assets management organization so that homes with failed loans would not be taken away from the owners, but instead, would be put under the supervision of a national assets management organization, where the rights of families in debt but unable to pay, and the right to use the home, could be settled via talks. To halt the spreading of foreign exchange-based housing loans causing so many problems, we propose that mortgage registration be allowed only in case of HUF-based housing loans." The Hungarian forint is the nation's monetary unit. On July 22, the parliament outlawed loans issued in foreign currencies. Hungary, although an EU member, does not use the euro.

Measure 29 provides for a moratorium on evictions until Dec. 31, 2010, and for talks between debtors and creditors over the future of the loans. "I am aware that the credit institutions and financial institutions do not support this motion with the very logical and understandable argument that if we take away the ultimate collateral behind the loan, the loan would become uncertain, and the creditor can get into trouble much easier," Orban said.

However, Hungary must decide how to solve the problem, with, as he put it, the Anglo-Saxon approach or the Continental European approach.

"The situation is that the financial institutions evict people unable to repay their loans; then they become unemployed, they start to subside in their existence, their families start to fall apart, their children have to be taken care of by the state, and they are a bigger burden on the whole to the public and to the state than if we interfered at the right time.... In this debate, the Government will be of the position that the Continental approach be put into practice, meaning the establishment of a mortgage system in Hungary that does not accept eviction."

In a parallel development, the Supreme Court of Iceland has just ruled that foreign currency-denominated loans with no firewall against speculative devaluations leading to a loss of property for Icelanders, are unconstitutional. All such loans will now be subject to review, which is another serious blow for creditor banks in Iceland.