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'Economic Miracle' Ends

# Discontent grows in looted Hungary

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On March 15, the anniversary of the 1848 revolution against Hapsburg rule, more than 10,000 Hungarians marched through the streets of Budapest, demanding freedom of speech, press, and assembly. It was the largest protest staged since the Hungarian Revolution of 1956. The bitter lessons learned then may preclude a repeat of 1956, but discontent will grow in the coming months.

The angry mood has arisen in response to a government austerity policy, which has ended the myth of a "Hungarian economic miracle," which was supposed to have made the country the "consumer showcase" of the East bloc—based on accumulating the highest per capita debt in Eastern Europe.

Hungary has been trapped between the International Monetary Fund's and Western creditors' "conditionalities" for further credits, and ever-increasing demands by Moscow for Hungarian industrial exports. The Russians have compelled Hungary to halt or drastically curtail both price subsidies for consumer essentials, and subsidies for older, inefficient industries. Investments have been prioritized to sectors of the economy that produce to meet Russian demands and export to the West to meet debt payments. The cost is being borne by the population, whose living standard is rapidly sinking.

## The government austerity policy

The first phase of the austerity policy was launched at the July 2, 1987 Central Committee Plenum, which authorized the first of several staggering price increases. Bread and bakery products rose by 19%; gasoline and diesel prices by 10%; tobacco by 20%; and household energy prices by 20%. This was followed in the autumn of 1987 by further increases in the cost of living by nearly 5%.

All this was but the prelude to what was instituted following the December 1987 Plenum. The Central Committee declared that its policy was to cut consumption and living standards. A Central Committee resolution was adopted Dec. 10, saying, "Sacrifices will be needed in the years ahead," years which will be "very difficult, but not without hope." The "harmful practice" of state subsidies "must be ended," to eliminate "unprofitable enterprises . . . a painful and necessary task that cannot be delayed any longer." There would be no wage compensation for the price hikes. The Central Committee adopted what it called "temporary wage controls."

The Hungarian government estimates that its policy of eliminating subsidies to industry will produce some 200,000 unemployed by the end of 1990. In 1988, for the first time, the state budget will include a public works program to handle 3-4,000 unemployed—never before seen in the East bloc.

Newly appointed Deputy Prime Minister Peter Medgyessy, quoted in the Hungarian press Dec. 18, minced no words on the new policy. "We have to guarantee that the deterioration of living standards should be no more than planned." Earlier, on Dec. 9, the government reported the chilling truth: "1988 will be one of the most difficult years *since the war.*" The government has "planned" a 2.5% drop in the living standard for 1988. Experts contacted by *EIR* estimate that the actual fall will be at least 5%.

The same plenum revealed that for 1988, 75% of Hungary's hard-currency export earnings will be earmarked for debt repayment.

The plenum also drafted the enormous Jan. 1, 1988 price increases, centered around the introduction of a 15% "value added" or sales tax on 80% of all consumer items. This marked the first time an East bloc country has introduced this form of tax. Overnight, the revenue base of Hungary was retrogressively shifted against the working population.

Besides the sales tax, the following price increases were enacted on Jan. 1: Chicken rose by 10-16%; most milk products by 27%; cheese by 40%; sugar by 4.4%; detergents by 18%; baby food by 44%, and baby furniture by 44%. The last two cases are beyond any comprehension, when one considers that Hungary has one of the world's lowest birth rates and has experienced a net decrease in population every year.

Despite a severe housing shortage, the price for construction materials was increased by 31%.

Those who suffer the most from this austerity are the pensioners. Hungary has an aging demographic profile, where 2.6 million retired people comprise 25% of the population. Thus, the government austerity measures are nothing short of "soft" euthanasia. Even before the Jan. 1 price increases, the purchasing power of the average pensioner had fallen by 30% since 1975.

This has an explosive impact on Hungarians, who can "look forward" after 30 years on the job to a beggar's existence. The angry mood is illustrated by what happened after the official trade unions, also on Jan. 1, introduced a new system for calculating the 1% monthly dues checkoff. It is now based on total income earned, rather than merely on base pay. Thus, overnight the "1%" checkoff became almost 2% of wages. In January and February alone, 300,000 of Hungary's 4 million trade unionists tore up their membership cards and left the unions. In March, the trend continued.



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