

THE ROLE OF HUNGARY FROM AN ECONOMIC POINT OF VIEW APROPOS OF AN ECOLOGICAL DISASTER

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Abstract in original language

State generally plays dominant role in economic life. On the one hand, state has imposed and imposes taxes in the course of years for redistributing the revenues in the framework of its budget act. On the basis of this act, each state provide the fundamental public services for their members, and make infrastructural investments and developments etc. On the other hand, state has to control and/or influence the behaviour of the participants of the economic life through its legislation and law enforcement. How can a state fulfil all of these roles when a force majeure (f.e. ecological disaster, like the red sludge catastrophe in Hungary) has happened? The study seeks to examine and make a diagnosis and some proposals concerning this situation through the analysis of the Hungarian regulation.

Key words in original language

State's duty; public funds; ecological disaster.

1. THE STARTING POINTS

The major purpose of this paper is to briefly examine the means of solving the red sludge disaster's problem in Hungary or to emphasize the importance of public funds and the importance of program budgeting in the life of Hungary in my paper.

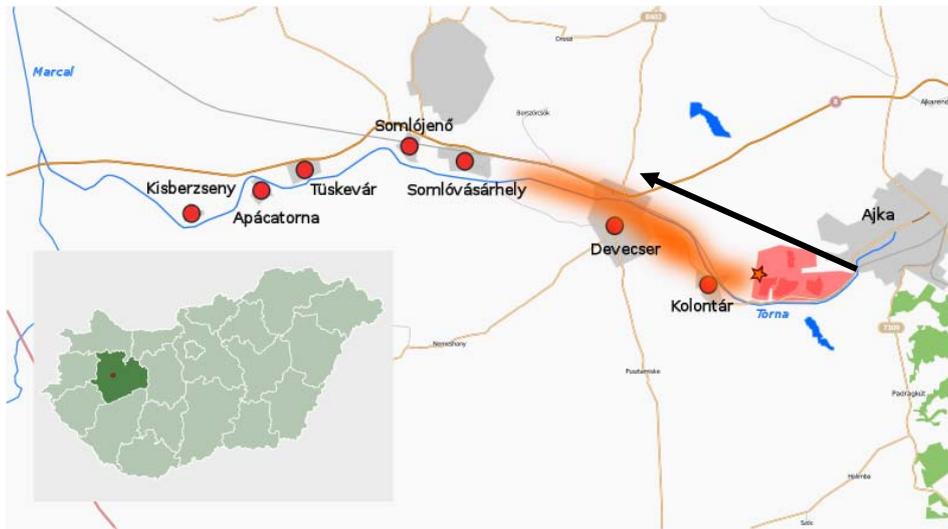
What are the starting points?

Data:

1. 3 villages
2. Approximately 7200 people were affected
3. 150 people were seriously wounded
4. 10 people died.

As you can imagine, damages were caused, beyond people's lives, in people's houses and in all of them goods and chattels, in buildings of the local government, streets, and in soils etc.¹

On the following map you can see the exact place and the direction of the pollution concerning the red sludge disaster.



Picture 1:

http://hu.wikipedia.org/w/index.php?title=F%C3%A1jl:Ajkai_v%C3%B6r%C3%B6siszap-katasztr%C3%B3fa_v%C3%A1zlat_2010-10-04.svg&filetimestamp=20101007200140 (08-11-2010)

What can a state do in such an ecological disaster that happened in Hungary on 4th October 2010? I think every states have to deal with a situation like this and in my opinion, every states should separate money for it in its public budget.

Furthermore I also think that a state has to force a company, that use the environment or can cause similar effects like in Hungary, to pay a yearly amount of money from the beginning of its activity concerning its production for solving problems if those happen.

¹ <http://vorosiszap.bm.hu/> (06-11-2011)

2. MY SUGGESTIONS

Although the government (as the head of the executive power) tries to do its best now, I think the Republic of Hungary could have done the next steps before the disaster.

First, the Parliament should have paid more attention to the public funds (though there is always a debate on whether it is good and useful that they are separated from the public budget or not²).

My suggestion would have been that the Parliament should have established a special public fund for tackling the red sludge disaster which could happen some day, or it should have assimilated two of the nowadays existing public funds and should have created a third one from them. I mean, there are 6 different public funds in Hungary these days, which are the followings:

5. National Cultural Fund,
6. National Employment Fund,
7. Research and Technology Innovation Fund,
8. Homeland Fund,
9. Central Nuclear Financial Fund,
10. Wesselényi Miklós Fund for Flood and Inland Water Compensation.

Accordingly that I have mentioned above is for example to have assimilated the last two ones and the task of tackling the problem of red sludge. So this new public fund would have been able to manage the tasks and problems of using nuclear energy and its impacts, the flood and inland water problems and the problems of red sludge's disaster. Plus, if we take a look at for example on the present functioning Central Nuclear Financial Fund, we can see that the responsible organisation, the Hungarian Atomic Energy Authority has to pay a yearly defined amount of money (the exact amount is defined in the yearly budget act of Hungary) for its future tasks, so it is a practise that has already paid off.

Why I support separated public funds? Public funds in Hungary were established in order to collect money from outside of public budget and to solve some special problems with a special organisation, and last but not least to relieve state of some special tasks. In my opinion it means, that the people and the companies who are or who could be affected by these tasks

² <http://www.jak.ppke.hu/tanszek/heller/letolt/elk.doc>

or problems should contribute to public funds. Nevertheless, these funds are controlled by the National Audit Office, so the spending of their money and their transparency are ensured.

Secondly, (if I would like to argue next to the standpoints of the Hungarian Audit Office, that said that Hungary could put an end to the system of public funds), I also could say that if the Parliament had used program planning concerning its budget procedure, the state would have had a ready action plan in advance for tackling the problems of environment' and ecological' sphere.

And last but not least, I also think that the Parliament of Hungary should have forced the MAL (the Hungarian Aluminium Production and Trade Company Limited by Shares) to separate some money for „bad days” in its budget, (mainly if my first suggestion had not been realised) or it should have forced the company to make a responsibility insurance that is fit for its real responsibility.

3. WHAT DID HUNGARY DO BEFORE AND AFTER THE DIASTER?

In this part of the contribution, I only deal with the means of the Hungarian Government from an economic point of view, not from a political or other view.

On the one hand, the government of Hungary has established the Hungarian Diaster Relief Fund that tries to collect as much money as it can. Everybody can give a donate for this fund and approximately 4.000.000³ euro were collected already until 09/11/2010. But if you divide it into the affected people (7200 person) it is unfortunately not to much.

On the other hand, there is a contingency fund in the public budget for force majeure from which local governments can retrieve some money if they claim. Notwithstanding this money is only for managing the compulsory tasks of local governments and rebuilding their infrastructure. The amount of this contingency fund is also approximately 4.000.000 euro from which the state has already spent 1.473.500 euro, so 2.526.500 euro lasts.

Finally, the lawyer of the MAL company said that the company would pay about 5.450.000 euro compensation over 5 years. (So not now and not the grand total in one amount.) Nevertheless he added that the compensation did

³ I use the official euro exchange rate of the National Bank of Hungary for changing the amounts (1 euro was 274,95 forint in 09-11-2010.)

not mean the recognition of the company's responsibility, it is only based on ethical deliberation.⁴

I think it is also important that the affected people don't have enough money for their livelihood (as they do not have work now, they can not pay their bank credit, etc.) and the government also have to deal with the health care costs too.

You can see on the following chart how toxic the red sludge is:

Concentrates of hydrogenions compared to distill water		Compounds
10000000	pH = 0	Accumulator acid
1000000	pH = 1	Hydrochloric acid
100000	pH = 2	Vinegar, Citric acid
10000	pH = 3	Grapefruit, Orange juice, Coke
1000	pH = 4	Tomato juice, Acid rain
100	pH = 5	Drinking water, Coffee, Rain
10	pH = 6	Urine, Saliva, Milk
1	pH = 7	Blood, clean water
1/10	pH = 8	Sea-water
1/100	pH = 9	Baking-soda
1/1000	pH = 10	Soap
1/10000	pH = 11	Ammonia solution
1/100000	pH = 12	Bleach
1/1000000	pH = 13	Oven cleaner, RED SLUDGE
1/10000000	pH = 14	Liquid drain cleaner, RED SLUDGE

Figure 2: <http://ozonenetwork.hu/ozonenetwork/20101005-maroxidkoktel-55-millio-tonnavorosizap-van-a-magyar-tarozokban.html> (08-11-2010) translated by the author

4. CONCLUSION

First and last my opinion is that the states always have important role in economic life. It is enough if we think about that a state can influence the national trade with its regulation, or if we think about that it can control the competition on the market. I think the situation is the same if the state has to deal with a complex (economic, ecological and social) problem and its consequences because people can not solve it alone.

Accordingly, I think states have important role in a nation's life, especially when a disaster happens, to help people to take part again in the life of the

⁴ <http://www.nepszava.hu/articles/article.php?id=358653> (08-11-2010)

nation and in its economy. Finally I think this thought is stronger in Hungary now than it was before the red sludge disaster.

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