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# Hungarian Compass Between East and West



## *Summary*

We, Hungarians, have been caught between East and West several times throughout our history and we could also say that we have had to manoeuvre continuously in this situation for 1200 years. Today, we are witnessing the search for a way forward in the European Union and unprecedented economic success spearheaded by China in the East, while in the past 50 years greater social and economic changes have taken place than in the preceding 5000 years. It is in this transforming world that we must find points of orientation and succeed by relying on Hungarian virtues and using a good compass.

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During our history, we have been caught between East and West several times in situations where our region was declared a buffer zone between Western and Eastern great powers. The first time we were squeezed between East and West was the Hungarian conquest of the Carpathian Basin. We were the first pastoral people heading towards the West to encounter a settled population using the method of triple crop rotation here in Transdanubia and along the peripheries of the Great Plain, while the foundation of our statehood coincided with the conversion of semi-barbaric European peoples to Christianity.

It was in the 16th century that we became a buffer zone for the second time as in its struggle against the Hispano-Austrian Empire it came in handy for the West conquering the oceans and becoming religiously independent that the Turks were threatening Vienna through us in the middle. Typically, the Turks have not grasped to date why we talk about Turkish occupation whereas they only wanted to squeeze the Habsburgs, the

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oppressors of West-European Protestants. We played a role in one of the greatest struggles of European history and defended Christianity against the Turks.

For the third time it was in Yalta that we found ourselves between East and West. Essentially, the same thing happened in 1944 as in 812: a Western and an Eastern great power declared our region as a no man's land. There is an uncanny resemblance, the only difference being that in this no man's land this time it was not the Turkish Empire but the Eastern great power of the age, the Soviet Union, that was in a position to dictate. Thus, over the past 1200 years there have been a number of examples of our country playing a role in the great European drama. Let us have a look then at the current state of Europe and the East and our economic, social and geopolitical prospects. Let us see what we can expect from the East and the West!

#### THE EAST AND THE WEST ARE PROGRESSING ALONG DIFFERENT PATHS

In the past 50 years, only those countries have been successful where the behaviour of the population has been characterised by puritanism in the West and the Confucian lifestyle in the Far East. Therefore, the past half-century has clearly proven that the road to success is only open for these two forms of behaviour, as only Puritan Western and Confucian Far Eastern societies have advanced compared to the global average, while all other cultures and forms of behaviour have dropped behind. However, the West and the East are progressing along distinctly different paths, as is apparent from international data and analyses.

Politicians and economists are beginning to realise that the performance of the advanced Western societies is only a fraction of what has been achieved in the Far East. It must be accepted that even the Puritan societies of the West are not able to keep pace with what is dictated by the Far East. Economics has not even reached the point of looking into the reasons for Far Eastern success, whereas they are obvious on both sides.

- The employment rate of the working age population is high in the Far East and low in the West. This is particularly sharply manifested in the lower quality quartile of the workforce. Western politicians are beginning to realise that they are unable to provide employment for low quality labour and that the latter is not motivated enough to work.

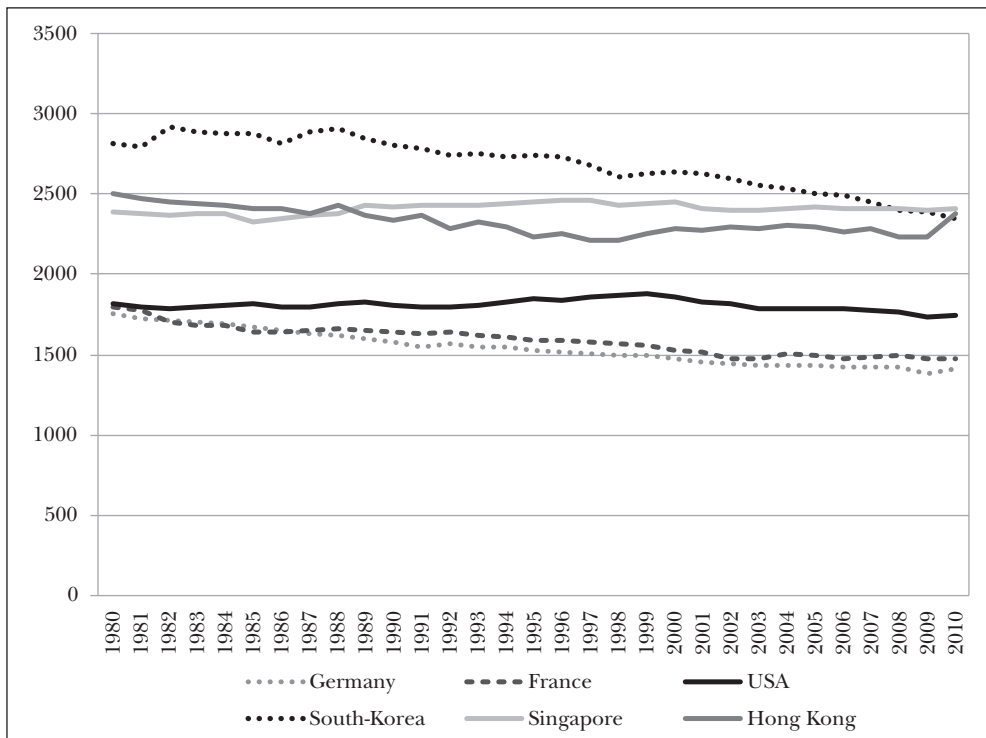
- The level of savings is very high in the Far East and very low in the West. Even if it has been evident for decades, no particular importance is attached to it.

- The desire to learn is very strong in the Far East and it is rather weak in a substantial proportion of the population of the West. The advantage of the Far East in terms of the effectiveness of education is even greater, yet nobody takes notice of that.

The Puritan West wants to have an ever-improving lifestyle while working increasingly less and to enjoy more years in retirement. However, the poorer people are in the Far East, the more willing they are to work, study and make a sacrifice for learning. They work far more in the four former British colonial regions, especially in the United States, than people in the EU Member States. As a proof, it is enough to highlight a few

figures. In respect of the number of hours worked annually, Hong Kong, Singapore and South Korea stand out. In 2010, in these countries the annual average number of working hours per worker was in the 2200–2400 range. Add to this the fact that in South Korea this figure was close to 2800 in 1980. Among the leading economies of Europe, the same figure dropped below 1500 hours in Germany and France in the past 15 years. Between 1980 and 2010, the annual number of hours worked has been declining the most rapidly in the Netherlands and France by 0.8 and 0.6 per cent, respectively. In 2014, the average hours spent in work was 28.9 and 36.1 in the Netherlands and France, respectively, based on OECD figures. These figures alone would be enough to demonstrate that while Europe is trying to succeed with less work, the East tends to work more, the bigger the problem it faces.

*Figure 1: Average number of hours worked per employee by country, 1980–2010*



Source: FRED, 2010

If we contrasted the number of years spent in retirement with the number of hours worked rather than with the number of years spent in work, we would arrive at an even more tragic picture. That is because in EU countries the working time has dropped by 10 per cent on average over the past 30 years. Combine this with a nearly 10 per cent increase in the number of years spent in retirement despite the fact that the retirement age has been raised. More typical than anything else is that while in the EU

Member States, primarily in the Mediterranean countries, the number of people retiring before reaching full retirement age steadily grows, in Japan people like to work on past the retirement age. Let us now look at the difference between the official retirement age and the actual age of retirement by region based on OECD figures. We can see that in Japan and South Korea people tend to work longer than they are required to; in the US they work roughly as much as they must; while in Europe they work less.

*Table 1: Effective age of retirement versus the normal retirement age*

	<b>Normal age of retirement</b>	<b>Effective retirement age</b>
South-Korea	61.0	72.9
Japan	65.0	69.3
USA	66.0	65.9
Germany	65.0	62.7
France	61.2	59.4

*Source: OECD, 2014*

Differences in the field of intellectual property, knowledge and education are even greater than in the activity of those participating in producing the national income. Based on educational achievements, all Far Eastern countries are ranked in the top segment of countries. Only Finland can compete with South Korea, Taiwan, Japan, Singapore and Hong Kong. Except for Japan, the countries listed are even more advanced in terms of the percentage of university students attending world-class western universities and their academic achievements there. Moreover, the superiority of Far Eastern countries is even more evident in terms of the degree to which families support non-school-based learning. In these countries, it is quite common that families spare no effort to help their children achieve as good academic results as possible. Admittedly, there is no better predictor of future achievements than the quality of education. The outcome of school-based education is primarily dependent on parents' attitude to the effectiveness of learning. It is in this respect that the advantage of the Far Eastern culture is the greatest.

#### EUROPEAN DILEMMAS

Today cooperation is more useful than exploitation but the euro area crisis has made it clear that the European Union is walking the wrong path. Instead of being strong, the European Union wanted to become big at any cost and now fails to realise that it is exactly this determination that causes its growing weakness. The competent leaders of the European Union have failed to realise to date that where there are tensions in the financial world there society is ill and it is not possible to cure this disease by financial means. I would not entrust my money to whoever has introduced a common bank and a shared currency for the Germans, Greeks and South-Italians.

In Europe there are essentially three significantly different cultures and, accordingly, three different kinds of Christianity. Of these three, only one, the North-Western culture, belongs to the top segment of the world and it is this culture that is typical of the French, South-Germans and Austrians. In Europe, it is only these peoples that belong to the advanced West. European Mediterranean peoples have received and are still receiving a huge amount of help from Northern peoples through tourism and aid and would not have achieved on their own even the level where they are now. Concurrently, Orthodox Christians are increasingly dropping behind.

Currently, the European Union is unable to compete with the two other giants: the United States and China. The leaders of the European Union have not reckoned with the fact that only that economic community can be healthy where the behavioural culture of the population is more or less identical. If the European Union had only expanded up to a point where it can still preserve its relative homogeneity, it would be much smaller but significantly much stronger today. It was not worth pushing the boundaries of European integration beyond that point.

Ever since I was a student I have held the opinion that the level of social development of every country in Europe can be measured in a coordinate system where the y-axis stretches between Malmö and Athens and the x-axis between Moscow and Seville. Put more simply: "Tell me how strong the effect of the Gulf Stream is and I will tell you where that country stands." That is the logic on which my book entitled *Towards the West* is founded, which book introduces how and why social and economic development starting in Egypt and, at the beginning of the third millennium, culminating in Norway moved toward the North-Western region.

The crisis of the European Union has been made apparent by the exit of Great Britain. From that moment on, the European Union cannot remain what it has been since its inception. Or it will return to what it served initially: the free movement of goods, services and people. As for the free market of goods and services, it can only be realised if the Member States' sovereignty is preserved. Economists have not clarified to date the prerequisites of the free movement of goods. The free movement of goods and services essentially can operate between states of all kinds of culture and levels of development if, and only if, the sovereignty of states is preserved in the area of changing the value of their currencies. Only those states can have a shared currency which are culturally related and also the level of their economic development is nearly identical. The European Union must be a customs union of free and sovereign states!

The EU was already a lame duck with Great Britain but it is even more so without it. This is also true of its role in the world economy but goes even more for its military strength. Europe is not a player in world politics in terms of its military power. NATO essentially means the United States but even that did not result in a significant military weight as the other members have always devoted limited resources to this purpose. The United States has significantly curbed defence spending from 5.3 per cent to 3.7 per cent in the past 8 years. Great Britain, which has exited, aside, the EU Member States' expenditure remains below 2 per cent and its share is decreasing, except for

Poland where it has somewhat risen. The lack of Europe's military power is well illustrated by the fact that the European Union is not a military player without the United States. Add to this the fact that it is not competitive economically either and is increasingly lagging behind.

### THE RISE OF THE EAST

If we want to see the future we have to keep our eyes on China. This is true from several aspects. China is currently the engine of global economic growth to the extent where its development has a decisive impact on global demand for raw materials. As a result of China's spectacular development, the world economy's demand for raw materials has grown at an unprecedented pace and, as a consequence, the amount and percentage of mining royalties have also grown. No similar growth in demand for raw materials has ever been recorded in the history of the world economy. China's size and speed of growth is unprecedented. The industrial revolution of the West affected one tenth of humanity in its first 200 years and, as a result, growth in per capita GDP was hardly 1 per cent. By contrast, China means one fifth of the global population and has increased per capita performance by approximately 10 per cent on average in the past 25 years. Enough to think about the fact that the industrial revolution was predominantly based on coal and iron ore and Europe, poor in these two products, was able to meet demand for them until the mid-20th century. Today, China produces 10 times as much steel as did Europe at the end of the 19th century.

However, in hardly a quarter-century China has walked the classic path of industrialisation and so the level of its demand for raw materials is decreasing and thus in the future the greatest growth in consumption demand will no longer come from mining but from agriculture. Social scientists have hardly dealt with this shift in demand but biologists have. Thanks to them, the revolution of producing aquatic animals has begun. This revolution is only in its inception phase but its speed is several orders of magnitude faster than that of terrestrial livestock because their potential reproduction of those species is greater and therefore so is their selection. The engagement of water, especially salt water of the sea, in production can have a much higher potential than terrestrial areas.

The fact that in the foreseeable future the greatest consumer demand will be for food production has, to the best of my knowledge, been so far realised only by the Chinese. This comes as no surprise because compared to its arable land area an overpopulated China will be the largest consumer of foods. Characterised by slow population growth but rapidly growing wealth, China will increase meat consumption but will not be able to produce sufficient forage to meet this demand. All we can see today from this is that it is the largest soybean importer of the world. Its leaders have already formulated the concept whereby feeding the population can primarily be organised in Brazil. China has already expressed this in action, which is shown by the fact that they are looking for opportunities to intensify political and economic relationships with Brazil. As a case in point, it has been announced recently that China has undertaken to build a railway

line connecting the two oceans in Brazil. In other words, they have already realised that effective access to the Pacific coast with goods can only be possible through a modern and high-performing railway connection. Seeing such developments, I am sometimes saddened by Europe's prospects and by the earthbound and narrow-minded outlook of the European Union's leadership compared to China's leaders.

Seeing the pace of China's development, the West should be both more modest and more patient before it levels criticism. For example, in respect of the natural environment and water management it can be said that China has been the best water manager in world history. It has 7 per cent of water resources in the world and supports 20 per cent of the world's population with that. Despite its limited opportunities, China has increased per capita GDP and wealth 5 times the EU average and 10 times so last year alone.

### THE ROLE OF A COMPASS

The world economy and the power centres therein are undergoing transformation and such transformation is always accompanied by conflicts but it also offers opportunities and possibilities. History has proven that tests society is facing always lead to greater results if they are withstood. What is it that we, Hungarians, can build on in this changing world economic and geopolitical environment?

Hungarian people are exemplary in their diligence and hard work. Economic success in our present age depends, and will depend even more in our foreseeable future, on which people can make best use of its time. There has never been a people that has used the opportunity to earn supplementary income in their leisure time by work other than Hungarians in the 1980s. In other words, there has never been a people that has relied on enterprise to such an unprecedented degree. Our entrepreneurial spirit is a tremendous asset.

Hungarians are individualistic and good organisers. The fact that we arrived here as a pastoral people and were able to establish lasting statehood in that capacity does not need to be emphasised; however, it also has to be seen that we continue to experience its consequences. Pastoral people are inherently characterised by total economic atomisation and, as a counter-balancing factor, an organisational capability based on arms. Therefore, in their economic interdependence, shepherds also lived in constant fear of others and it was this duality that determined their character. Shepherds were individualists, made excellent soldiers and their leaders were excellent organisers. That is what our individualism and also our desire for unity stem from.

Creativity and the Hungarian genius. As my career led me into the field of economic policy I instinctively reached out for the works of Széchenyi, who I consider a political genius. By my old age I think that his greatest merit was that he was ahead of his age by 200 years by realising that what was primarily needed was not more arable land but more educated people. Today we can see that his prophesy is fulfilled to an increasing degree and the greatest asset is an educated mind. István Széchenyi did



not only give crop production areas to the country but also the Academy of Sciences, the Chain Bridge connecting Buda and Pest and, most importantly, a vision of the future.

Just as a small horseshoe multiplies the power of horses, so does a compass weighing only a few hundred grams multiplies the safety of ships at sea in foggy or overcast weather and enables navigation far from dangerous coastlines. The primary precondition of all my unexpected successes in life has been my compass. I have never got lost. I have always realised where political boundaries, invisible to many but critically dangerous, lied and have been able to remain within my possibilities. I did not want to live long. I am already 35 years older than I was hoping to be, for which I thank my lucky stars as during the war I was brought on the verge of physical and mental devastation many times. However, I have never got lost and survived everything amidst the conditions of the country and the world, because I have a good compass. I feel myself lucky because I have lived long enough in an age where we have enjoyed much more progress during a hundred years than for many thousand years beforehand. Events are becoming increasingly challenging and it is critically important to have the ability to orientate ourselves in a rapidly changing environment.

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About the author: The over-50-year career of one of the best known economists of Hungary has encompassed economic reform agendas through the control of privatization following the political changeover to establishing a novel economic approach in our present time. He has been involved in all the economic reform programmes since 1953. During the 1956 revolution he was President of the National Planning Office and the Revolutionary Committee of Ministries. Because of his role undertaken in the revolution he became a sidelined black sheep under the Kádár regime. So far he has published nearly 30 books, in which he uses convincing and modern arguments to prove the truth which was proclaimed by István Széchenyi 170 years ago: "...educated minds are the greatest asset of an economy". According to his creed, in today's developed and advanced society it is no longer the capital investment or infrastructure that make or break the success of an economy but the quantity of highly educated and talented workforce. A society with a new outlook also requires an approach in economics that factors in intellectual assets besides physical assets and, moreover, increasingly puts talent, high-quality education and expertise before anything else. This article is his upcoming book focus on this subject.