Letter from Budapest by William Franklin [1]

Viktor Orbán is far and away Hungary's most popular politician. He was Prime Minister from 1998 to 2002 and at this year's elections he led the *Fidesz Party* to victory winning 52.73% of the votes and a two thirds majority in the *Hungarian Parliament* with their coalition partners, the *Christian Democratic People's Party*.

Back in the early days of the global financial crisis, Hungary was one of the hardest hit in the *European Union*. The *EU* and *IMF* moved quickly to stave off a total collapse by promising a €20 billion standby bailout package to back the country's finances. This package is enormous by any standards…more than 15% of the Hungary's GDP.

Money from the *IMF* always comes with strings attached. They lend you money and promise to hold back the international banking rottweilers on condition that you do exactly what the *IMF* tell you to do, adding for good measure…collectively and individually…that they know where you live.

The previous administration was unlikely to have been happy with the deal but it was willing to go along with it. However the people of Hungary were not. They kicked the government out and elected a new Prime Minister…one with a backbone. Hungary's talks with the *IMF* rapidly disintegrated the moment that Orbán made it clear to the *IMF* that he was running the country and not them. His line in the negotiations was quite different to that of the previous government. "Take your package and shove it!" would be a polite translation of Viktor Orbán position last week in his negotiations with *EU* and *IMF* officials about a bailout package.

Orbán has no intention of introducing any further austerity measures and budget cuts. Instead he thinks that the financial sector must pick up part of the burden. The *IMF*, bond creditors, investors, and financial markets are going to accept their share of the pain…a sentiment that has made Hungary unattractive for holders of *Hungarian Government Bonds*. Predictably the rating agencies *Moody's* and *Standards & Poor* promptly threatened to cut Hungary's credit rating to junk. This was always going to happen. So who is surprised? Certainly not Viktor Orbán.

To outsiders this looks like another Greece. But is it? No one will lend to the Greeks at anything other than exorbitant rates and there is very little cash left in the kitty. But, unlike Greece, Hungary is in the fortunate situation that Argentina, Ecuador, Sweden and Iceland found themselves in. Their fate is in their own hands. Their currency will be attacked and imports will stop rolling in from the West. But just how terrible is this? Who really suffers? Who has the greater interest in goods flowing across Hungary's borders? International bankers have been known to cut off their nose to spite their face. But this is because they miscalculate. Nobody wins every rubber in poker.

Conventional wisdom tells us that Hungary has few options. But there is actually an option that never dare speak its name which is for the *Hungarian State* to mint its own money. The *EU* and the *IMF* are desperate to wield control over Hungary's mints and exchanges through a *Central Bank* that they control. But Hungary itself needs this like it needs a hole in the head. If the people knew the truth they would be only too happy to look after things themselves.

Officially Hungary is permitted a choice of three strategies: inflate, tax or default. Are any of these good ideas?

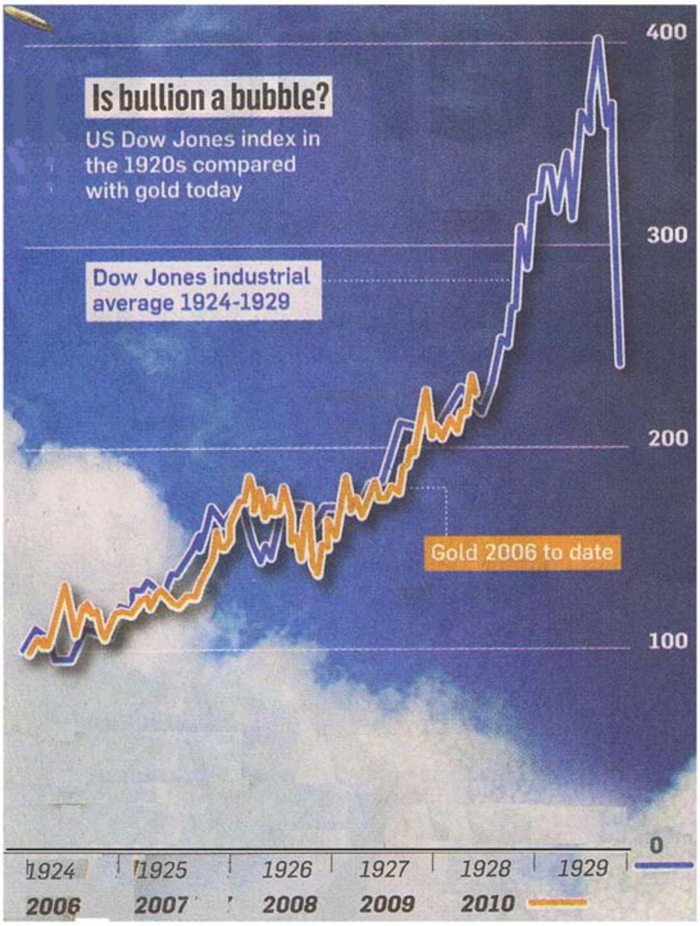
- *Inflate.* Hungary is not part of the eurozone, so it can print its own money to pay off debts between citizens. Germany and France ignore *EU* targets when it suits them. Why not Hungary? Besides the *Forint* is not a global reserve currency so prudently done, issuing coin and notes, rather than debts, need not cause prices to rise. It will affect the exchange rate against other currencies but so what? Inflation and a collapse of the value of the *Forint* are just scare tactics. There is a considerable literature on how to issue money without inflation. Despite the propaganda spread by the international banking fraternity *Lincoln's Greenbacks* worked extremely well in the 1860s. Besides Silvio Gesell is a local boy…well localish…and wrote a book called *The Natural Economic Order* explaining how free land and free money work.

- *Tax.* Foreign currency debt can only be paid in foreign currency. The *IMF* and its international banking friends always argue that a country's government must raise taxes to close its budget gap and pay the interest on its debt. How does this work? Collect taxes in foreign currency? It is nonsense. Besides income taxes are already at 40% and VAT at 25%.

[1] This article began with an exchange of views on 29th July 2010 on the *Living Economies* network about an article by Stephen Black at *soverignman.com* but this piece no longer bears much resemblance to the original.

- *Default.* This is the sensible choice. But don't call it default. Go back to the original loan agreements. Count all the money received, take away all the money paid back and if as if almost certain the case, the country has already paid back more than say a third more that the money it received, then declare the loan paid off in full. With sovereign debt likely to be rated at 'junk status' anyway what is there to lose by bankers in foreign capitals whispering Defaulter! to each other. Counter attack by shouting Usurer! Back. Get your lawyers to ferret around in the *Usury Laws*. You might find some still on the statute books. England has one from 1545 which means every bank in the country is insolvent because of the small fortune in fines it owes for usurious practice over 500 years. And this too has pedigree. It works.

At the end of 2002 Argentina summoned up the courage to say 'enough is enough' and went on to negotiate a deal on its $ 93,000 million of debt…the biggest default in history. This deal agreed that 76% of the defaulted bonds would be swapped for bonds of much lower nominal value…25-35% of the original…and at longer terms. Sensibly some of these bonds were index-based to the country's future economic growth.



At the end of 2008 Ecuador followed Argentina's example but ended up with arguably a better deal. It agreed to pay back the principal while defaulting on the interest which comes pretty close to my suggestion of paying off the loan but refusing to pay the usury. This is also coming pretty close to a *Clean Slate* policy. But this too has pedigree…and one that goes back several thousand years.

But is there really any sense in the *EU* and the *IMF* sitting on its hands and watching the *Forint* collapse? During the good times when the *Forint* was strong, many Hungarian borrowers took out loans in *Euros* and *Swiss Francs* because of lower interest rates. If Hungarian borrowers have to come up with more *Forints* each month loan defaults will shoot through the roof. Not even *Goldman Sachs* will be able to think up a way to profit from it.

If this were just a few loans borrowers could be taken out one by one. But the commercial banks' total exposure is enormous…more than Hungary's GDP. If Hungary breaks Europe's banks will be scraping up against its *Capital Adequacy Ratios* once more and scrambling to remain solvent. Where are the statesmen when they are needed?

It is not Hungary that has a problem, but the banks because at the end of the days banks are not necessary. They will need to play their hands carefully. They can huff and puff. But they are bluffing…and they know it. So unless the plan is to blow the house down…and there are plenty of conspiracy theorists to attest to that…then Hungary has little to fear. It can walk away from the negotiations. The banks cannot.

The real worry is not western bankers but the history of political economy in central Europe. Hungary sits uncomfortably close to the Russian bear and it would be out of character if Russia did not seek to gain from Hungary's predicament.

And despite the claim, and some evidence, that New Germany bears little resemblance to Old Germany, I wouldn't bet the Hungarian state on it.

Plus ça change, plus c'est la même chose!

SOROS INVOLVEMENT IN DIRTY TRICKS SPELLS TROUBLE FOR HUNGARY

First published in The Tap Blog on 17th July 2014. ***The Tap Blog*** *is a collective of like-minded researchers and writers who've joined forces to distribute information and voice opinions avoided by the world's media.*

Since January 2012, Mr Orbán has won a further General Election by a very clear majority. This is called democracy. Hungary is an EU member that wisely decided to stay out of the eurozone. Hungarian politics are complex, but a *Sun*-style headline would read: 'Orbán and his right wing Party are actually nationalists opposed to three things - US neo-liberalist colonisation, the euro, and Brussels throwing it's weight about.'

Although the opposition in Budapest positions itself as 'socialist', it actually consists largely of former Soviet apparatchiks who became reborn as neoliberal fanatics soon after the USSR collapsed. But they still like the idea of rule by faceless bureaucrats: and so naturally, the EU suits them perfectly. (Think Angela Merkel)

Now think of Hungary this way: Orbán is rather like the Tory/Ukip opposition to creeping dictatorial superstate, trying to keep the Dromey/Miliband/Balls axis of opportunism at bay. The only difference is that Orbán has won two sweeping majorities in a row, and he isn't up US globalism's arse.

Since 2010, Orbán has committed three sins in the eyes of the Juncker-esque US Fed/euro Believers.

- First, he told the IMF he didn't need its loan.
- Second, he told the EC FinMins to mind their own business on the subject of his chosen economic strategy.
- Third, he's made it clear that, for the foreseeable future, the euro is No 674 on his priority list.

In this context, the dispassionate observer discerns two trends:

- Regular attempts by the EU and lackeys in the MSM to smear the Orbán government as fascist and racist.
- US False flag operations to invent, bend and spin media stories depicting Hungary's ruling party as unpalatable.

Like many Hungarians, I would argue with some aspects of the ruling party; but in the last 24 hours, we have learned of the following alleged developments:

- The US media entrepreneur Richard Field has form when it comes to inventing anti-Orbán stories about the persecution of minorities. So far, Field's persecution stories have turned out, on investigation, to be complete tosh. Field is an unalloyed, card-carrying neo-liberal.
- Crack mercenary trouble-maker hit-squads of the sort in Ukraine will make their appearance in Hungary before too long…allegedly with the support of *Magyar Szocialista Párt (MSZP)* the 'social-democratic*' former Soviet bureaucrats,* now the main Opposition Party.
- Richard Field's new acquisitions will be funded by George Soros's *Media Development Investment* Fund (MDIF), and the first will be up and running this coming Autumn.

The ethnic groups of Austria-Hungary in 1910 according to *Distribution of Races in Austria-Hungary* by William R. Shepherd, 1911.

George Soros is a Hungarian Jew who lived through the Nazi holocaust. All his relatives died in ghettos and death camps, but somehow George didn't. On December 20th 1998, he openly admitted on the popular TV docu-show *60 Minutes* that he had been a Nazi collaborator. It is also now generally accepted that he traded currencies on the black market during the Nazi occupation of Hungary, and became something of a fixer for the occupying power.