

Event Report

The state's role during current crises, 14.09.2022, Budapest, Hungary

Event organised in cooperation with Republikon Foundation

Description of the event

The aim of the conference – organised by Republikon Institute and the European Liberal Forum – is to present how the modern state could help during multiple crises and what the new economic roles of the state are, evaluate the post-covid recovery policies and state interventions from this aspect and find liberal answers to the identified challenges. First a panel composed researchers from The Czech Republic, Austria and Hungary discussed the state's role in a European perspective. Later two prominent Hungarian economists debated the responsibilities of the state.

Audience/Participants

We had 50 participants in person, plus many on FB online. Members and interns of our Institute also participated on the event.

Takeaways

- Opening statement by Milosz Hodun, a Board Member of the European Liberal Forum. In his opening, Milosz stated that historically, liberals were not supportive of interventionism, but today liberals must understand its importance in crises like the COVID-19 pandemic or the Russian invasion of Ukraine. This is evident in the fact that even self-declared liberal parties and governments have supported state intervention. Milosz argues that this shows that liberalism is adapting.
- Later, Andrea Virág presented how the Hungarian public views the state's role in economic policies. Virág shows that most of the Hungarian population self-identifies as right-leaning on a left-right scale and as conservative on a liberal-conservative scale. On the other hand, more than half of the respondents would choose higher taxes to spend more on welfare. While 63% of respondents think that "only small income differences should be allowed between citizens," and almost 80% believe that excessive wealth should be taxed. The conclusion is that there is strong criticism against capitalism. Virág believes that the Hungarian population is more supportive of state intervention because of the country's socialist heritage.
- This is followed by a video by Lukas Sustala, the director at NEOS LAB, who could not attend the conference. Lukas argues that there are good reasons for government interventions, but there are also bad ones fueled by populism and ugly ones like corruption. Lukas states that the first thing that citizens should expect from their governments in times of crises is preparation. Secondly, there is crisis management, such as collecting information, communicating this information, and providing resources. Lastly, citizens can expect political leadership. However, studies indicate that bad crisis management results in less

liberalforum.eu  [europeanliberalforum](https://www.facebook.com/europeanliberalforum)  [@eurliberalforum](https://twitter.com/eurliberalforum)

confidence in the state, which can be seen in Eastern Europe. Lukas also lists four points where the efficiency of state intervention can be questioned and states that in some cases, governments just waste scarce resources.

- Panel discussion between Éva Palócz, the director of Kopint-Tárki, and Michael Fanta, research director at CETA, moderated by Péter Bucsky about "the role of the state - with examples from Europe." Palócz stated that after the Second World War, in the age of welfare states, government expenditure doubled. Then, from 1990, it fluctuated around 50% of GDP, while it skyrocketed during the pandemic. However, Palócz believes that it will go down. She later illustrates how high government intervention is in Hungary and argues that corruption may play a large part in it.
- Michael Fanta emphasised the need for tools to help those who are in need. Digitalization can help in this regard. Fanta believes that more spending means more corruption and urges the stopping of subsidies. He argues that the role of the state is to help businesses through incentives. Santa claims that an effort should be made at the EU level to fight misinformation. States could also work together with businesses on long-term strategic goals, such as infrastructure development.
- Debate between Zoltán Pogátsa, associate professor at the University of Sopron, and Péter Mihályi, Economist, Corresponding Member of the Hungarian Academy of Sciences.
- Mihályi argues that in some sense the current state is acting as it did before 1989, with the state-funded healthcare system. He claims that during the Kádár era (named after János Kádár, chairman of the Hungarian Socialist Workers' Party who governed Hungary between 1956 and 1989), the directors of state-owned companies stayed in their posts for 15-20 years, allowing them to reach strategic goals. Today, these directors change almost yearly. Mihályi agrees with Pogátsa that after 1989, governments allowed free rein to multinational companies, causing national ones to move to sectors where interpersonal relations are important, but also more prone to corruption. Additionally, Mihályi argues that today, PM Viktor Orbán's power is unchallenged, and he can do whatever he wants. The fact that one man holds this much power is unique in the history of Hungary. While Mihályi does not agree with Pogátsa that it was the private sector that captured the state, he claims that every actor in the private sector is appointed personally by Orbán.
- Pogátsa started with a joyful remark that he is happy that liberals finally accept state intervention, but after they accept it, they are no longer liberals but social democrats. He later deconstructs the argument of Fidesz (the ruling party) that after 1989, Hungary was too friendly towards multinational companies, and therefore, national companies could not develop properly. To right this historical wrong, they now want to create a national bourgeoisie and they invade the most profitable sectors with their own people. While these people, according to Pogátsa, are much more professional than, in some cases, the ministers responsible for said industries. Turning to monetary policy, he argues that the current inflation cannot be explained by overspending during the COVID-19 pandemic but by problems on the supply side, such as the rise of energy prices and the breakdown of global supply chains. On the other hand, he claims that in times of crises, like the financial crisis in 2008 or COVID, states artificially help out private companies to prevent the collapse of the economy and goes as far as to claim that this is the natural way of capitalism.