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YPFS Lessons Learned Oral History Project: An Interview with Péter Ákos Bod

Péter Ákos Bod

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Introduction:

The Yale Program on Financial Stability (YPFS) interviewed Péter Ákos Bod regarding his experience and expertise on economic policymaking in Hungary. From 1990 to 1994, Bod held top economic policymaking positions, initially as Minister of Industry and Trade and then for three years as governor of the Hungarian National Bank, the country's central bank. Crucially, Bod’s government service came during Hungary’s transition from a centrally planned system to a market model. From 1995 to 1997, he was a board director of the European Bank for Reconstruction and Development. An academic before and after his stint in the public sector, Bod was at the time of this interview, and currently is, professor at Corvinus University in the department of economic policy.

This transcript of a telephone interview has been edited for accuracy and clarity.

Transcript

YPFS: Professor Bod, please describe for us your career, spanning practice inside government for the Hungarian Ministry of Industry and Trade, the National Bank of Hungary as governor, then for the EBRD, and then in the academic sector. What main experiences would you share, in a nutshell, for our readers to understand Peter Akos Bod?

Bod: Yes, I came from research and academia for 15 years, and then I went into policy making, politics. And gradually left the political life and then I returned to academia. Now, I’m Professor Emeritus at Corvinus University of Budapest, my alma mater. So, I’m a professor, I have three courses this semester, keeping me very busy, and I write a lot, mostly in Hungarian and on the side in English. With my background, there’s a big demand in Hungary to make sense of what is going on. I have a weekly column, am a regular contributor to Hungarian

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¹The opinions expressed during this interview are those of Mr. Bod, and not of any of the institutions with which he is or has been affiliated.

²A stylized summary of the key observations and insights gleaned from this interview with Mr. Bod is available in here the Yale Program on Financial Stability’s Journal of Financial Crises.
language, professional, and general-purpose newspapers. I’m an analyst now, but as you noticed I have been to policy making, and I teach. The department to which I belong is called Economic Policy and Labor Economics. So, I teach what I have done, economic policy making.

YPFS: I was able, Professor, to locate a couple of your recent articles and I saw that you had a research project, titled "Labor and Money Lending." If that’s correct.

Bod: It’s not my main research interest. Perhaps I wrote something, but the classes I teach, and perhaps that gives you a background, include Comparative Economic Policy. Comparative in the sense that it’s not about Hungary, but it’s regional, mostly, from Austria to Russia. But not covering Russia, not United States, not China. And then another one, Institutions of Economic Policy Making, in which we cover, with my colleagues, the Central Bank, budget, competition office, agencies of regional development and other institutions of an open market economy.

And then for postgraduates and undergraduates, I teach Economic Policy, which is an introductory course. And I also teach an MBA course titled Economics and Beyond. The "Beyond" is a reference to macroeconomic policies and government regulation that a manager is supposed to know. So, this is my background and labor is just a side story because I’m in the department together with others. My main contribution is in the Hungarian language, and also, I publish about monetary policy and the monetary-fiscal mix.

YPFS: Thank you for clarifying. Regarding Hungary’s economic transition, considered in today’s context, what do you consider to be the most important time periodization that we should understand for somebody who’s not a Hungary expert? The time of transition, the post-communist years, then the prelude to the GFC, and the last decade. How do you break it down?

Bod: Hungary is in the news now for the wrong reason ... sort of a bad European under the premiership of Prime Minister Orbán. And the question sometimes I receive, and I raise myself, is what mistakes have we committed that Hungary is now seen as a reluctant ally to the West and has become gradually a centralized and government run economy? Now, I don’t know the full answer, but if you look at any textbook on transition, and I also teach a class on transition and post transition challenges, there are several factors of success and failure, and most have something to do with historical path, geography, and naturally with policies but also with persons and accidental components.

So, the question you raise is a course that I teach. And I start teaching by talking about the Austro-Hungarian monarchy. Don’t be afraid, it will not be too long, but I have to mention it. Capitalism was born in this part of the world within a
political-economic union run by Vienna, the capital of the Habsburg Empire, but Budapest became second, and in some sense, economically speaking, even more important, by the late 19th century. And since that time, the Hungarian frame of reference for all is Austria and Germany, which now is a headache for policy makers since Austria and Germany are rich countries, and the gap between the Austro-German and the present Hungarian living standard is very deep, while the Hungarian income expectations are still high.

So, Hungary is very, as an ex-politician I can say, very hard to govern because expectations are very high, but the productivity and the capital stock, the size of the country and size of the market is very, very different from that of, say, Germany. Now, the Austro-Hungarian monarchy collapsed in the First World War and Hungary lost the special status, the second fiddler in a big monarchy, and became a small, landlocked country with a lot of historical baggage. So, it sounds convincing to many people to say—“make Hungary great again.” That may sound familiar to some of you.

YPFS: When was this slogan? You’re talking about the interwar period that they were...

Bod: I’m talking also about today, not exactly in these words now but in a similar spirit.

YPFS: Oh, OK.

Bod: Well, I’m talking about, of course mostly about the interwar period when there was a strong public desire and an official policy line to regain the territories lost to new neighbors. It ended in failure because to get back the land, the interwar government had to side with Germany, the other loser, and that led to a disaster in the Second World War. Revanchism turned out to be a serious cul-de-sac, a blind alley, but at that time it sounded logical for many. Now it’s history and it is over, obviously, but emotionally, as nostalgia after a golden age, it still works. And Mr. Orbán deliberately uses that nostalgic nationalist feeling that we have lost something, we have lost status, and that resonates in some people. Not in my students, but in some people.

Now, quick change, Second World War, after which Hungary became, as others in the region, subjugated to the Russians. In 1945, the Russians took control of Central-Eastern Europe, including the eastern part of Germany. And Cuius regio, eius religio: where the Red Army went, they forced their regime on the conquered territory. Which is going to be the fate of Ukraine soon, we’ll see, unless they beat the Russians off.

Now, in 1945, defeated Hungary became an ally to the Soviets, with a reluctant nation, because the history, as I mentioned, had brought Hungarian society, its values, institutions much closer to those of Austria. And the living standard,
the aspiration, was accordingly high here, in stark contrast to the Russian living standard. The Russian language and culture were totally alien. All that was behind the factors that led the '56 anti-communist Revolution and anti-Soviet freedom fight. You must have heard of it.

YPFS: Yes, I've been to Budapest. I've seen those bullet holes in the hotels, on the main avenue. I visited in 1990, during the transition.

Bod: I see. The '56 revolution gave Hungary a very good name, just as popular to the Western public as is Ukraine now. I am afraid that the good name, the high prestige has been lost by now; we have to discuss it later.

Back to 1956. The communist regime that came after that period of unrest learned from the failure of the pre-revolution strict, orthodox, communist regime, and decided to give Hungary some small liberties. Not freedom as such, but concessions. No capitalism, but you may have a second house. Which was a unique, in some sense in the “eastern bloc.” A dacha in Russia was a rarity under the Soviets but a second home, a private car, a trip abroad became a fact of life for many under reformed Hungarian socialism. You could not become a capitalist, but if you wanted you could start a small business of your own, after hours, a side business, a private lot for the farmers. You could drive a taxi after hours if you were an underpaid history teacher. Those sort of concessions made life in Hungary much better than in Romania or the Soviet Union.

And this is the famous Kadarism named after the then First Secretary Janos Kadar. And he was in office for four decades and thus gradually emerged as a father figure and the symbol of stability for many. Now, skip in time, to the present Prime Minister, Mr. Orbán, he plays the same card in some sense. The implicit massage of his behavior, look and public speech: “I don’t have to be loved, I’m not perfect, but I’m here. I will stay here, and as long as I’m here, life is more or less stable.”

YPFS: Right. This small-scale liberalization suggests Lenin’s New Economic Policy or some kind of private lots, the way China started with their agriculture reform. But wasn’t there also something at the enterprise level? Maybe that came later in the 80s, where Hungary was innovating in having this also at the larger scale enterprise? Or was it just small scale? Let the people have some space?

Bod: It started with the small-scale family business with the promise that the combination of state-controlled big industry and the additional income one could earn on the side would allow a living standard that was higher in Hungary than elsewhere in the region under Soviet control. And life in Hungary was certainly better, including the food situation.

That’s why the Kadar regime (1956-1988) is customarily referred to in media as Goulash Communism. The goulash is a reference to a heavy soup with beef.
Wikipedia takes it wrong because it’s not called Goulash (herd, stockman) because there’s so many components, but because there’s beef in it. Compare it to the Russian soup, Borscht, nothing in it at that time, but some cabbage-leaf flowing in the water.

The material level was relatively high in reformed communist Hungary. If you look at consumption data of, say, milk per capita, or meat per capita, or fresh fruit, we are not much higher now than in the 70s. But the state-controlled economy was not efficient enough and the regime recognized that. As you pointed out, in the 60s, there were more fundamental reforms meant to do something with the enterprise. Since there was no capitalism on the horizon, "managerial autonomy" was created, saying that it’s not the planner who determines what to produce—at the state-owned enterprise—but managers will have a bigger say. The widespread expectation was at that time that corporate managers at state-owned firms would just act as sorts of quasi-capitalists, and then it will be a sort of capitalism or at least a quasi-market economy.

At that time, I worked for a research institute attached to the Hungarian Planning Office. That was a very interesting place. It was close to the power, close to the heart of power, but I was still a researcher, wearing blue jeans mostly, not wearing a tie in office, and teaching part-time in the university. I wrote articles and did research and came to the conclusion that this quasi-market communist regime is not something that can go on for too long. Others, in Hungary and some in western academia had high hopes in such an intermediate regime, between capitalism and the orthodox central planning. I guess I belonged to the minority of Hungarian economists of my generation. Most of them liked it and thought this was a worthy reform.

And my conclusion was that it will not work. I wrote an article with an American colleague, a visiting professor, Jacob Naor, he must have probably died. Our conclusion was that (I didn’t know much about China at that time) in this part of the world managerial autonomy is not a solution to our issue. The solution should be privatization, the real thing. Most of my colleagues were happy with this piecemeal reform saying that this was certainly a plus for the future.

YPFS: What year was that? When you published that piece, the reconciling?

Bod: In 1986.

YPFS: When was János Kornai? He’s the famous Hungarian expert, right?

Bod: Yes, János Kornai had a very great influence on all of us. Though, I had a dispute with one of his main points: he thought that managers want to grow at all costs.

And therefore, he concluded that the managerial class is the main reason behind the Hungarian economy's shortages because they want to grow too fast. Managers of state-owned firms hoard labor, collect resources in their assumed drive to increase the size of the firm, and then they hit some sort of wall of limited supply of labor, capital, material, and there's a shortage economy, a systematically overheated economy.

I didn't think so. My field research indicated that managers love autonomy. They don't want to grow at all costs. They want to keep their job. And they don't want to become too successful. They don't want to become hopelessly unsuccessful, either. But they are not a modernizing force as some, including Kornai, had thought. But that's OK; it is over with the collapse of the planned economy, reformed or otherwise. Concerning that professional dispute, I wrote a piece about the East European enterprise with John Hall who taught at Portland State University. The article appeared 1992, at that time I was already Minister of Industry and Trade or had even moved on to the central bank of Hungary, and I did not carry on research. Who cares about state enterprise and socialism if there is no socialism?

In fact, I learned a lot about the nature and behavior of the state-owned enterprise, because by that time, I had become a Minister of Industry in trade, energy, small business, or put is simply: minister of the economy. And the enterprise sector caused me a headache since my fear came true. The Hungarian state-owned enterprises turned to be nearly as bad when confronted with real competition, with Western competition, as unreformed state firms in former Czechoslovakia, Romania, or the Soviet Union. The reform communist [policies] did not contribute too much to the success of Hungarian transition. Hungary's transition turned out to be practically as harsh as in any other country. Just for your education, in the first three years, the decline of output in three consecutive years, amounted to 17% of GDP. 17! A war-like collapse of national income.

YPFS: What years were the most harsh? When were the transition effects of competition really in place?

Bod: 1990 was the first full year, when I became a minister, with the contraction of 5% of GDP. The IMF did not believe it, they thought it would be 2% to 3% decline, and that would be over in a year. And then '91, a further 11% decline. Minus 11! Just imagine. Worse than the great financial crisis, or the COVID, or the Second World War's last year. It's shocking, just shocking.

YPFS: This background is so important. So, this is a critical juncture, really, '90 to '92. And then transition stabilizes?

Bod: Now, I have not finished the story, I skipped one thing, the issue of public indebtedness. As I said, Hungarian people entertained high expectations of Western-like living standards, but reform-socialist Hungary was unable to build a competitive enough economy. And then the toying with, playing with, capitalism during the 1960s through 1980s was not enough to make it modern. The market economy under a one-party rule was in quotation marks. By the way, Kornai used the terms quasi-market, quasi-bankers, quasi-capitalists, and he’s right. Because it was a quasi-market, not a real market. Reformed planned economy was not fake, but it was not the real thing.

What is real was that the communist government, or reform-socialist government, was a bit friendlier to the West and kept borrowing Western monies, and when bank loans dried up in late 1970s, it needed financial support, thus Hungary joined the IMF in 1982. Applied for membership 1981 and joined in ’82. Now this timeline is important because the Soviet troops were still here. The Soviet Union in 1981 was still the Soviet Union; that was pre-Gorbachev, it was the real thing. So, the People’s Republic of Hungary had a nearly a decade under IMF tutelage. The socialist government kept borrowing from the IMF, World Bank, and Western capital markets, hoping that if it invested well, then Hungary can grow, and then the living standard can be maintained by a growing economy. The Poles made the same mistake in the 1970s, but Socialist Poland went into bankruptcy, international default sooner. The Hungarian economy was in a little better shape, so we didn’t go bankrupt in 1980 as the Poles did, where there then came the Solidarnosc (Solidarity) movement and the dramatic Polish story.

The Hungarian reform communist struggled on— borrowing, borrowing, borrowing. Now, at the end of the story, is that in April 1990, in the first free election in four decades the new government is elected, me included, under Prime Minister Antall, center right, a very decent government I would say. Not an easy three-party coalition, but the main party, the Democratic Forum, was a decent center-right pro-market government and then the economic portfolios belonged to ex-professors; three professors out of the four economic portfolios including myself. But the international debt kept hanging over us, that’s why I’m talking about this history. The accumulated foreign debt made democratic Hungary in 1990 eager to get capital. And the West was not forthcoming. I think it was a mistake. I knew at that time it was a policy mistake.

I know it much more clearly now, that the reluctance of the Western community to offer real money—not just some money, but real money—was a mistake. I guess I know the reason why the generous financial package was not forthcoming. Part of the reason was that nobody could imagine, me included, that the collapse of a bad system, the centrally planned economy, would be followed by a very tough transition. Instead of a year or two of a harsh transition, it took nine years to reach the pre-change level of output. That’s a shock. In Poland, it took three or four years, after a deeper decline; in Czech Republic,
it took a decade, too. In Russia, it took two to three decades to surpass again the national income level of the peak, before transition. In Ukraine, two to three decades to reach the 1989-90 level. Not too high a base level. It’s still not much explained in transition literature why it happened. I just say that the first government and the second government and the third government in Hungary were all kicked out of office after four years, each, by a disenchanted electorate. A rather general understanding was, particularly among blue collars, that we used to have a Kadarian, stable, somewhat corrupt, communist regime, and now what do you have? What you have is worse.

YPFS: **This was nine years lost. You said that it was a mistake, but a mistake on whose part?**

Bod: Part of the problem was, I am sure, an analytic mistake made by the global West. The European Union was busy with digesting the previous enlargement, and also under the stewardship of a French socialist politician, they just started to think about the common European currency, under the Jacque Delors plan. The member states did not promise too much financial support for the new democracies. They did not really feel the urge to pour serious moneys into the region, probably because, first, they couldn’t imagine how harsh the transition would be.

The only warning signal was East Germany. Once East Germany was unified with West Germany, what happened was mass unemployment, collapse of all the former East German businesses, and long-lasting intra-German tension because of the Ostland, the Eastern provinces, vis-a-vis the Western living standard. It should have been a warning to the Western community that the transition is tough.

I think it was a mistake, but I don't want to blame the then governments nor academia. I understand because the Chinese case has been misleading the researcher a bit. China, with not much support from outside, with just access to European and American markets, quietly and systematically became a middle-income country in four decades. But Hungary, when we appeared at the door, knocked at the door of Europe, not the EU, it was the EC at the time, Hungary was kindly asked to open up our markets. Obviously, if you want to be with us, become part of the common market. You ought to open up in the same fashion as we Westerners will open up our markets for you Hungarians and Poles.

The problem was that we did not have much to sell, while the (Hungarian) markets were open to German banks and insurance companies and industrial corporations. Then, you can imagine a sucking noise. The capital came into Hungary and then Hungary became, in a couple of years, five to six years, highly Westernized, but a dual economy. Half of the GDP right now comes from foreign-owned businesses, 48-52%, depending on which year you take. Now,
across the EU, the European average of foreign-owned businesses in your economy is 25%.

Europe is open, including pretty competitive Germany. But the 52% share of foreign-owned businesses in producing gross domestic product (and the ratio may have been higher a decade ago) is a bit too high. Hence, Mr. Orbán’s famous statement in 2010, when he got the job as Prime Minister, again, for the second time, but this time winning tremendously—“I will follow a patriotic economic policy. In the banking industry, for instance, I will increase the Hungarian share from 30% to at least 50%.” And he did it.

YPFS: We want to ask about how Orbán nationalized Hungary's banking system. But still on this transition period, about Hungary's opening, are you saying it was a mistake to open the way that they did in the 1990s? There was really no choice, was there?

Bod: There was no choice. Yet, I wouldn't call it a mistake because in 1990 you could not argue for keeping the import quotas or tariffs or something to control capital flows. I'm just saying that the opening was obvious, in a country with a very small domestic market, like Slovakia, Hungary, unless you protect your market. Some did.

Slovenians did it carefully, I noticed later. Poland also opened, but the Polish economy is much bigger, with a much bigger domestic market. A Polish company, even a state-owned company, could survive by selling to domestic markets. But Hungary, with less than 10 million people and traditionally very open, we opened up all the sectors as a matter of fact. Insurance, banking, retail industry, but not health and education, which was later, gradually. Immediate capital control liberalization wasn’t a mistake, but the consequences are just as you can imagine, a takeover by foreigners. The opening led to a very fast inflow of FDI (foreign direct investment), which is good. I was happy with FDI inflows as a minister, but I also had some flagship industries that went bankrupt like that.

YPFS: You were talking about China and Germany in terms of transition models. Both are a very different type of country and economy than Hungary. Even Poland, as you mentioned, is different for the size of its internal market. For Hungary, a small market that is integrated increasingly, what cases, what constructive models do you look at now? How did Slovenia, for example, control their transition?

Bod: Slovenia had two things that was different. One is they did not inherit foreign debt, because Yugoslavia collapsed. During the transition crisis of Yugoslavia in the late 1980s, the federal debt just disappeared. Domestic debt vanished via hyperinflation. As for the foreign debt, the banks wrote it off. When Yugo-
slavia disintegrated, nobody could claim Yugoslav debt. Slovenia left the marriage with no assets, no debt. The same story, Estonia, Latvia, Lithuania; they left the Soviet Union with no assets, no liabilities. Now, Hungary left the communist period with $20 billion debt, mostly in the book of the central bank. That was huge. Per capita foreign currency debt of new, democratic Hungary was much higher than Poland’s.

YPFS: Because of the timing? Because Poland's bankruptcy was earlier, it was just the luck of timing?

Bod: The Polish bankruptcy was sooner, but also the Polish had not borrowed as much as the Hungarian communists. The Hungarian communists were the lieblings (darlings) of West Germany. The Germans, particularly under Social Democratic chancellors, loved the Hungarian Reform Communists, strangely. I think they misread the system.

Anyway, the Hungarian story is that of a huge debt burden. What should have been done? Should it have been written off? Looking back, that must have been the optimal solution for an oversized debt; a workout or something similar, a la Greece after the GFC. But at that time, no major financial player came to the conclusion that, "Wait. The debt you inherited is too much for you, kids. You cannot carry the burden. Don't even try. We give you some (help)."

When I was at the central bank, I raised the issue in Germany. The German Minister of Finance said, "Peter, we would love to help, and we would do everything we can, but please don't default on foreign debt, because if you Hungarians go bankrupt, then everybody will default in Eastern Europe." Okay. "We would help you with the IMF, we would help you with FDI, and then we will offer you bilaterally something, but we cannot be too generous, because we have 17 other transition countries to look after."

That was the German story. I went to Japan, and I just raised it very carefully. The Japanese answer was, "No, no, no. Don't even talk about default, because once you do that, you can forget us for two decades." Okay.

When I went to the United States, I didn't meet the top guy in the Treasury, only the guy responsible for foreign relationship. They said:

"How much is your debt?"

"20 billion."

"Oh, it's too much. Well, well, well. Can you pay it?"

"Well, hardly. And you know, we struggle. – I said.

"Ah, ah, oh, it's too bad. And who do you owe money to?"
"Well, mostly German and Japan."

"Uh-huh (affirmative). Don't pay."

I said, "I shall not pay?"

"Yeah, don't pay them."

"Okay, but if I need fresh money, can I turn to the United States?"

"Well, we have to talk to Congress."

YPFS: Oh boy.

Bod: Okay. I changed the subject. I don't know enough about the American system, all it takes, but when you say, "You turn to Congress," to me, it means that we, as government, will not bail you out. If you don't pay the Germans or the Japanese, we won't object - but that's all.

To put it simply, we did not receive write offs. We did receive very dynamic inflows of FDI. I, as a Minister of Industry, can still claim in public that this strategy has contributed to modern Hungarian industry. The biggest export item in Hungary is Mercedes-Benz cars. If you ride a Mercedes, it probably comes from Hungary. The second biggest item is Audi engines. The third biggest item is Suzuki cars in Hungary. The fourth will be the Kia and other electric car components. But if you ask about a Hungarian business, Hungarian-owned, then we have tokaji wine, Hungarian salami, hand-painted chinaware from Herend manufacture, and very few real Hungarian businesses.

You can claim that that's OK, that you are in the value chain somewhere. But for the general public, it is still seen as if Hungary has been pushed aside by powerful, cash-rich multinationals. The term "multi" in Hungary, for multinational, is extremely negative. If you say, "I work for a multi," then there's a smile. "Yeah, yeah. Oh, right, yeah, a small fry in a big pond." Mr. Orbán uses this card, saying that, "The West owes us money, because they took our markets." That's his argument.

YPFS: They took our markets because they came in and dominated. They bought and they disrupted.

Bod: Yes. In the Czech Republic, the Czech share of banking industry is less than 2%, not 20%, less than 2%, because the biggest bank is Austrian, the second biggest is German, the third-biggest is also Austrian. Now, we have 50/50. I'm critical of Mr. Orbán, a vocal critic, but I see the point. Of course, he uses it and misuses the argument. But I see the point when he says, "I just want to restore some sort of balance. I want to make the Hungarian economy great again." You may smile, but these statements have an audience.
YPFS: Help us to understand the factor of the debt and the different kinds of money and flows.

There is the public foreign debt you commented on, including the IMF role, starting in the 1982 and then in the '90s, and then for another decade, then involved with Hungary really significantly in 2009.

Then there's a whole period of more private foreign inflows from the Swiss and German banks to private household borrowers that the Hungarian National Bank, I understand, is sanctioning and allowing to happen. It creates a bubble that is the face of the Hungarian crisis.

Considering the various debt flows and the vulnerabilities preceding the 2009 crisis, what are your main takeaways or lessons learned?

Bod: Two things are important here to Hungary's 2008-09 episode with the IMF. One is the debt, because the nature of the debt is that it doesn't go away. The Hungarian public sector debt in 2008, and even now, is the highest of the Visegrad-4 countries per capital, the highest in the club, consisting of Poland, Czechia, Slovakia, Hungary. Hence the history of our reliance on the IMF. We joined in '82, at the time of hard transition. From 1990 through 1994, the IMF was very active with Hungary. In summer 2008, there was the first tremor in Europe, starting with Iceland.

The second was Hungary, and not surprisingly, because the debt was just too much. The government at that time (it was not Mr. Orbán) it was the socialists, they tried to continue this Kadarian living standard strategy, saying that consumption is important and even if we have to borrow, no problem, the economy will somehow manage. They kept borrowing and borrowing. When the bad news crossed the ocean in the summer of 2008.

YPFS: When you say, "the government borrowing continued," the government was borrowing, but wasn't it also that the household sector now had been empowered to borrow and that was a big problem?

Bod: Yeah, yes.

YPFS: What's the relationship between those two kinds of borrowing?

Bod: The government ran a budget deficit of 5% to 9% of GDP each year between 2002 and 2009, just imagine! Five to nine percent of GDP! The corporate sector borrowed, too, because the economy was growing. The households borrowed, because now that was already the second decade after transition started and people just wanted to buy a new car or freezer and build a new home.
The banks were happy to lend the money in anticipation of Hungary entering the Euro zone, which did not happen then, and has not happened yet. The anticipation was pre-2008 that Euro lending is not as dangerous, because sooner or later we will be in the Euro zone. The foreign-owned banks lent. Again, the theme I mentioned before, half of the banks are foreign-owned, their funding base is in Germany, the product they offer is Euro. Austrian and German banks obviously offered Euro products to Hungarian clients, also Swiss Franc products. Now the role of the Swiss Franc in Hungarian finance needs a footnote. Why the Swiss Franc? I think (lending in Swiss Franc) was a big mistake—Euro lending was not as strange.

So, it’s not only that the government was indebted, but the households were indebted, too. I don’t mention the corporate sector because that was more or less OK. Put together, the external debt, government, and non-government debt, of Hungary was probably the highest of the former central-planned economies. It’s not surprising that Hungary was the first of the European Union member states to turn to the IMF in September ’08, because the Hungarian bonds were just not being taken by the capital markets. That was the first sign. When the government bond office was unable to sell the 10-year HUF Hungarian bonds.

YPFS: You have this cycle of inflows, of a very high debt, of public debt, foreign liberalization of capital markets and with foreign banks playing a role. Then you have some countries around the world in the 2000s, which see what happened with Thailand and with Russia, and Mexico. They see emerging market countries, small and large, being subjected to a financial crisis. So, there’s a build-up of independence and reserves. But does Hungary take away any such lesson during this time of this sort?

Bod: No. The reason is that something happened, which we did not discuss yet. We joined the European Union in 2004. Now, it happened a bit too late for my taste. We should have been member sooner, but that was not the case. The European Union waited until eight ex-planned economies joined the club in one "Big Bang". They probably didn’t want to go into detailed and protracted case-by-case negotiations, hence the big package enlargement. But then it’s important because around the time of enlargement, in 2004, the expectation was that if you are in the club, you will follow the club rules. And the club rules are not too high debt, less than 60% of GDP; not too much deficit, less than 3% of GDP; inflation under control; and interest rates low. Then you are allowed to enter the Euro club. And then you behave. And if you behave, everything will be fine. Not written in treaties, but the expectation was, should something happen to you, you will be bailed out.

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5 A significant portion of the Hungarian mortgage ending was denominated in Swiss Franc, which created a need for foreign currency as the GFC hit and caused particular strains on households.
Now this was not the reality in Hungary. Reality was that the socialist-liberal government in office between 2002 and 2010 faced very tough competition from Mr. Orbán in opposition and borrowed, borrowed, borrowed, and then did not obey the European regulation, the Stability and Growth Pact, nor the Eurozone entry tests called the Maastricht criteria. Instead of three, the deficit was six percent of GDP. And then the following year, seven. And the year after, nine percent of GDP. And the European institution just didn’t take it seriously. They didn’t take it seriously, initially, with Greece, though they cared a little bit more, because Greece was in the Eurozone. But they did not care at all about Hungary, because Hungary is not a Eurozone member. I guess their attitude was: “If you get into financial trouble, it’s first of all your problem.” But I don’t want to blame the West because I blame the sitting government. I’m just saying that “It takes two to tango.”

So, the Hungarian government had a fiscal alcoholism, as Mr. George Kopits, an ex-IMF expert used to refer to it. Fiscal alcoholism: just spending, spending, spending. And then the European Commission sent letter after letter, but the Commission did not hold the Hungarian government to account. The Commission and the Council acted just too late, in 2006. By that time, Hungary had become very indebted externally, and a high inflation economy. And with high inflation, the Hungarian National Bank started to increase the interest rate. Now that’s, again, a lesson. If you have a problem with the budget, it is pointless to use the central bank to increase the interest rate to force the government into better behavior.

What resulted were extremely high interest rates, say 9% was the base rate, in the local currency, which made foreign currency loans more attractive to Hungarian borrowers. When I went to borrow around 2007, to buy this home that I’m sitting in, the banker said, Mr. Bod you are a very good client, of course, you can borrow to buy your home. Now we have a HUF loan for 20 years at 14% a year. 14%! But we have a Swiss Franc loan at 4% a year, which one will you take?"

YPFS: Right. Swiss Francs please.

Bod: Obviously. And three million people with me borrowed in Swiss Franc or Euro. I didn’t lose too much because I quickly repaid when Swiss Franc started to appreciate drastically, but millions burned their fingers. Back to my remark about the inefficiency of strict monetary policy when one has a government deficit problem in an open, euroized economy—the monetary policy trying to counterbalance the bad economics of the government added to the problem, because you could borrow in HUF but you could also borrow in Euro or Swiss Franc.

YPFS: Was there an expectation of joining the Euro in the minds of the Hungarian authorities at this time? Because Hungary’s central bank regulators
were allowing the foreign Swiss and German banks to lend in the foreign currencies at the lower rates. A sort of dual policy, which permitted the build-up of private hard currency liabilities.

Bod: Well, the Hungarian government never seriously entered into negotiations to join the Eurozone, because by that time, in 2008, the macro figures became so bad, that joining the Euro was out of the question. And after that, the socialist government collapsed and Mr. Orbán came to power in 2010, and he made a decision: never Euro. He does not say it in so many words, but when he and his party had the chance to rewrite the constitution in 2011, they wrote the currency into it. One of the new lines in the constitution is the sentence, ”The official currency of Hungary is the Hungarian Forint.” That was not in the previous constitution. It is now in our basic law. It takes a two-thirds parliamentary majority to remove it. Meaning that it will be very, very hard to remove it.

That’s a footnote to what we are talking about, but indicative that after the financial crisis, the attitude towards Western financial capitalism had changed. Mr. Orbán, who started as a liberal politician in 1988, gradually became anti-liberal and also anti-financial. The financial crisis provided grounds for his argument: ”Let’s go back to the roots. Let’s go back to industry and labor. We will build a labor-based society.” He didn’t add ”against a capitalist society,” yet.

YPFS: How have the nationalist policies been workable, from a financial point of view? For decades there’s been a deflationary environment, until very recently, and Hungary has for decades had a heavy public debt and then external debt. Yet now Hungary is in a position that the IMF is saying, ”They’re OK,” and Orbán is boasting about this. How did Hungary achieve that?

Bod: My reading is a bit different. I looked at the IMF forecast, but with my research team at Corvinus University, we work on a model, and our figures are a little bit different. But it’s not the figures, but the narrative that differs. Mine is the following: After the financial crisis, about 2010, the European institutions recognized that their attitude toward weaker member states was a bit mistaken, thus much more money was made available for periphery countries through various EU funds. So, Hungary has received an annual 2-3% of her GDP in the form of subsidies in the last decade, on average. It goes to farmers under the common agriculture policy (CAP), it goes to central and local governments to build roads, highways, and infrastructure, and in many ways.

YPFS: So, EU grants have replaced western bank or IMF loans?

Bod: Yes. We did not get enough support at the time of transition, and we get too much money now. Because, just imagine that, meanwhile, the huge stock of foreign capital, the FDI, started to work in Hungary. And then the economy has been growing relatively nicely. And then, on top of that, the European funding.
So put together the Hungarian economy has been growing by 2-3% annually, on average. Not particularly well. And the efficiency of using the EU money must have been terribly low, given that arithmetic.

**YPFS:** Isn’t there a coherent nationalist argument here, based on the story that you’ve told, that the current regime is not loading down the state with unbearable debt? Even if the subsidies are 50% wasteful, they’re not causing this other dependency of perpetual indebtedness.

**Bod:** Certainly, the use of the funding is very questionable, and EU transfers have contributed to the corruption in the economy. Has the indebtedness ceased to exist? At the time of our conversation, the share of public debt to GDP is just somewhat lower than before the GFC, I see no substantial change. But the external position is, fortunately, much better. But that is not surprising, given the inflow of EU transfers.

**YPFS:** You wrote about how in the aftermath of the GFC attitudes in Hungary had changed toward the global financial markets, Western banks, European integration, and the Euro. A developmental state model has come to be fashionable, you concluded, with Orbán the most prominent spokesperson. But is this a real thing? More than just talk, is it actual substantive policy regime shift?

**Bod:** Perhaps the best argument is, if you look at the structure of the Hungarian budget and compare it to the other EU member states’ budgets, you will find that in most EU member states, budgetary expenditure on social protection, including pensions, amounts to 19 to 20% of GDP according to the COFOG data. The corresponding Hungarian figure has been around 13%, noticeably below the EU average. The clearest outlier is Hungary’s spending on items classified as Recreation, Culture, and Religion. In the COFOG system, the EU average is about 1% of GDP, but it is 3% in Hungary. Also, the Hungarian government spends a much higher share of resources on general government expenditure than the EU average.

COFOG data indicates that Hungary is an outlier in terms of government spending on economic issues which has lately been 8% of GDP, double the EU average. Economic issues, includes subsidies to public and “friendly” private firms, but also budgetary outlays of nationalization, buying back assets from the private sector, and it’s costly. So, if you buy back a bank, say Budapest Bank from GE Money, which happened recently, then you have to pay $700 million.

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6As presented by the classification of general government expenditures by functions (COFOG), measured against GDP [URL: https://ec.europa.eu/eurostat/cache/infographs/cofog/ accessed 8 February 2023].
Mr. Orbán did it. His government bought it back, and then it is now a state asset. Probably it will be passed on to some friendly oligarch, at a loss or a gain, I wonder.

The bottom line is that the Hungarian state has remained a high tax, high expenditure state. But, unlike the welfare states of North and West Europe, the government spends relatively less on social protection, health, and environmental protection. It spends above average on the state itself, as employer, and on items dear to the prime minister and the ruling party, including soccer stadiums and mega sport events, generous subsidies to established churches, and selected cultural events, and, importantly, on economic affairs, partly aimed at redrawing the sector line between the private and the public sector, to the detriment of the former.

My criticism is not ideological. The hard fact is that selected measures are not about privatization anymore. It's much more nationalization. Nationalizing the banking sector, the insurance sector, buying back the oil industry—which I don't mind—buying back the Budapest airport, which I don't mind either. I don't understand why it was sold in the first place. My attitude to developmental state activities is not rigid. As mentioned, I accept that the Orbán government has had a successful point or two.

But my criticism is of two sorts. Sometimes it's a pushy, aggressive mafia-type attitude towards the incumbent, whether foreign or domestic, private investors. The foreign businesses could complain and take their cases to European courts – that happened, such as with French catering firms that took the case to court and won. The Hungarian state had to pay, that is the taxpayer. So, sometimes even foreign businesses are treated heavy handed. Hungarian businesses in media, tourism, IT could tell you stories of government-driven asset grabs. Then second, and related, is corruption, or better Cronyism. Hungary has moved noticeable to being a crony economy. Major deals take place outside the stock exchange, and the assets end up in friendly hands.

YPFS: It's not privatization, it's nationalization. That move seems significant. Please elaborate.

Bod: It's privatization via nationalization first. Let us say there is a profitable business owned and run by a Greek investor. Someone close to the power circles finds it interesting. The state can create a regulatory environment that the owner determines makes it worthwhile to sell to the state development bank. The bank later resells, under un-disclosed conditions, to my nephew. Or somebody's son-in-law. Just consult the Forbes list of Hungarian billionaires.

YPFS: It's really re-privatization into national hands. That ties in with the corruption problem. But then there's this counter force of the rules of the club of European integration, which is still significant for Hungary. How
do these two things fit together? To what extent is there a conflict between the orthodoxy of Brussels and Frankfurt and Hungary's developmental state?

Bod: The biggest clash now between Brussels and Budapest is not an ideology. Orbán claims it is on press freedom and gay rights, and the Hungarian way of dealing with migrants, and things like that. But no, the biggest thing is that the Hungarian public procurements system is corrupt. That’s against the elementary logic and interests of the European community. So that’s why they expect the Hungarian government to do something, to join the EPO—the European Prosecutor’s Office—and to show that the corruption is something that you fight against, not that you use.

Why have the European institutions not stopped the process before? I think that this is the question. Why did it take so long to let Mr. Orbán go on?

YPFS: Well didn't the crisis overwhelm the EU?

Bod: Of course, the financial crisis, it was Greece, and nobody cared too much about tiny Hungary. I think this argument may be number one. And then, second, the nature of European bureaucracy. Measures take very long.

Also, the German relationship, the special relationship with Germany. Outgoing German Chancellor Angela Merkel is East German. She understands the complexities of the Central-Eastern European region, sympathetic towards the nations with hard history, she speaks Russian. Mr. Orbán does not. So, she knows the place and had a lot of patience with Poles, Hungarians, others. Also, she is said to be a person who didn't want to rock the boat and had other problems elsewhere.

And as long as Germany and businesses were happy in Hungary, there was not much criticism in Germany, which has somehow been the main player in this part of the world. The French had other countries to look after. They always cared more about Romania. The Swedes have looked after Estonia. Hungary, Slovakia have been some sort of German backyard. And then the German firms have been very happy, and they haven’t paid much tax. The tax in Hungary is a single digit, the profit tax, which is a shame. But German corporates have paid no tax, probably they have received subsidies. The wages have been kept low. The Hungarian wages are still very, very low. And the weak Forint: the German firms don’t mind. The Hungarian Central Bank never cared about the exchange rate. They have not minded. Those who export cars, electronics, etc. from Hungary have not minded the depreciation of the domestic currency. They haven’t needed a weak forint, but they don’t mind it. So, the German businesses had no reason to complain to Merkel. That may have changed now with the Social Democrats in Berlin. I don’t know.
YPFS: The EU subsidies all along were coming post crisis. With the crisis over, why has the European Union not said no? They have been subsidizing it. They have still been paying for the support of Hungary.

Bod: Well, some funds flow according to pre-determined rules: the CAP, the Common Agriculture Policy, is the same for a French as for a Hungarian farmer. We have a relatively large agriculture sector, so that's a million people who are happy with it. And then we are entitled to some other smaller funds, but the serious convergence funds are determined by the seven-year financial plan of the EU. As for the previous budget, not totally used up yet, appropriation of the funds is not conditional on rule of law considerations. To me, it is not clear if the next, 2021-2017 common budget will be influenced by the rule of law procedure concerning the Hungary case under investigation, but there is the NextEU pillar— a huge amount of grant and cheap loans, and the access to them is conditional on respecting EU values. The Hungarian government has not closed the negotiations and I have no idea what will happen.

Our topic is the great financial crisis, but now we have had the COVID crisis; concerning this crisis, the European reaction was very interesting. First, the European policy makers, the German, French, Italians, doubled the size of the common budget. This was good news for a Pole or a Hungarian, because we are entitled to greater subsidies: for being poorer, we'll get more.

However, on top of doubling the sum, they added legal preconditions, rule of law. Now this rule of law test was not in the system. My pedestrian comment on why the EC and later EU financial ground rules forgot about safeguarding of fundamental European values and principles is because it's a naive bunch of people. West Europeans are naive. They thought that if you join a club and you have to pass a thorough test, then you will behave once you are in the club. But life is different. And as in the Greek and other cases, you can just have slippages.

YPFS: Speaking of slippage, let’s turn to Hungary’s central bank. With the developmental state and with the kind of corruption you just described, does this threaten the independence of the Hungarian National Bank?

Bod: I was the first totally free central banker, because the new law created the central bank in December 1991, cutting the central bank from the government. Because previously the National Bank was supervised by the Ministry of Finance. So, the Hungarian central bank is an independent institution. As in most systems, it’s the Prime Minister’s right to choose whether to renominate the sitting central banker or to choose a new person when the term is over. And since Mr. Orbán has been in office for now 13 years, he legally, totally legally, chose a previous minister of finance of his government and a friend of his to lead the central bank. A personal friend and political ally, and a previous minister in his cabinet, but that is legal.
Therefore, legally the Hungarian central bank is pretty independent. But practically speaking, the current central bank governor, who used to be the Minister of National Economy (read Minister of Finance) and who sees the prime minister frequently, socially, and officially, is practically an additional minister. At least he behaves like that. He opines a lot about growth rate, technology, labor market, taxation, and sometimes directly criticizes the sitting Minister of Finance.

So, the central bank is independent, but the central banker’s view on economic affairs was a clearly pro-growth one. He says that Hungary should grow out of the debt, and that the central bank’s job should be similar to the US Fed’s mandate, which is not in Hungarian law. The Hungarian law says the main task of the central bank is to protect the value of currency, period. There’s no mention of full employment, there’s no mention of growth in the Hungarian constitution concerning the charter of the National Bank. But in reality, the central bank governor until very recently kept the policy rate well below the rate of inflation; he started to change his mind half a year ago. The negative interest rate has been the case for a decade. And he admitted that for him to grow is as important as anything else.

YPFS: Isn’t the current Hungarian central bank chief just following the international convention on negative interest rates until recently?

Bod: In some sense, yes. But the difference is that he did it when Hungary grew fast, and also when Hungary did not grow fast. So, it’s not because of the case having changed, but because that’s his view. His conviction has been that low interest and weak currency are good for the economy. Now, he strangely, recently has become more orthodox. It may be for the simple reason that the Hungarian inflation has started to grow and has been growing nearly linearly since 2016. It’s nothing to do with post-COVID or the Ukraine war. The Hungarian inflation has caused a headache for four years now.

So, the central bank is independent, but its policy has been extremely closely set, until very recently, to support the growth aspiration of the government. But there is an interesting aspect, bordering on corruption: the Hungarian central bank has recently become a very strange institution. They did very strange things with the foreign exchange reserves. And you’ll laugh at it, but the story is that we have an international reserve, which is mainly in Euro, kept at the Bank. If the Hungarian Forint depreciates, which happens year after year after year, the same Euro amount, about 30 bn EUR, would be translated to more forint (HUF) amount, just because of a weaker domestic currency. So, the central bank reports a profit. Of course, it’s just a paper profit because it’s the same amount of hard currency: monetary gold, dollar bonds and mostly euro. But in forint, well, it appears as a capital gain, as sort of a profit. And then the central bank takes it out as a profit, puts it into some foundations, and starts spending it. Now that’s strange.
And because the spending is done by the central bank and not by the government, you don’t even have to show it to parliament. Because it’s a central bank, it’s an independent institution. It’s so independent that it can have a secondary budget, not controlled, not supervised by MPs. Now, I think it is corruption by the central banker. Legally at least it’s very curious that you have a paper profit, and you realize this paper profit and you spend it in hard cash.

YPFS: And so, the source of this profit is bookkeeping, but what is the connection to the monetary regime in which Hungary is based?

Bod: The Hungarian monetary policy has two stronger statements. One, it’s exchange rate regime is a free float; therefore, HUF is a floating currency. And it floats, unfortunately, too much. And the second, it is an inflation targeting system with a goal of 3% annual inflation, plus or minus 1% range. Right now, the inflation is 8.5% percent, and the core inflation is 8.9%. So, the Forint is very far from the targeted range in terms of inflation. The Bank has no exchange rate target; in fact, the Forint has very much weakened compared to the Czech Koruna or Romanian Leu. But the central bank doesn’t seem to mind. Even if, since it’s such an open economy, devaluation appears immediately in the import prices and heating up the otherwise high inflation. So, I’m very critical of the policy of the central bank, but it’s independent and everybody regards it as independent. Therefore, it has no one to tell it what to do.

YPFS: When I asked about the regime, I meant it in the sense that you answered it. But I also meant it more broadly in terms of being an open economy closely tied to the European financial system in which there’s been a very low (even negative) interest rate policy with lots of liquidity.

Bod: Yeah, what you say is totally logical if you want to join the Euro club. Then you have to follow the ECB, you have to shadow the ECB, you have to bring down inflation and bring down the interest rate, that’s a monthly policy job, and then keep the deficit low and debt low. Otherwise, you won’t be able to meet the Maastricht criteria of entry to the Eurozone. But Hungary has not been doing that.

And since the COVID, you can legally forget about the Maastricht criteria and the Stability and Growth Pact at least through 2022 and probably 2023. So, the next time that somebody can raise questions from Brussels or Frankfurt is a situation that may arise two years from now— "Mr. Central Bank Governor, why don’t you do something with your inflation, and Mr. Minister of Finance, what about the budget deficit? Why is the budget debt ratio so much above the benchmark level of 60 percent of GDP?"

It’s an open economy. In form, the Hungarian central bank follows the European model, and the inflation report is written very well following the ECB guidelines. But if you just look at the output of the monetary policy, and you
notice the volatility of the exchange rate or the long history of inflation, and
when you try to see when the monthly inflation is within the target zone, then
my answer is rarely.

A general observation: Mr. Orbán is a lawyer, by which I mean he is a graduate
from Budapest law school and a legally minded person, in some sense. Thus,
concerning the laws, regulations, government decrees: everything, on paper,
looks more or less the same as in the West. But de facto, he does it his own way.
And when we have a visitor, the government people show the law, and the law
says that this is how it should be. But in reality, the functioning of the same
letter of the law is pretty different

YPFS: Recently you wrote about European integration and arguments for east-
ern European economies getting on a track to join the common currency.
Hungary is clearly not going to do that. Across the society the financial
crisis has bred negativity toward the Western financial system. But will
Hungary truly be able to make itself independent?

Bod: Orbán learned the wrong lesson from the GFC. Certainly, the policy mistakes,
also committed in Hungary before the crisis, needed to be never repeated. For
instance, the public sector deficit, borrowing in foreign exchange, and lax reg-
ulation of the banks. On becoming prime minister, he promised to put an end
to such practices. But now, a decade later, he has, for the third year running, a
huge deficit. So, the strange thing is that the freedom that he earned through
fighting against Brussels, making friends east of Europe, with Putin and the
Chinese, making concessions to these two countries, and threatening the West
that we will borrow from China unless you give us your effing cheap loans— I
think it’s a blind alley. But as you say, that’s what he says: we gained independ-
ence, this dying West with this financial inflated system is doomed, and that’s
why we have to go back to reindustrialization, labor rather than capital, and
turning to the East. And these are the policy promises he made.

Turning to the east now, and his friend Mr. Putin, who is in the press now for
obvious reasons. I think Orbán’s policy is a disaster; his policy of doing busi-
ness with Putin and then also being in the club accepting monies from Brus-
sels. Building a nuclear power station by borrowing from the Russians, build-
ing a railway borrowing from China, and kicking out an American university,
the Central European University, founded by George Soros, and bringing in Fu-
dan, the Chinese university, all this is a dead end for Hungary. As long as it
goes, it goes. He had nine beautiful years because he got the job in 2010. Not
2008, not 2009, but 2010 when the worst was over. The IMF already had
bailed Hungary out. So, he was a lucky guy because he got the job, and this luck
was sustainable until 2020.
2020 was the first time then he had to face a real challenge, the COVID. And he survived it somehow. And now there’s another challenge, the war. And interestingly enough, he won the election a month ago supported by the war of Putin, because the opposition had no card. The opposition cannot promise safety because you don’t have an army, you are just talking. So he won it as a shrewd politician but I don’t think that the model is sustainable, that’s why I wrote an article in European Policy Analysis in 2021. I don’t think that you can stay long in the European Union and build a nationalistic developmental state at the same time.

YPFS: That's an important point. Are there any other generalizable lessons from Hungary's experience with the global financial crisis?

Bod: Hungary’s early successes in pre-regime change and, after regime change, swift re-integration into Europe, led to an economic system too much dependent on foreign capital. The value added generated by the system was good enough for a middle-income country, but gradually the system has become less and less efficient. That’s my reading of the first two decades following the annum mirabilis, 1989. The fact that the financial crisis shook Hungary deeper than most of the neighbors is also an indication of the fragility of the socioeconomic system. And then the policy reaction of the government that got the job in 2010 was some sort of restoration. And it’s not a more modern way of re-integrating into the world economy but taking two steps back from the previous dependency model. It’s retrograde, still in the long term. Some other nations like Estonia or Slovenia, and also Poland, meanwhile took the same shock or similar shock in the financial crisis but managed to find their own forte. The Estonians in IT-related industry. Others in higher value-added medium size businesses, like the Slovenians; the Polish economy diversified successfully. Hungary and Slovakia are extremely dependent on German automotive industry, the value-added content is low, and Hungarian labor productivity has not increased much in the last 10 years. The IMF and OECD noted the issue of stagnating productivity, offering mild criticism, but it boils down to the fact that the country should go on. But you cannot go on too long because Hungary’s at full employment. Unless you import migrant workers, which Orbán doesn’t want.

The nationalist developmental state model chosen is not sustainable within the European integration, and we missed some opportunities to turn to a more value-added, higher service component, and less classical manufacturing activities. During our conversation I tried to understand the motives of Orbán.

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But now I feel that even if he truly believes in a patriotic economy policy, Hungary cannot efficiently integrate into the European Union with this attitude and policy. So, he is doomed to failure.

YPFS: **Is the failure of Hungary’s economy that you foresee likely to show up in a financial crisis? Is there a continuing financial dependency somehow?**

Bod: It’s a different sort of dependence, less on foreign banking and more on foreign manufacturing with the new players. The new players I know of are Koreans, Chinese, and before the war, Russia was probably on his shopping list, now I guess this will not materialize. But he had high hopes about Chinese presence in Hungary, which I find very disturbing for many reasons.