

HUNGARY INTO THE NINETIES

The Global Economic Action Institute (GEAI) is an international non profit organization established in 1983 with the objective of helping the development of partnerships in various regions of the world. Its current Chairman, Sir Robert Muldoon was a former Prime Minister of New Zealand.

G.E.A.I. organized a conference in Hungary (Hungary into the Nineties – “Enhancing productivity, competitiveness and Economic Growth in Eastern Europe”) in November 1989 which brought together policy makers and business people from Hungary and the outside world. This was the first of a series of conferences the GEAI is planning to have to examine the changes that are taking place in Eastern Europe and to introduce a private sector input into these changes. The other two conferences will be held in Moscow (1990) and China (1991).

Given below are excerpts from the Draft Report of the conference held in Hungary.

The Soviet Perspective

Indicative of the thawing in Moscow that made a conference like this possible in Hungary, speakers at the podium included three prominent Soviets – Oleg Mozhaiskov, Deputy Managing Director of Gosbank; Evgheni Ambartsumov, Chief of Department at the Socialist World Economic Research Institute; and Nikolai Shmelyov, Member of the Supreme Soviet Congress of People's Deputies. All three had

a definite market sympathy, reflecting the spoken and behind-the-scenes support (and even nudging) that Hungary's leaders are getting from Moscow.

Mozhaiskov recounted the Soviet's own move, like Hungary's, into two-tier banking but said it was clearly not enough, though it did discredit the idea of monopolistic banking. He complained that the USSR has “no securities market, no money market, and no interbank market,” all necessary for convertibility of the Ruble, which he strongly advocates.

Ambartsumov cheered the death of the unofficial Brezhnev Doctrine, the unspoken inscription on the cornerstone of all centrally planned economics: “You pretend to work and we'll pretend to pay you”.

But the frankest and most surprising speaker of the Conference was probably Shmelyov, a Gorbachev intimate and self-proclaimed “professional scandal maker”. Under previous Soviet regimes, what he said before the Conference would have been enough to win a one-way ticket to a Soviet psychiatric ward. The fact that he could say it publicly was very much a sign of the times and a signal that Hungary's reforms are on a Moscow-endorsed track. His main admission: that the USSR's economy is in near-disastrous condition and this sad state of affairs has, since the advent of perestroika, been aggravated by four mistakes: 1) the failed campaign

against alcohol (which transferred huge revenues to the moonshiners; 2) the 1986 campaign against “unearned” income; 3) the decision to reduce consumer imports instead of heavy industry expenditures when oil prices dropped; and 4) an unreasonable increase in capital investments in 1987-88 when the country had no money.

Despite the current state of affairs, Shmelyov predicted the Soviets would pull themselves out of the mess, “eventually finding a more suitable model”. He foresees a mixed-market economy, followed by a free-market economy, followed by an open economy. But achieving it will entail creating a new mindset in a public that has no tradition of private ownership to draw on, and unlike in Hungary, a rural population that's been known to burn down the homes of budding entrepreneurs. Still, he concluded, “Life is changing fast in our country and the people are learning fast”.

—Courtesy — G.E.A.I