

English version

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**Tsuneo Morita**



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## **Alchemy in the Orbán Era**

### **The Lack of Ethics and Social Norms in Civil Society**

Although system transformation in the previously socialist countries has changed the political system and paved the way for the introduction of a market economy, the transformation of people's social consciousness, moral values, social ethics, and social norms has proven to be an extremely long-term social process. The precondition for these social changes and reforms is a highly developed market economy. The most fundamental essence of the market economy is "exchange," and "exchange" presupposes equality and equal relationships among economic agents. The development of this horizontal relationship is, at the same time, a precondition for the development of social norms and

ethics, therefore civil society. I presented this analytical perspective in the book, *Political Economy and the Sociology of System Transformation* (Balassi Publishing co., 2020).

However, Hungary has failed to deepen its market economy and has created a system in which the state (treasury) has overtaken the market. I named such a system a "treasurized economy". This system is a continuation of the economic system in the old socialist system and has the characteristic of distribution from above. Such a mechanism does not presuppose equality and equality among economic agents but is supported by "allocation" which presupposes a hierarchical relationship from the beginning. I described this relationship as "give but obey" to distinguish it from "give and take," which is the premise of the "exchange" system. In a system dominated by "allocation" relations, equal and equal social relations cannot be established. People behave in the same way as in the socialist era, living socially by seeking the mercy of their "superiors" and taking on power.

In Hungary, where the treasurized economy is dominant, economic agents try to develop their enterprises by acquiring government subsidies and public works projects, rather than through market competition. In such a system, distance from power is the key to developing businesses. Those with strong connections to power can "create a fortune out of nothing". This is the "alchemy" of our time.

In Hungary, politicians of the governing party, businessmen around them, and children and relatives of politicians can enjoy such privileges. It is the same as the privileges that MSZMP cadres and party members enjoyed in the old regime. In short, even if the political system changes, the social ethics and norms remain unchanged, and the same social behavior prevails. This has nothing to do with the political left and right distinction.

In this short article, I will show you the alchemy of the Matolcsy family, who accumulated private assets from public assets by creating foundations and through private funds. As to the assets created by Istvan Tiborcz, the son-in-law of prime minister Orbán, and by Lőrinc Mészáros, Orbán's friend gas flitter, please see the above-mentioned book.

### **Governor Matolcsy's Criticism of the Government**

At the end of last year, on December 5, the Economic Committee of the National Assembly held a meeting to receive the annual report from the President of the National Bank of Matolcsy (<https://www.youtube.com/watch?v=KXfckTpPtGY>). After explaining the reasons for the success of the economic policy of the Corona Disaster, Governor Matolcsy pointed out that the delay in the modernization of the agricultural sector (irrigation facilities) was the cause of the sharp rise in food prices. He drew attention to the fact that food price inflation accounts for most of the total inflation. This differs from the government's explanation that "EU sanctions against Russia are the cause of inflation." He also criticized the measures introduced by the government to freeze prices of several

commodities (E95 gasoline prices, sugar, vegetable oil, etc.) and restrict interest rate hikes as misguided policies that make the national economy more vulnerable and less price-sensitive and clarified that the National Bank did not initiate these policies. He also clarified that the National Bank had advised the government on several occasions that the government's economic policies were wrong.



**Governor Matolcsy at the Committee of Parliament**

Governor Matolcsy spent the last third of the committee hearing criticizing the government's economic policies. Needless to say, György Matolcsy is the one-hand man of Prime Minister Orbán, who has been in charge of economic policy since the first Orbán administration, and the government's recent price freeze policy is a policy that the Fidesz government has taken pride in. Therefore, it was unthinkable that Governor Matolcsy would criticize the government's economic policy. But he said that "Contrary to the government's expectations, the government's policies have caused inflation to soar, plunging the economy into the most fragile in the EU". The National Bank president, who has supported the Fidesz administration, made his criticism of the government at a time when a national consultation campaign was underway to determine whether EU sanctions against Russia are the cause of inflation. Media and opposition politicians critical of the government wondered about Matolcsy's true intentions.

On the other hand, Fidesz's parliamentary group criticized Matolcsy, stating that he was "resentful of the Fidesz parliamentary group's rejection of his request to extend his term of office until 2031," to which the National Bank's website posted a statement that "no such extension was requested".

What was the context for Matolcsy's criticism of the government's economic policies at this moment? I believe that Matolcsy's theatrics in criticizing the government was intended to protect him from the internal struggle for control of economic policy, Matolcsy's personal scandal, and the critical atmosphere against him within the Fidesz administration.

### **A break with Orbán?**

In 2015, Prime Minister Orbán's ally Lajos Simicska took action to sever the honeymoon relationship that had existed since their student days when he revealed that Orbán had been recruited to become an intelligence officer during his draft training. Simicska was said to be angry with Orbán for intervening in a matter in the economic sphere, his own area of jurisdiction, but the truth is unclear. At that time, Prime Minister Orbán used all means at his disposal to exclude a group of companies associated with Simicska from placing public orders, and within a few years, he had succeeded in eliminating Simicska's influence.

Some opposition MPs thought that perhaps Matolcsy had acted in a similar way to Simicska in 2015, but it is not that simple. It was not Prime Minister Orbán that Matolcsy criticized, but Finance Minister Mihály Varga. The other critic was Márton Nagy, who at one time was Matolcsy's one-hand man in the position of deputy governor of the National Bank but was later ousted to the Ministry of Finance and now serves as Minister of Economic Development. Personal feuds over economic policy are undoubtedly one factor.

Another cause is the scandal involving Matolcsy and his son. Matolcsy has made his fortune by diverting national bank assets to a foundation he headed and converting them to companies and private funds owned by his son Ádám, who is well known for his Porsche collection and his collection of luxury watches. Prime Minister Orbán's son-in-law is doing something similar, and some Fidesz politicians may frown upon the Matolcsy family's accumulations. So, if Matolcsy takes stronger action, Orbán will try to take down the companies held by the Matolcsy family by any means possible, just as he took down Simicska. Therefore, it is inconceivable that President Matolcsy would take the risk of a head-on confrontation with Prime Minister Orbán.

On the other hand, Prime Minister Orbán has given his son-in-law, Tibor Istvan, a huge public subsidy for his start-up business, turning a young man into a billionaire. The private funds owned by Tibor have taken control of blue-chip companies and real estate one after another. Moreover, Ádám Matolcsy and Istvan Tibor are cooperating with each other in acquiring companies through their funds and have risen to become the new oligarch in Hungary. They know each other's methods so well that they cannot afford to destroy just one of them. There are too many hidden things that have not been revealed to the public.

Given these circumstances, it will be interesting to see how Matolcsy's criticism of economic policy develops in the future.

### **Fraudulent Appropriation of Assets of Public Interest Incorporated Foundations**

Since Matolcsy took the presidency of the National Bank, he has established a series of "public benefit" foundations under the guise of financial education and training and global regional studies, draining a portion of the bank's assets and placing his subordinates in the foundation's management.



**Svábhegy Villa (no longer public property)**

In 2015, the National Bank contributed 280 billion Ft to establish the Pallas Athéné Geopolitikai Alapítvány (PAGEO, Pallas Athéné Geopolitical Foundation), which is a luxury villa in Svábhegy (an exclusive villa in the hills of Budapest's 12th district) as its headquarters office. However, the palace was never used as an educational and research facility and was sold to an unnamed real estate, Seven House Kft. in 2019.

It turns out that this real estate company is owned 70%-30% by two private funds. And the parent fund managing these two funds is Quartz Alapkezelő, whose owner is István Száráz, a friend of Ádám Matolcsy, son of the governor. In fact, Ádám Matolcsy was involved in the management of this palace, and at one time resided in it, but it is now used as a rental property by his financial group.

In any case, the assets of the foundation, which was established with contributions from state assets, have been sold at a low price, effectively making them assets managed by the son of the governor of the national bank. Although he himself does not directly own the villa, various private funds are used as fronts for laundering the assets. Thus, the real owner of the real estate is hidden. Thus, the ways of using private funds to acquire public and private valuable assets become the modus operandi of the emerging oligarch. Only those with close ties to the government, national banks, and the ruling party are able to do this.

Another scandal involving governor Matolcsy is placing his mistress from the national bank to the foundations for hiding their relationship.

Matolcsy, when was the economy minister, fell in love with a female official, Ms. Zita Vajda who graduated from Szeged university in 2010, and when he was appointed the governor of the national bank in 2013, he accompanied her to the national bank and paid a director-level salary of F1.73 million per month. Moreover, immediately after her move to the National Bank, Ms. Vajda obtained a low-interest loan of Ft 32 million from the National Bank for the purchase of Naphegy's apartment near the Elisabeth Bridge. It was none other than President Matolcsy's support that made it possible to provide a huge loan to a bank employee who had just arrived at the bank.

However, rumors circulated within the National Bank that the governor was giving preferential treatment to his mistress. Therefore, Matolcsy transferred Ms. Vajda from the National Bank to become the director and researcher of foundations established by the national bank. The Pallas Athena Foundation mentioned above has several sub-foundations, and Ms. Vajda is listed as a manager and researcher in four of them, and she receives a monthly salary of around 2.5 million Ft. Governor Matolcsy married Ms. Vajda in 2017, along with his divorce finalization. Accordingly, Ms. Vajda allegedly resigned from her post at the Pallas Athena Foundation and repaid her loan from her National Bank.

After all, the foundation set up by the National Bank was used to the fullest for Governor Matolcsy's son and mistress. This is also one of the modern alchemy, because it takes very low-interest loans from national banks, receives exorbitant rewards from national banks, and uses them to repay loans. It is a method of forming assets without capital.

In this way, using foundations and private funds to appropriate public money and public assets is modern alchemy in Hungary. Hungarian oligarchs all made their fortunes in this kind of alchemy. That is why they will resort to any means to maintain power.

In such opaque circumstances, it is not surprising that some politicians within Fidesz questioned the actions of Matolcsy father and son. Perhaps urged by such voices, the government decided to liquidate the foundation established by the National Bank this year.

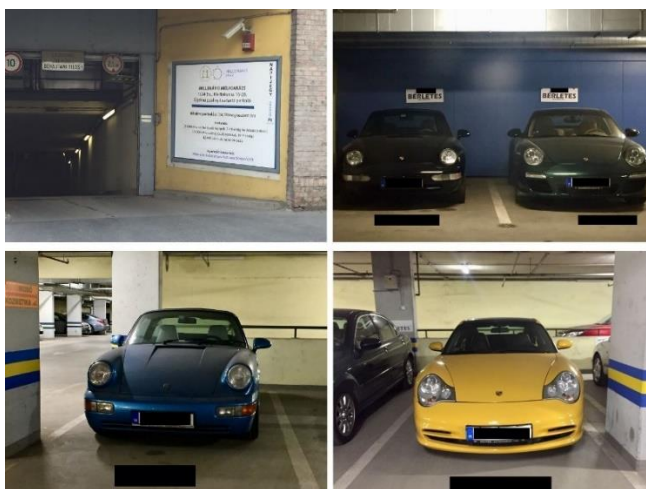
Matolcsy family has already appropriated part of the bank's assets, and since his lover's temporary shelter is no longer needed, he has nothing to lose by liquidating the Foundation. However, it is possible that he believes that the critical voices around Fidesz politicians will inevitably affect his re-appointment.

Therefore, there is no doubt that the Fidesz delegation's refusal of governor Matolcsy's request for exceptional reappointment is behind the criticism of the government's economic policies. Appointed in 2013, Matolcsy's term expired in 2019, but he was reappointed for another six years, securing his position until 2025. However, Matolcsy seems to have approached the Fidesz parliamentary group to secure the position as governor for life or at least until a third term in 2031. It is thought that he took action against the government because of this refusal, but it can be said that a third appointment after 2025 became hopeless due to the present incident.

### **The extravagant Matolcsy Jr.**

All power corrupts. One man who has become a symbol of corruption in modern Hungary is Ádám Matolcsy, and the other is Prime Minister Orbán's son-in-law, Istvan Tiborz. Ádám Matolcsy is also well known as a collector of Porsches and owner of expensive watches.

Ádám currently owns four Porsche classic cars, which he keeps in the parking lot of Millenáris (a large development adjacent to MAMMUT), which his company leases. In this Millenáris office building, Ádám's company as well as private funds involved in asset laundering have their offices. Although they have established a complex mutual ownership relationship so that the true owners cannot be easily identified, daily information exchange takes place in the same office building.



**Ádám's Collection of Porsche in the Garage of Millenáris**

(<https://atlatszo.hu/kozpenz/2019/04/23/matolcsy-adam-porsche-911-targakat-gyujt/>)

The Porsche that Matolcsy Ádám always drives is not a classic car, but a 2020 Porsche Taycan Turbo S electric car (from 80 million Ft).

Ádám has a crony, Bálint Somlai, who also became a billionaire by undertaking a huge project for the national bank as a prime contractor. His company, Raw Development Kft. succeeded in the tender of the National Bank to renovate its head office building in Szabadság Square and the historic post office in Széll Kálmán Square. The total value of the contract was 85 billion Ft. The source of his wealth was the huge principal brokerage fees he obtained at the convenience of Ádám's father. Ádám and Bálint are close friends and share the same taste in cars and watches.



**Bálint Somlai's Ferrari**

**(<https://telex.hu/direkt36/2022/02/21/vadonatuj-porsche-kulonleges-ferrari-es-milliardos-uzletek-mutatjak-a-matolcsy-kor-felemelkedeset>)**

Bálint Somlai drives a 2020 Ferrari hybrid and wears a Nautilus 5740/1G-001 (approx. \$250.000) on his wrist. Ádám's watch is also a Nautilus 5711/1R-001 ( \$ 180.000) They share a private jet (Bombardier Challenger 601). For some reason, they (and their families) reportedly hold diplomatic passports.

Another rumor related to Ádám Matolcsy was reported late last year.

According to the local portal (**([https://444.hu/2022/12/15/matolcsy-Ádám-barati-kore-sejlik-fel-egy-new-york-i-luxusapartman-megvasarlasa-mogott](https://444.hu/2022/12/15/matolcsy-Adam-barati-kore-sejlik-fel-egy-new-york-i-luxusapartman-megvasarlasa-mogott))**), a luxury residence in the Crown Building, a 26-story historic building in the heart of Manhattan, New York, is owned by Hungarians, and the actual owners are Matolcsy Ádám and a group of his friends.





**The Crown Building in New York**

The building's 4th to 26th floors have been purchased and renovated by a Russian entrepreneur to create an ultra-luxury hotel with a minimum weekday room rate of \$3,567 and up, and \$4,200-5,500 on weekends. 83 rooms and 22 residences comprise the hotel. A Hungarian company has purchased a 348 m<sup>2</sup> residence on the 18th floor of the hotel.

The company that purchased this luxury residence, registered on April 27, 2021, has addressed the Millenáris office building, which houses Ádám's company. The contract was signed by the person who owns the two companies with that address, both of which have been absorbed by the private fund Felis. Through passing various private funds, the actual owners are not seen. The Millenáris office building at the time was owned by Quartz Alapkezelő, an amalgamation of several investment funds, whose management was overseen by Ádám's friend Istvan Száraz, the group behind the privatization of Svábhegy's villa. Therefore, it is assumed that the New York residence is undoubtedly a property jointly owned by Ádám Matolcsy and his group.

This residence is estimated to cost around **\$40 million**. It was reportedly purchased at a catalog price. The upstart Hungarian oligarchs, by withdrawing public money, are enjoying the springtime of their lives, sharing private jets and entertaining themselves in New York and other hidden resort properties.

It will be interesting to see whether a small uprising by Matolcsy, the governor of the National Bank of Hungary, will affect the future of these upstart oligarchs as well or not.