

Bálint Magyar:

THE HUNGARIAN OCTOPUS: THE ORGANIZED UPPER WORLD

On the cover of a December 1999 issue of HVG, the most authoritative Hungarian weekly, a man dressed in a suit is smiling at the reader. He is sitting in an armchair, surrounded by six grave males. All of them are wearing homburg hats. The picture is exactly like photos from Sicily or Chicago in the 1930s, though none of these gentlemen are from those years. Under the title Team Spirit, the HVG cover features political leaders of Hungary at the turn of the millennium. What is this team spirit, then, that unites Fidesz politicians Orbán, Kövér, Áder, Várhegyi, Stumpf and the like, with former Fidesz fundraisers and „economic experts” public-shy pioneers of the new course, such as legendary Lajos Simicska, Csaba Schlecht, Tamás Varga and Béla Tóth, or the newest heroes of our time, including the Fidesz PR-guru András Wermer, boss of Happy End Ltd, former spy László Földi, owner of Defend Ltd. and their anonymous colleagues?

The Chicago Boys

Obviously, they do not live according to the traditional pattern of "you scratch my back". It seems to be a less laborious task to come to power than to corrupt those in power: one move less. Public opinion, however, has been associating corruption with the Small Holders' Party, the smaller coalition party - and not unjustly. SHP President József Torgyán's home-building and travelling habits, the frequent and unjustifiable excursions of an SHP state secretary to Thailand at Ministry costs, a three-million "commission fee" for Torgyán Jr., a briefcase of an SHP MP full of „documents” (in Hungarian slang one document = one million Hungarian forints), generous spending by SHP-controlled public institutions and unbelievably fine-tuned subsidies allocated by SHP-headed ministries. In the past couple of years, there has been a disclosure almost every day, upholding the general view that the Small Holders' Party is the most corrupt organization in Hungary.

Yet, what the Small Holders have been doing is a miniature version of the activities of Fidesz, their "big brother" in the coalition government. The amateurish tricks of SHP shifts public attention away from the all-attack

strategy of Fidesz. A whole range of new devices have been introduced, bound to undermine the legal and moral constitution of the country. Adding up the numbers, even the total amount supposed to be pocketed by the Small Holders' Party is but a fragment of the 600 billion Hungarian forints (2 billion USD) allocated by Fidesz for highway construction to be spent without of public procurement and out of budget control - and this is just one of numerous similar cases.

Nevertheless, while the way SHP abuses power outrages the public, the maneuvers with public funds of the bigger coalition party have so far gone unpunished. The likely reason is that what we face here in Hungary at the turn of the millennium is an avant-garde way of corruption. Below, I will try to shed light on the undelying mechanisms.

Everyday Corruption

Everyday corruption is a series of individual cases: a public official demands or accepts money or curries some other favours to influence a decision. A system is said to be corrupt when many such instances regularly occur and when nothing can be get done without kickbacks. In the euphoric mood of 1989, the year in which communism in Hungary collapsed, it was strongly believed that, with the party state system over, decisions will be made in public on the basis of equity and free competition. Corrupt officials do exist even in the most highly developed forms of democracy - it is small wonder that in the years of transition, Hungarian citizens, too, were skeptical of the integrity of officials. Political connections paved the way for the acquisition of property and to loans never to be repaid. For all that, these corruption-stinking cases did not make up a unified and organized system. Although public life is poisoned if certain palms need to be greased to win a business contract, as long as this remains a private deal between the corrupter and the corrupted, the foundations of democracy will not be undermined.

Meanwhile, however, the organized underworld, sharply different from the image of the "lone corrupter", got stronger. To enforce its interests, it substituted the old-fashioned method of voluntary agreements between partners and mutually offered unlawful advantages, for the use of threats and coercion - blackmail, protection money and control over highly profitable businesses became standard techniques. Criminals today often act in complicity with the police or public officials. In the relationship of the underworld and the state, it is typically the mafia that blackmails public officials and politicians and not the other way around: this

distinction, which I shall discuss later, is of great importance.

The Organized Underworld

The mafia, the organized underworld, is a frightening and dangerous phenomenon, hard to eliminate. However, it is capable of shaking the foundations of the rule of law only if its representatives infiltrate the political elite. Even when people are convinced that corruptible officials or politicians are rife, their belief that the state fights the mafia may remain intact: the individual is fallible, runs the argument, but institutions carry on a relentless fight against the criminals of the organized underworld. This is exactly the scenario known from Italian movies: the prosecutor, the police chief or the magistrate, backed up by the state apparatus, attacks the octopus strangling the state. The octopus called mafia creeps upwards until they win the cooperation of high-ranking police officers or politicians. No matter whether it succeeds in its endeavour or not, the formula is clear: the methods of the mafia do not become a pattern to be adopted by the political power.

Let's now imagine a movie series about the Hungarian state as it valiantly combats the organized underworld. In one episode, while the pater familias talks about the purification of Hungarian morale in his inauguration speech in Parliament, his henchmen relieve the dying Postabank with some juicy contracts. Hungarian viewers are gobsmacked as they see the next episode in which the President of the Tax Office sues a maffioso for evading paying tax on some two billion Hungarian forints. Then in a third episode the police reveals a link between a bomb producer of the mafia and the future Minister of Home Affairs. This is followed by a scene in which Chief of the Tax Police launches a successful manhunt for the goldsmugglers, while in the next one the Chief Prosecutor, after a quick investigation, sends behind bars the creators of phantom companies. Picture Simicska (head of the Tax Office), Pintér (Minister of Home Affairs), Pelikán (the expected head of the Tax Police) and Polt (the Chief Attorney) as they heroically resist the deadly hug of the octopus. Now, the Hungarian viewer knows well enough that what they saw was not a social drama but a parody and they might well ask on leaving the cinema: "Hey, but who were the good guys and who were the bad ones?" For the script is not an absurd drama but a Hungarian documentary to report on two businessmen' battle over the control of the Chinese market in Budapest until one of them became Minister of Home Affairs while the other a jailbird.

The Organized "Upperworld"

The emergence of the organized upperworld is a new Hungarian phenomenon. With Lajos Simicska appointed President of the Tax Office, a new chapter began in the history of political culture in Hungary. Aimed at covering up the shady business deals of persons close to Fidesz, including Lajos Simicska, Tamás Varga, Béla Tóth, Csaba Schlecht and others in the inner political family circle, this practical move changed the state's relation to criminality overnight. What has been going on since then is a systematic expansion of the "organized upperworld", i.e. a state which uses mafia-style methods within the framework of a democratic system of institutions.

Fidesz came to power carrying a bag of fishy cases to be hushed up. Just to single out a few of them, sponsoring the Fidesz campaign of 1994 through the illegal sale of party headquarters for one billion Hungarian forints, supported by the Postabank and other companies which had assisted in the Fidesz campaign of 1998 with similarly huge subsidies, witnessing the ever-growing fortune of the Orbán family as a new mine lord in Hungary, the mysterious dissolution of companies owned by friends and family members of Fidesz, leaving behind huge public debts. The cover-up operations started as soon as the leadership of institutions under government control had been replaced by members of the political family. Simicska follows the ancient Hun tradition: just as those who had attended Attila's funeral were shot with a bow, Simicska fired everyone who knew where the public debts of Fidesz-related businesses lay buried. On All Souls' Day in 1998, Simicska gave an extra bank holiday to all Tax Office employees under the pretext of computer maintenance work. The house slang has called this the "Night of Long Bytes", reminiscent of the "Night of Long Knives" of Nazi Germany in 1933 when Hitler had his inner opponents murdered. Quite naturally, investigations have been interrupted in all of the shady Fidesz businesses.

Who would call it a surprise that after Sándor Pintér had been appointed Minister of Home Affairs the perpetrators of the explosions at the headquarters of Fidesz and the Small Holders' Party as well as those outside Torgyán's house and Parliament leader of Fidesz, József Szájer's apartment were never caught? To the question whether he had ever met bomb-maker Clodo Pintér gave as many different answers as many times he was asked. Nor can it be by mere chance that the police were at a loss to find Csaba Schlecht's home address until MP Gábor Világosi from the opposition party SZDSZ chanced upon it - in the public telephone book. Needless to say, the police made no attempt to refresh Schlecht's poor memory. As if a unique kind of Hungarian plea bargain had been struck: "We'll let you get away with it on condition you shut up."

To gain power over institutions which are not subordinated to the

government, Fidesz used the strategy to "pester" their leaders until they quit, and then members from the close-knit Fidesz circle were appointed. This is exactly the way the attorney general was made to resign. Where this strategy did not seem to work, Fidesz interests were enforced by blocking the normal operations of the institution: by paralysing the courts, by obstructing the appointment of deputy presidents at the Hungarian National Bank, and by starving those municipalities which ran under opposition leadership.

The conquest of government institutions and the annexation of independent institutions could well be considered as a temporary abuse of power by the new lords. However, Fidesz harnesses this newly formed organised upperworld to shamelessly deplete public and private funds - the Hungarian octopus is extending its tentacles downwards with state assistance. Let's take a look at the techniques it employs.

Techniques of Grabbing

Uncontrolled spending of public funds. By evading obligatory public procurement procedures, Fidesz awarded a 600 billion Hungarian forint contract to a company which had no previous experience in highway construction. Through the technique of central draining, this Fidesz-friendly company is likely to be supported by the state to get hold of the resources of the rival company. The key person in the transaction of financing the highway construction through a state-owned bank is Lajos Simicska. To paraphrase Brecht, bank robbery is nothing compared to founding a bank, whoops, to controlling a state-owned bank.

Relieving public funds of parliamentary control. Postabank was over-consolidated from public funds with 150 billion Hungarian forints, whereas the operations of Reorg Apport Ltd, founded to sell the unprofitable branches of the bank, are claimed to be non-transparent. Fidesz unlawfully prevents the setting up of a parliamentary investigation committee, and refuses even to put on the agenda the modification bill drafted by SZDSZ, which aims to limit the scope of business confidentiality in the case of publicly consolidated banks. Another case in point is the trick of consciously underestimating tax revenues and simultaneously introducing a two-year budget. These moves enable the government to create a large slush fund to spend without parliamentary control.

Establishing private companies from public funds. This may be called "The

Defend Ltd." model, or "How to channel public funds into private pockets legally". It is as simple as this: a branch of the nationalized Postabank is privatized by a former national security officer, who has done Fidesz a number of favors. Now state-owned companies are forced to contract Defend Ltd. for several hundred million Hungarian forints.

Transforming public resources into private assets. An example of such transformation is one in which a subsidiary company of the state-owned Hungarian Development Bank acquired the profitable weekly Szabadszombat. The company immediately leased the publishing rights to a friendly private company, which publishes the conservative daily Magyar Nemzet. The advisor of the company is Csaba Schlecht, and its security service is operated by Defend Ltd.

Blackmailing by the government. Organizers of the annual Film Festival were only granted central financial support to organize the event if they accepted that Kisrökus and Happy End Ltds, two companies which happen to be close to Fidesz, are granted the right to organize and manage the funds. At the same time, promises were made to multiply public funding for filmmaking provided film producers accepted to eat out of the hand of a political state secretary known to have had fishy business dealings.

Manipulating public procurement tenders. This involves having only one bidder - the company which was destined to win. The infamous Happy End Ltd. was the only private company to bid for the 4.3 billion Hungarian forint tender put out by the National Image Centre (governmental propaganda organization), while Hungarian and multi-national companies are in fierce competition even for a fragment of that amount.

Building up a clientele from public funds. The "Széchenyi Plan", alleged to support all sorts of enterprises, is in fact an upgraded version of the Small Holders' method. This method was applied for agricultural development funds, previously managed by SHP boss Torgyán; after subsidies had been moved out of companies, these companies announced bankruptcy. The Orbán administration, in contrast, is building up its clientele through the "clean" system of non-repayable funds.

Getting hold of private assets through central help. Again, a reference can be made to the attempt to grab the assets of road construction companies which went bankrupt as they had not been allowed to bid in public procurement tenders. The earlier case of BÁV, an extensive chain of former state-owned second-hand shops, is a classic mafia story with Hungarian participants: the state kept harrasing a private company with a majority

share in BAV until the company decided to sell its share to a competitor comme-il-faut for the government.

The Orange Republic

Apparently, the organized upperworld uses the whole arsenal of state power in an effort to vindicate its political and economic interests. This phenomenon invokes images of the third world although in that part of the world the regimes are either political dictatorships or operetta democracies; Hungary is not that far down the road yet. Here only an orange republic (the orange being the official Fidesz logo) is being built: institutions of democracy are permanently violated. It, however, still remains an open question whether the executive power is able to fully crush independent branches of power and institutions. It is to be feared that the organized upperworld will establish a model that will be hard to erase because others will come to like it too. With coming up elections, what is needed is less than a change of regime, yet more than a change of octopus. A double stake at the 2002 elections is whether the ailing political institutions of liberal democracy can be cured, and whether the tentacles of the Hungarian octopus can be chopped off.

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