

Hungarian government plans further austerity measures

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The Hungarian government led by Prime Minister Victor Orban of the right wing Civic Union (Fidesz) is planning further austerity measures to meet demands made by the International Monetary Fund (IMF) as the condition for further loans.

Speaking on behalf of the Hungarian government, Mihaly Varga declared that the IMF would get details this week on the new austerity measures. "With this letter we want to make clear that the Hungarian government is willing to continue talks," Varga declared, adding that the talks were due to resume next month.

During their last visit in July, representatives from the IMF and the European Union made absolutely clear that Hungary had to implement further austerity measures in order to achieve its budget targets for 2013. Until the start of September, however, premier Orban insisted in his usual populist manner that Hungary could not stand any more sacrifices.

Such statements are aimed purely at defusing popular opposition to further cuts under conditions where Hungary is totally dependent on IMF loans. The country faced bankruptcy in 2008 and was forced to accept such loans. Now Hungary is in the midst of a recession and its outlook is bleak.

The pro-government daily *Magyar Hírlap* has published the first excerpts of the planned austerity measures.

Massive job cuts are planned especially in the public sector, and empty posts will not be filled. Those who are able to keep their jobs will be expected to take considerable wage cuts. As was the case two years ago, job cuts in local government are also on the cards. The total staff costs for public service are to be frozen at the

current level up until 2015. With an annual inflation rate of over 5 percent, this means dramatic cuts in wages for employees.

Further cuts are planned to pensions and child benefits together with an additional increase in retirement age and an increase in income tax. These "structural improvements" should amount to a total of 2 percent of GDP. Subsidies for public transport are to be axed and more state-owned companies privatised. Meanwhile the banking sector is to receive additional support. Experts declare that the removal of public subsidies for public transport is likely to lead to a collapse of the transport system.

Orban has already responded to the demands of the IMF regarding the subject of the country's central bank and bank tax. The government plans to abolish its largely symbolic taxation of financial institutions next year while granting more autonomy to the central bank. Fidesz has postponed the vote on its budget for 2013 in order for the IMF to make its position clear.

Orban's planned austerity measures will undoubtedly be met with massive popular opposition. In order to prevent strikes and protests, the prime minister is now seeking to win the services of the country's trade unions.

At a meeting with István Gasko, chairman of the Trade Union Federation LIGA, Orban invited the unions to follow his negotiations with the IMF and the European Union and explain what the trade unions were prepared to accept in the form of cuts. At the same time Orban made clear that the wage cuts and layoffs already planned were not up for discussion.

In 2010, Orban had terminated his cooperation with the trade unions. Nevertheless the LIGA trade union

federation maintains close relations with the country's right wing. LIGA chief Gasko is regarded to be a fanatical anti-communist. When right-wing and fascist forces undertook a campaign against the government of Ferenc Gyurcsany (Socialist Party) in 2007 and 2008, LIGA organised a railway strike and petitioned against the privatization of health insurance. Both actions were supported at the time by Orban. Gyurcsany was then forced to resign, and Orban won the subsequent federal election in 2010.

Gasko is also the leader of the Free Railway trade union (VDSzSz). Railway employees are considered particularly militant and are vehemently opposed to the cuts planned to their jobs and wages. This is another reason why Orban is now talking to Gasko, who declared, after his meeting with the premier that he was prepared to continue their "dialogue". He called upon Orban to return to a policy of "social partnership". There is no doubt that the union will support the planned austerity measures.

The parliamentary opposition in Hungary also offers no alternative to the brutal austerity measures. The Socialist Party (MSZP) and its spin-off, the Democratic Party (DC) of former Prime Minister Ferenc Gyurcsány, call for even closer cooperation with the EU and IMF. These parties organized several protests against the Orban government in recent weeks, with speakers warning of the risk of international isolation if the right-wing government remained unchallenged.

Gyurcsány and some representatives of the MSZP are working to forge a possible electoral alliance for the election due in 2014. In 2010, it was the right-wing, anti-worker policies of the socialists which made it possible for Orban to return to power. Already in 2008, the MSZP government had made every effort to implement the demands of the EU and the IMF.



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