



Book Review

Csaba LENTNER: *East of West, West of Asia – Historical Development of Hungarian Public Finances from the Age of Dualism to the Present*¹

Csaba Lentner, professor of economics and one of the leading economists in the service of the National Bank of Hungary, is the author of a uniquely large list of publications, which can be consulted on his homepage, at: www.lentnercsaba.com. He touches upon many aspects but especially issues of Hungarian economic history, banking, and state finances. These interests of his meet in this current volume, in which the author tries to provide a synthesis of the Hungarian state's financial affairs of the last roughly 150 years. As being such a historical work, covering a large period of time, it had to be divided into smaller parts. Accordingly, we can find five major periods from the political history of the Hungarian state: the period of the Austro-Hungarian dualist state from the Ausgleich (Compromise) until its last years of existence; the interwar period, with a special focus on the consolidation of financial affairs by the Bethlen government; the era of the Socialist state-planned economy; the post-communist period of transition from 1989 until 2010; the post-2010 years, characterized by a series of financial reforms during the successive Orbán governments and György Matolcsy's presidency in the management of the Hungarian National Bank. Through this linearity, the author is basically realizing a connection between certain moments from the past of Hungary and its present. At the same time, the author is largely documenting historical decisions and processes which determined the evolution of the Hungarian economic life, within which the focus is especially on state finances, this later concept being embedded in the first, larger one. The two methods are closely interrelated throughout the entire text, for example, in the case of the rearmament programme from Győr (1938) or the period of state planning, including the application of Új Gazdasági Mechanizmus (New Economic Mechanism) following the repressions of the 1956 revolution and the inauguration of the Kádár regime.

Basically, the methodology is consistent throughout the entire book, but each chapter has its own characteristics derived from the sources used and the certain

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https://media.harmattan.hu/lentner_en/

features of the time span discussed. We can also notice that the author is selective in some sense: he does not cover the short periods that otherwise marked Hungarian history to a great extent such as the issues of the Hungarian economy during World War I and its immediate aftermath, including the Hungarian Republic of the Soviets, or the issues during World War II, including the period of German Nazi occupation. Most probably, the author meant to focus on the large periods during which evolution was somehow following a natural path.

The first large section, as I mentioned above, deals with the economic aspects of the Hungarian state administration between 1867 and 1918 but also with its roots. In this context, he discusses the intellectual ideas of the Hungarian Reform Era and of the Hungarian Revolution of 1848–1849. Some of the sources are original documents – including communiques of the competent organs of those times and the works of István Széchenyi, among others –, which are completed by a rich bibliography, while also citing authors who are among the best in the field of Hungarian economic history such as Iván Berend, György Ránki, György Kövér, László Katus, and others. The hypothesis of the author is – and he brings serious arguments for proving it – that the Hungarian part of the Dualist Monarchy made serious efforts to shape the policies and to make investments for the benefit of the industrialization process through which Hungarian statesmen wanted to improve the percentage of industrial production in the country's global economy. Also, he states that the informal agricultural lobby – formed by the interests of great landowners, noblemen, the bourgeoisie, and rich peasantry alike – was somehow in opposition with the capitalist investments in industry, a conflict which would be inherited by the interwar decades too and which caused the relative backwardness of Hungary compared to other parts of the empire such as Austria or Bohemia. The efforts for modernization and industrialization were supported mostly by state capital – on p. 50, for example, it is mentioned that foreign investments were under 40%; therefore, the Hungarian national economy can be called as a sovereign economy. On the agenda of state policies, protectionism was the key doctrine, and food transformation industry became the most developed branch of the industry.

During the period of the interwar decades, marked in the plan of politics by the names of Miklós Horthy and, in the first part, Prime Minister István Bethlen, a special emphasis is given to the economic consolidation, which was indeed some sort of miracle if we mention, for example, the situation of interwar Austria (which became dependent, at a given moment, from the aids of the League of Nations). As a specialist in banking, the author gives a large space to the policies of the National Bank, whereby bringing an important contribution to the twentieth-century history of banking.

From the larger chapter dealing with the issues of the Hungarian national economy of the communist era, I would like to highlight two sections. The first one is the comprehensive text treating the evolution of the Hungarian banking system from the Soviet model implemented following 1948 to the liberalization of the eighties. In 1983, two economists, later playing a major role in the post-socialist Hungarian political and

economic life – György Surányi and Lajos Bokros –, managed to publish an article in the leading Hungarian-language academic journal *Közgazdasági Szemle*, in which they stressed on the introduction of the banking system with two steps, the reinforcement of capital investments in the economy and the independence of the National Bank from the politics of the ruling government. This relative liberalization of ideas made the post-socialist transition slightly easier than it could have been otherwise. The other important section is the one in which the author presents the continuous decline of the state-planned economy, reflected also in the living standards. On page 118, he delimits four phases in this process of decline. The rise of oil prices in 1973 was followed by the contraction of foreign loans between 1974 and 1978 to maintain the living standards of the population, which was illustrated, for example, by the rate of consumption: it was 20% higher than the average consumption in Western Europe.² Consequently, restrictions proved to be insufficient to restore the balance, and the growing unrest, the deterioration of living standards, and the lack of perspectives for any kind of a decent way out eventually caused the demise of the regime.

A particularly well-documented part of the work is the one providing a broad outline of the transition period of 1989–2010, with all of its pains, gains, successes, and mistakes, and with all the lessons learned from them. In the conclusions, the author summarizes that all the attempts based on austerity measures failed; however, the transition process proved to be successful, and this was materialized in the EU accession of Hungary.

The fifth chapter presents the direction taken by the Hungarian state economy following 2010, which is considered by the author in great part to be a success, but one that was hard to be obtained. This was possible, in his opinion, due to the often-unconventional monetary politics, the flexibility of the decision makers to apply the lessons of different theories (with other words, the lack of dogmatism), and, most of all, the encouraging of economic growth and development. As it can be deduced from his words, the author is not an unconditional partisan either of state control over the market economy or of the complete freedom of the non-state actors of the economic life but one of finding the right solutions for unique situations.

The book is well-documented, with bibliography and original sources, also including a series of statistics in its Appendix. It is an original work, worthy to be used as a reference and cited by all those who are interested in the state financial affairs of the Hungarian history of the last 150 years.

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2 This number will be not surprising at all if we remember how severely the oil crisis affected Western capitalist economies.

