

Mag. Gordon Bajnai: Ministerpräsident der Republik Ungarn
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Sehr geehrte, liebe Gastgeber!
Sehr geehrte Damen und Herren!

Ich bin ein relativ Neukommender in der Politik, aber eine der ersten Konsequenzen, die ich ziehen musste, ist, dass kleine Fehler in Sprache kann große Konsequenzen haben; darum erlauben Sie mir, dass ich mein Gespräch, meine Sprache in Englisch mache, da hoffe ich, dass ich kleinere Fehler machen werde als in Deutsch.

Ladies and Gentlemen!

When one is facing the crises, be it the personal crises or be it the corporate crises or the countries' or a global crises, the first thing to do is to look in the mirror and ask why did I get into trouble? What brought me to trouble? Unless we understand clearly the reasons, the causes of that crises, we cannot manage that problem.

I think, we have to ask it at the global level and we also ask it at regional and local level what has brought us to this situation? I think, the simple answer is that balance was lost. Balance was lost globally. I think capitalism as an economic system, as the most efficient economic system is built on the balance between two not very positive aspects of human nature – a balance between fear and greed. The greed to have more and the fear to loose what we have.

As long as the pendulum is ringing in between these two aspects of human nature – greed and fear –, capitalism works. But during the last probably decade or two decades the pendulum went very far to the side of greed and now when this was unsustainable the pendulum has been swinging out to the other end – to fear.

I think, it was one of the Rockefellers who said once that: „Capitalism was built on trust, the fundamental of capitalism is trust.“ Now this fundament has been pulled out from under the feet of capitalism. Banks are not ready to lend to other banks. Banks are not ready to lend to States. Trust is missing from the global economy and, therefore, capitalism has difficulties in operating efficiently.

So, this balance was lost and this balance was lost because I think, our democracies, which are also the most efficient form of politics like capitalism

is the most efficient form of economic operations, our democracies have often lost control of the economy, lost control of the operations of capitalism.

It was the managing director of one of the world's largest investment banks who said recently, that the problem was that our capacity to innovate has far outreached, outweighed our ability to manage. That is a good lesson for all of us. Now we need to get back to levels which we can manage and we need to regain – through our democracies – we need to regain control of the economic operation.

To regain control, we need to carry through with strong reforms, with very fundamental reforms on the operation of the global European and domestic economies and societies. Because crises is a very unwelcome and uninvited guest to any country, but this is also a very stubborn guest who keeps returning to those who do not understand its message. So, we need to understand the message of this crises at national and European level in order to keep it off our ground for a long time again.

As far as Hungary is concerned I think my government's task is to understand the nature of this crises, to translate it into Hungarian and to act on the Hungarian message, because this crises is not delivering the same message to everyone. It's delivering everyone its own specific tailor-made message and we need to understand what it means for us.

Let me give you an example how we interpret the message for Hungary and, then, what are the consequences in my mind for Europe as well.

For Hungary we need to understand that this global crises is not the only problem for us. Hungary has two crises running parallel. One is the crises which is common between our countries, which is a direct impact of the financial crises driving through to the real economy and threatening others fears of life and the consequences are pretty similar between Austria, Slovakia, France or Hungary. The consequences are that jobs are being lost by the 10.000s in Hungary, by the millions in Europe, that smaller and medium size enterprises and very often even large enterprises have difficulties in sustaining operations and that the life of families is threatened by the consequences of this financial and real economic crises.

So, the job of governments everywhere in Europe is to try and deal with this crises and to focus on the areas where it is hitting us: families, jobs, enterprises, because these are the systems that keep life together, that keep countries and societies running: jobs, enterprises and families are those systems in a society, which keep our life together and make it sustainable and developing. Any measure that have been mentioned in the previous speech as well as by Mr. President, the measures should focus on keeping

these system operational, keeping these system afloat, keeping this system alive.

This is common between old European countries and even outside Europe, but Hungary has its own specific tailor-made crises and that is different from many other countries. This crises, when we are looking to our own Hungarian mirror, is standing from notorious postponement of changes which have been necessary and you – now long over you – for a country like Hungary.

Hungary has been the champion of the new countries in Europe in the nineties, has been the fastest to reform itself, to draw the conclusions from the transformation and has been a very successful country with a growth potential of value of 4 % and performing very well in the late nineties.

However, during the last ten years, this leading edge has been lost, and the reason, why it has been lost, is, that competition, political competition, which is very good and positive for a democracy, has turned into a deep division, sometimes political cold war in Hungary. And in this cold war very often nothing was too dear to sacrifice in order to get more votes. Common sense policies have often been sacrificed for the sake of the next election, for the sake of getting more votes, and common sense policies have been often replaced by short-termism, populism, and unrealistic messages, which have created unsustainable operations in Hungary.

Now, if this is our analysis, and this analysis is now shared by practically all experts or economists or sociologists who are mainstream, then we should deal with this crises as well, not just the symptoms of the global financial crises. And in this respect this crises has not only brought challenges to Hungary but also highlighted these problems, much more severely than before, but it has also created a new opportunity for Hungary to brake this long-standing political stalemate and do something about Hungary's own problems.

Why is it an opportunity? Why political division is still very deep in Hungary. The most recent opinion polls show that roughly 70 % of Hungarians believe that Hungary needs to do painful reforms, painful changes in order to get out of this crises. That is a wide-ranging consensus, that Hungary has to cut cost, has to undertake what is maybe unpleasant but by this we can avoid the unbearable. And many Hungarians understand that the going-on the same way, that will be unbearable.

So the consensus between economists and professionals and the acceptance by the majority of the society of this painful but important changes has also created an opportunity to form a new government in Hungary a month ago with a stable majority in the Parliament as compared

to the previous minority government. This is at the majority of the responsible, of those political parties who have understood that taking responsible decisions may risk popularity short-term, but will bring Hungary out of trouble and will also be a long-term stable capital for this political parties, because they are taking responsibility.

So now my government has embarked on probably one of the most ambitious reform programs in Europe at least currently. After three weeks of operation this government has got the Hungarian Parliament's approval for a full parliamentic pension reform, which has been postponed for a decade now in Hungary, twelve years now. We made the Hungarian pension system sustainable by changing many things in decreasing retirement age and changing in taxation formula. This will mean that for those generations who are already retired we can maintain the current twelve months pension, what they are used to and for generations to go to pension, who are going to retire in Hungary, they will be able to get what they have worked for during their life-time.

Next week the Parliament will be voting on significant changes in the social system in Hungary, aimed at stimulating activity, stimulating labour markets in Hungary and the government is not only focusing on restoring acquity premium in the economy to cutting budget deficit but we are also focusing on an ambitious program to boost Hungary's growth potential, and for that by the end of next week we will submit the most ambitious and largest tax cutting program in Hungary during the last twenty years. This program will be focussing on cutting taxes in an unseen scale for lower and medium income people and thereby facilitating the creation of jobs and stimulating people to go to work.

One of the biggest problems of Hungary is that employment has been very low. Since the transition from a Communist system to a capitalist system we have lost several jobs, several 100.000s of jobs and today we are facing a situation where roughly 57 % of adult Hungarians are working, so almost every second person in Hungary is out of work. That is unsustainable, especially in an aging society. So the philosophy of this government program is to restore the owner of work in society and to incentivise people to go to work and to facilitate enterprises to create more jobs as soon as this crises is over. Until then these changes will have to save jobs in Hungary in the middle of this crises.

The crises management plan can not only focus on the economy. We have to restore equilibrium, we have to facilitate long-term sustainable growth in Hungary, but we also need to focus on confidence. Confidence is something that Hungary has lost inside and outside because of this inability to move ahead, this deadlock that has been stigmatic for Hungary during the last decade. And we have to regain confidence, we have to regain external

confidence, regain confidence of investors, which is showing its first offshoots or shoots, spring-shots probably is the right word, you can see that Hungary's risk premium is declining, decreasing, you can see that the Hungarian Forint has stabilized a lot during the last four weeks and from the comments of many analysts, trust is very cautiously, in a very fragile way, but is opening up for Hungary. But every week, when a new element of this program is passed by the Parliament, this confidence will return. Hungary also needs to restore confidence as a country in the diplomatic circles and Hungary is member of two very important value-based alliances: the European Union and NATO. These two alliances mean that Hungary has to base its foreign policy on the core values of these alliances.

Hungary has to consult its partners on its foreign policy and Hungary has to act as a reliable and calculable partner. Nowbody should sleep, nobody should spend the night without sleep thinking what Hungary may do or may not do. Hungary should be a calculable and reliable partner, whose deeds are led by the common values of these partnerships and its membership of the European Union.

It is a joint responsibility of all parties and all political leaders in Hungary to help restore this confidence. No matter where somebody is in opposition or in government, those who are responsible for the country, who are speaking on behalf of the country, who are ready to take leadership of this country, now or later, have to act to threnghthen confidence in the country and deliver those messages which show that Hungary is ready to return to the common-sense policy that is required by everyone who is member of a union like the European Union.

But confidence is also lost internally. Self-confidence is lost for Hungarians, and to be able to come out of this crises, we also need to restore our self-confidence. So Hungarians need to know that the sacrifice that they are taking now has a vision behind it, that the sacrifice that Hungarians are taking is worthwhile, that the sacrifice that they are taking now will bring without step by step, not very soon, not immediately, Hungarians just like many other countries in Europe should not wait for a miracle to happen, they should work very hard to make miracle happen, because waiting for a miracle or being depressed are both enemies of efficient crises-management. Efficient crises-management is based on stable, continuous and determined hard work. That's the only thing that can bring us out of crises.

If we do this program, if we carry through these very ambitious and at the early stage painful reform program, than Hungary can come out of this crises stronger than before it got into this crises and this is the opportunity that Hungary has to grasp and go, deliver through.

For Hungary, Europe and membership of the European Union has also meant defence in the crises and safety. Europe has given us a lot of support on a bilateral basis countries of Europe and our friends in Austria are providing a lot of support to Hungary and thank you for the kind word of Vice Chancellor Pröll on this, and also the European Union jointly has provided a lot of support to us. The crises is also a chance for Europe and for European citizens to understand that Europe is a defence for all of us, that Europe is an opportunity for all of us, and the crises is showing that (Bandende) ...

Now, however, this crises as I have said, has a message for all of us. It does has a message for Europe as well. European leaders need to be able to decode this message and translate into European. There are very clear messages from the last great crises of 1929/1933 and afterwards. There are lessons to learn and mistakes not to be committed again.

The biggest problems at that time, at a much lower level of globalization where already the lack of cooperation, the lack of understanding the nature and the causes of that crises for a long time and the lack of complex thinking, complex approach to dealing with the crises. Trying to learn from the lessons of the 1930s, we need to look at what are the risks ahead. One of them is of economic nature. Every historic period already bears in itself the developments of the next historic age, and within the circumstances of the current crises, we can already see the next form of crises coming. If you look at what is happening with almost all developed countries increasing their significant level of indebtedness. We already see that the next economic crises may be characterised by high-level of inflation, by high-demand from states to take more debt on and thereby crowding-out companies from the debt-markets and thereby limiting their ability to borrow and grow and government balances, to restore government balances we require lot of funds and thereby probably show a relatively low growth period for Europe after the crises.

The second big risk is of geopolitical nature. It is not possible long-term, that countries or regions who lose their economic potential can maintain their geopolitical potential.

These two go hand in hand long-term. So it is of great risk for Europe and other actors in the geopolitical arena, that unless they are able to restore their economic fundamentals they will lose their geopolitical significance. That could have very direct consequences anywhere around the world, that can threaten the current balances in the world.

The third risk is of social nature as the Vice Chancellor has mentioned. It is very soon that an economic crises can move over to become a social crises. There was a famous historian, Toynbee, who said that revolutions are not made by those who are poor, but by those who get disappointed. This crises

is threatening the middle-classes of Europe, the lower middle-classes of Europe. Those who have a job today and those who during the boom-times recently have been able to grab-on to something to develop a bit self, to generate a little bit of property for themselves, a little bit of values for themselves. But this crises is theatening that fundamentally through the loss of jobs by the masses. So, we have to be very careful with those parts of the society who may suffer a very sudden shift in their status for the negative.

There is also an old gost climbing out of its grave, which is a major risk for the world and that old gost is protectionism. It is a good reaction of every State, since a Chancellor a long time ago, Mr. Colbert, under a French king, said, that protectionism is a short-term, a natural reaction by populistic politics but protectionism is threatening the operation of a globalized world and is threatening the growth potential of the economy after this crises, but it also has a much more severe threat on our life. Protectionism is the first step towards chauvinism. Reverse of chauvinism in Europe, that is a real big threat to the way we live our life today.

These are the big risks that we need to look at on an all-European level. Any government, any polition, who considers itself to be a democratic polition, who consideres itself to be somewhere among the moderate political forces should look at these challenges, these risks, and step-up against these risks, not just with words but with deeds. While these risks are there and they are very real and serious, there is also a way out of the situation and it is up to us Europeans and up to us leaders of European countries to choose the right way and to do the right things.

There are four things that we need to achieve in Europe: We need to achieve better cooperation, stronger cooperation than before. In Europe and each of us in our own countries, we need to embark upon new reforms, to adjust our economies and the whole of European economy to a new situation, we have to be pro-active and non-reactive, we have to think ahead, see the problems of the future and act now, even if they are painful short-term, but they will prevent us from the unbearable.

We have to reduce our reaction time, we have to be less burocratic, we have to be faster, we have to be better coordinated, and we have to act much faster than before.

With these measures, with this new attitude which e. g. the Lisbon Treaty, would enable for Europe, we can have a better reaction, Europe can become a safer place and also Europe can become a place which can grow out of this crises faster than many other regions in the world, but only if we do the right things and we do the right things even if they are painful shorter.

A couple of weeks ago, we have been celebrating the 200 years of anniversary of the birth of Charles Darwin, who has sent a very important message for all of us, recently, who said: It is not those pieces who survive which are the strongest, nor the most intelligent, but the ones who are most adopt to change.

This is the message of this crises, thank you very much.