

Interview with Imre Boros

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Tell us a few sentences about your family background. Where did you come from, who were your ancestors?

Our family history is not a simple one. When I was born, most marriages took place between people who often lived in the same village. In our case, it was quite the opposite. My mother came from an old family in Zala County. The Sárkány family was even mentioned in connection with the Battle of Mohács. One of our ancestors fell in battle. My father came from the other end of historical Hungary, from Székelyföld. When the region became part of our country again, he applied for public service, was trained as a police officer in Kassa, and was stationed here in the hills of Zala. That's how he met my mother.

Where did the idea to study economics come from?

Well, it was more by chance than by design. I attended primary and secondary school in Zalaegerszeg. I graduated from Zrínyi Miklós Grammar School. I did well in science and history. As if by fate, our teacher, Ms Kékessy, even managed to teach us beautiful Hungarian speech and correct spelling. My dear classmate, Miki Tanai, and his mother were of Austrian descent, and when we were at their house, German was often the language of conversation. Incidentally, I also chose German at school. At first, I thought I should perhaps become a mechanical engineer, because I had no trouble with maths and physics, or with descriptive geometry, except that I always messed up when it came to drawing with ink. Engineering students always produced dozens of these ink drawings. So I thought, this isn't going to work either. My friend Miki urged us to apply to the Faculty of Arts in Szeged, he to study German and Russian, and I to study German and history. Somehow, I didn't feel called to be a teacher. However, chance threw something my way. Our third friend, who was studying German with us, said that his father wanted to talk to me. He was a technical inspector at the MNB's Zala County Directorate. He said that the deputy director wanted to talk to me. What business could I have with someone in such a high position? But I agreed to meet him. I told him that I hadn't made up my mind yet, that there were many things to consider. „Why don't you go to the University of Economics?” he asked. „I graduated from there myself,” he said. At that time (1965), this profession was not yet in vogue in the countryside; it was as rare as a white raven. „If you graduate, you'll definitely have a job with us, and if you study well, we'll give you a scholarship.” So they convinced me. I submitted my application to the economics programme. At that time, the programme was only available in the capital. Boys were admitted on a pre-selection basis, which meant that they had to complete a year of military

service before starting their studies. I know that it is customary nowadays to speak disparagingly about military service, but I don't feel that way. In today's situation, perhaps it is becoming a little more valuable again. The most important message of military service is that life is organised according to a certain order. You could learn this there, because every hour of the day – from reveille to lights out – had a purpose. We couldn't slack off in the military, because during that year we went through the training material up to the rank of non-commissioned officer and were often assigned guard duty.

How did you spend your student years at Dimitrov Square?

At that time, finance was not considered a cool subject. The cool ones were foreign trade and international relations students. The public thought of us as bookworms. Ironically, accounting was the most neglected subject at the economics university at that time. It was only seriously taught to the so-called „B” teacher training students, who would go on to teach. I only managed to grasp the essence and message of accounting and balance sheets later, when I was working at the MNB, thanks to some excellent old banking professionals. We had excellent teachers in the finance department. I would like to highlight Professors Hágelmayer and Riesz. Hágelmayer taught me the essence of money, while Miklós Riesz's words are still useful today when it comes to the mysteries of money flow and exchange rates. We used to joke that there were only two departments at the university: us, the finance students, and everyone else, who were not finance students. Otherwise, life as a student was very good, including the summer field trips and even the construction camp by Lake Szeván.

I know that five decades of professional experience cannot be summarised briefly, but the essence can still be grasped. Let's give it a try.

For a long time, I pursued two careers. I was interested in both teaching and practical work. Later, teaching took a back seat, but it never completely disappeared. Even today, I take on motivated students, help them choose their thesis topics, and am happy to consult with them. I published a book with Professors Hágelmayer and Bánffi, wrote university lecture notes, etc. I would like to highlight the year I spent in Cuba, teaching the basics of finance to the locals. I could say that they needed it, as the years following the Cuban revolution were not exactly about economic matters. There was a severe shortage of goods, and money was little more than a voucher that could only be used to purchase what the per capita quota allowed. The black market flourished at four to five times the official price level. From 1973, I reversed the ratio, with more practice and slightly less teaching. As a former MNB scholarship holder, I ended up at the headquarters of the bank. Thanks to my foreign language skills, I was assigned to the foreign exchange management department. In keeping with the progressive spirit there, my request to spend a year touring the various departments of the bank was met with understanding. Thanks to the extra three years I spent at university, I was able to prepare for my language exams in peace during my year-long tour of the bank, and my knowledge of both central banking and commercial

banking issues became complete. At that time, the MNB was the big bank, there were no separate commercial banks. They handled everything related to banking transactions, from forint loans to foreign exchange trading, but they also exercised foreign exchange authority powers. In the latter capacity, the MNB's positions were decisive in litigation cases. This was a huge responsibility, but it also opened the door to abuse and sometimes political revenge. Foreign exchange offences were punishable by imprisonment. From today's perspective, even a small amount could lead to this classification. A hundred dollars was more than enough for this. In 1981, I was appointed to the foreign exchange trading department, the so-called arbiba (Arbitrage). The following years were very difficult. It turned out that loans taken out from the West had to be repaid, and new ones were not always granted. This was especially true after the Soviets invaded Afghanistan uninvited in 1989. The years of peaceful coexistence were over. Although war did not break out, the West, as creditors, put pressure on the Soviet bloc through loans. Some frightened creditors spread the misconception that, in case of trouble, the Soviets would bail out their smaller allies anyway. This misconception even got a fancy name: the umbrella theory. However, the umbrella had many holes, because Romania and Poland also threw in the towel, unable to repay their maturing loans. Regardless, we were also dancing on the edge of a knife for a year and a half. We managed to avoid collapse by living on \$150-200 million a day for months. Every day we were exposed to the spectre of collapse. The daily cash withdrawals were made in my department. The stunt was a success, and collapse was averted. My professional performance was recognised with a State Award in 1983. It was clear that the socialist system could not be sustained for much longer. This was also true in the banking sector. In 1987, commercial banking functions were separated from the MNB, and smaller banks were established. The process accelerated, and some of us also ventured into banking. I was involved in the establishment of three banks focusing on the opening capital markets, one here in Budapest, one in Prague and one in Moscow. The decade I spent in the foreign exchange department of the MNB, including the seven years I was a manager, and the stories of small banks were the most exciting years of my life from a banking perspective. It was not as an observer but as an active participant in shaping events, transforming struggling companies into successful joint-stock companies and listing them on the stock exchange.

How did you get involved in politics?

Needless to say, it was on a professional basis around 1995. I was thoroughly outraged by what the „Bokros package” did to the country's economy in the name of reform. The shock caused by the change of regime had already given way to a cautious recovery in 1994, and growth had resumed. Then came the package. Some analysts still claim that what is good for the economy today is the long-term healing effect of the package. This claim is untrue. The package did nothing more than radically reduce domestic income and deprive the state of a significant portion of its productive assets in exchange for negligible revenues, the amounts of which were not even disclosed. The assets were depleted, and the debt did not decrease but continued to grow. The restructuring of the banking system cost the

state approximately one billion dollars, resulting in another twenty billion dollars of debt coming out of hiding. So these things drew me into politics at the time. I hoped that the matter would be dealt with politically, at least until the lessons had been learned.

In 1998, you were asked to become a minister. What was your role in the government?

Once again, I was given a financial role, so I was spared the fashionable give-and-take politics of the day. The position without portfolio was given the name of Phare Minister. This doesn't mean much to the public, either then or now. Preparations for future EU membership were in full swing. On the one hand, this meant transposing EU law into domestic law where necessary, but on the other hand, it also meant institutional developments to lay the foundations for the new legal system and a whole host of pilot projects. All this consumed considerable financial resources, which the EU co-financed in the form of so-called pre-accession funds. The precursor to these funds was Phare, indicating the participation of the two leading countries at the time, Poland (P) and Hungary (H). Later, new funds were established to finance sectoral issues, such as ISPA and Sapard. The former mainly concerned domestic municipal infrastructure (waste management, sewage, key transport infrastructure), while the latter covered agricultural issues. I carried out this work as national coordinator in the government, as a minister without portfolio. So I commuted between the ministries and the local office of the European Commission, as well as various project sites, to ensure that the set goals were achieved as soon as possible and that accession was within reach. I also had to fly to Brussels frequently. I often took the morning flight and was back home by evening.

At one point, you were also in charge of the Ministry of Agriculture. Was that a big adventure?

Actually, besides finance, agriculture is my other favourite sector. During the few months I spent there, I managed to get to know the diverse structure. There were enough agricultural experts there, so I focused more on drawing attention to the achievable results of the work done, market relations and financing.

How do you spend your time these days? Do you miss your daily routine?

I still have a daily routine, although it is a little different than before. I teach my favourite subjects, I like to reflect on money and how it is harmful when private forces take control of it. Nothing good comes of that. My family, my three adult children and my grandchildren are very important to me. On weekends, there are usually sixteen of us sitting around the table.