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# The Organisation of Accelerating Economic Offenses During the Change of Regime



## *Summary*

In his book titled *The Shape of Time. Remarks on the History of Things*, George Kubler criticised the nature of chronologically and linearly approached and explained historical concept. He claims that applying biological metaphors to the periodical changes in history results in the adverse consequence that it presumes repetitious life cycles in different eras of the past. Shaping a new criminal method or trick is mutatis mutandis an initial sequence-starter object, just like a painting projecting a new, original approach. However, not only the existence of the original work of art is necessary, it must be subject to reliable verification, we cannot always identify the first perpetrator of the given criminal method.

**Keywords:** sociology of time, organised crime, change of regime, financial funding of political party

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The change of regime, including a political, economic, social and socio-cultural transmission that luckily took place without bloodshed in 1989-1990 in Hungary had its effects on the structure of criminality and on the structure and dynamics of law enforcement as well (Mátyás, 2017).

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Both earnestly “considerable” organised crime and the accumulation of vast never-before-seen assets originating in underground economy and illicit activities represent a series of special challenges for the Hungarian law enforcement bodies, resulting in an overall change in criminal investigations, and in the transformation and reinventing of all the related fields (criminalistics, criminology and criminal sociology). This study is an outline of the events of law enforcement in the 1980’s, in 1989 and the rather infamous 1990’s, and somewhat paraphrasing the title of a study by Professor Csaba Lentner, an answer is sought to the question who actually paid the price of this transformation (Lentner, 2005). In his book titled *The Shape of Time. Remarks on the History of Things*, George Kubler criticised the nature of chronologically and linearly approached and explained historical concept. He claims that the application of biological metaphors to periodic changes in history has the adverse result of presuming recurrence in life cycles in different past periods (Kubler, 1992, p. 23). Kubler emphasises the unique and singular quantities instead of the cyclical approach in a teleological comprehensive frame, expecting a targeted approach from actors of historical processes. His synthesis is somewhat undermined by the fact that the matters of focus or strategic thinking cannot be defined in such an easy manner without the aesthetic definitions of an art historian. According to Kubler, “purpose has no place in biology, but history has no meaning without it” (Kubler, 1992, p. 22). In a historical perspective, it is just as easy, or just as impossible, to discover realistic or plausible targets in the activities of the one-time actors of the past on the grounds of our knowledge of the particular period as in the seemingly never ending biological cycle. We may agree with Karl Popper that some species face problems similarly to people, caused by changes in their respective environments. The experimental theory created as a solution to the initial problem is followed by the correction of errors until the nature of the problem changes in an extent that we no longer consider it as a problem, unless, due to some of its unforeseeable consequences, we face it again as a different problem on a different level (Popper, 1998, pp. 20-23).

In Popper’s approach, human theories or problem solving that serves more pragmatic purposes represent the same evolutionary changes, however, they cause physiological mutations in most the organisms, and “extra-skin” (exoderm) mutations in humans (Popper, 1998, p. 23). Such exosomatic mutations often represent a heuristic explanatory potential and practical advantages in the beginning of a period, but due their specific nature, they also tend to create difficulties when it comes to responding to changes. In this respect We believe that biological metaphors are more useful than Kubler’s physical approach, for example, energy transmission, resistance or transformers in electrical circuits, which give a mechanic reading to changes but fail to pay attention to the path-dependence detectable in historical changes. Unlike electrical circuits, the used parts of the present cannot be unplugged from the historical past, although they may be atrophied or starved, as it happened with the institutional and economic systems after the Hungarian change of regime, affected in vain by decisions similar to mechanical changes, as the actors of these mechanisms could adapt to the new eco-system with the help

of their previously accumulated capital, just as it is the case with any other organism. On the other hand, we may entirely agree with Kubler's argument that we are only able to know time indirectly, by deduction from things that have happened (Kubler, 1992, pp. 29-30). We cannot agree with András Szekeres's argument that Kubler's approach and the physical metaphors are more enlightening than the biological definitions that have long been incorporated in different languages (Szekeres, 2000, p. 144).

American art historian George Kubler focused his research primarily on the pre-Columbian era, aiming to compare his own topic with European eras considered as hegemon, and introduced the problems of time and duration in his book titled *The Shape of Time*. Historians may also benefit from and also alter George Kubler's historical time approach in accordance with their own fields of research. He extended the definition of art to every object created by humans, thus practically even bureaucratic documents representing no invention or artistic value whatsoever may be filled with creative mentality, but in Kubler's view they give account of the objective world and its changes in the frame of time in a rational order.

By an artistic analogy, official documents, whether corporate deeds, other official or even confidential files and reports of the state administration or enforcement bodies, copy the material world surrounding the members of a society, and also mirror the actions and changes indicated by individuals. The significance of the research lies in understanding that the pieces of the material world are not the results of coincidence, in Kubler's words "every man-made thing arises from a problem as a purposeful solution" (Kubler, 1992, p. 23). Pursuing a criminal action as a rational satisfaction of a demand or as a problem solving technique can be easily detected among the individual purposeful solutions (Szabó, 1979, pp. 319-329).

From the perspective of a governmental judicial system, he interprets the actions of the members of the society as the actual recapitulation of the original goals and as a specific interpretation according to the judicial system's viewpoints. Consequently, the phenomenon of organised crime is not shaped by its presumed actors, but by the policing bodies and other law enforcement entities.

In Kubler's interpretation every historical perspective has a temporal structure just like the cracks and sequences in a grandiose fresco. The uniform picture made from the interpretation of sources is fragmented on the basis of the chronology of the various developments, and this is exactly what gives rise to its complexity. "In this perspective the cross-section of the moment, the integrity of a given moment at a given place shows a mosaic of sequence at a different stage of development and age, and not a structure of beam reaching to each component" (Kubler, 1992, p. 50). The law enforcement and judicial sources made of crime in a period reflect the development of perpetrators' techniques, the acceleration of criminal actions, and the problem of delayed law enforcement responses is often an issue (Girhiny, 2015).

Although the law enforcement bodies experienced an accelerating spread in organised crime, its interpretation suffered serious delay (Mátyás and Sallai, 2014). Ex-

perts of criminology tried to dissolve the duplicity of the problem. “From the early 1980’s, criminal actions started to increase as a result of the incorrect political and economic decisions made in the previous decades” (Déri, 2000, p. 136). For the first time in 1978, several police officers published studies on the trend of increase in the specific forms of crime and on the surmountable delay of law enforcement in *Belügyi Szemle* (Journal of Internal Affairs), addressed to law enforcement professionals (Mérgeš et al., 1978, pp. 34-40). Home affairs professionals thought that in that year “consultations on the actualities of law enforcement raised several significant issues, first of all, in relation to the fast and effective investigation of criminal acts. It was pointed out during the consultations that the police received a vast amount of information and data that would be useful for fast and effective criminal investigation if properly evaluated” (Dobos, 1978, p. 66). The euphemistic description of actual questions might have been underpinned by the absence of an accurate definition of the practical problems. The effectiveness of law enforcement closely correlates with the speed of investigation conclusion, while the extra information relevant for law enforcement activities became available with the adoption of new media surfaces, and the national coverage and acceleration of mass media. The challenge of our time is the acceleration of criminal acts, and the growing difference between the response time of law enforcement bodies in comparison to the previous periods. Structural changes and the appearance of new participants (i.e. perpetrators) were no longer simply a generational issue, but suggested a change on an overall level in law enforcement. The first to call the attention to the presumable launch of criminal organisation was János Dobos in 1978 (Dobos, 1978, pp. 66).

How did Hungarian law enforcement bodies react to the new forms of crime? How did they discover and define it for themselves? How did they have others see their combat against it? While answers are sought to these questions, crime is considered as a special form of race against time.

According to the general interpretation typical after the change of regime (even in professional criminology research), Hungarian citizens did not know the phenomenon of organised crime. “8 to 10 years ago the population only saw and heard of organised crime through Western movies, and more specifically only about trade in drugs. Moreover, only a few professionals recognised the preliminary signs of organised crime, and even their arguments were controversial” (Déri, 2000, p. 137). An extremely difficult labour preceded the birth of organised crime. According to the above example concluded from a statistical study by Pál Déri, the society was not aware of and had not experienced the issue of the evolution of the organised crime. Its preliminary signs were not obvious even for professionals. In this approach the state was depicted as suffering from premature birth, while the new-born, controversial to its presumable age, seemed to have some sort of antecedents. In this interpretation, the decomposition of the former regime undermined the ethical dimensions of social and economic relations, moreover, staying with this metaphor, criminal actions burst their banks and penetrated new areas, beyond the control of the authorities. This conclusion leads to the impossibility of the theory of seeing crime as a special form of

race against time. “The truth is that no matter how hard the law enforcement bodies may work, their efforts are worth no more than trying to find a needle in a haystack” (Déri, 2000, p. 137).

#### ACCELERATING CRIME

The temporal nature of objects or material culture may be interpreted through chronological sequences. The individual historical sequences result from the primary objects and their replicas (Kubler, 1992, pp. 131-132). The spread of copies suggests that a given form or object has spread on a broader scale and an increasing number of people use it. However, the actual consumer or user responses to changes are ambivalent: while precursors focus on future opportunities, the majority of people forming the public opinion may only cope with the actions it has actually met in some form.

The elaboration of a new criminal method or trick is *mutatis mutandis* an initial sequence-starting object, like a painting projecting a new, original approach. However, while the existence and reliable identification of the original work of art is considered invaluable and assigned a high significance, we cannot always identify the first perpetrator of the given criminal method. Breaking in homes using lock picking by breaking up cylinder locks spread in some of the post socialist countries in the 1970's, and all we knew is that the idea of the method originated from Poland. However, the inventor of the trick and the first suspect of this crime, in other words, the first criminal actor using this method are not necessarily the same persons. In addition, Hungarian criminalistics were only aware of the fact that Krzysztof Rybitwa was the first Polish perpetrator who committed several burglaries by picking cylinder locks in Budapest (Csiba and Bodor, 1983, pp. 3-9). After the “Polish method” had spread widely and the significance of protection was recognised, criminals needed to find new techniques. One of these was “bolt pulling”, when the perpetrator reach in through the already opened door with a screwdriver in order to pull out the fixed bolt and open the door. After the damaging methods previously used during burglaries, the invention in non-damaging methods was that the injured party only noticed the illicit intrusion subsequently. Authorities suspected that the locksmithing tricks were related to criminals from the Czechoslovakian Republic. In this case, the inventor of the method was certainly the first perpetrator known for the authorities. For this reason, the arrival of the man known as Smolski in Hungary in the middle of the 1980's caused serious problems to the authorities (Lukáts, 1990, pp. 46-47). The geographical borderlines and the scope of applicability limit the historical sequences of criminal offenses against property far more than the temporal changes related to objects of art. These methods proved to be effective primarily on locks produced in the Elzett Factory founded in 1901 in Sopron, since besides Hungary, these type of locks were used in most of the Eastern-European countries during the socialist era. Research done by Valér Dános pointed out that criminals first started to get organised on a larger scale to conduct burglaries (Dános, 1988, p. 16).

Ironically, the concept of organised crime re-appeared in the first half of the 1980's, right after the acceptance of the National Planning Office's proposals by the

Hungarian Socialist Labour Party's Political Committee on the secondary industry and their submission to the government (Sik, 1996, p. 710). The material gained publicity and generated enormous debates and fear. Many were concerned that "socialism has thrown up the sponge" (Germuska, 2008, pp. 76-77), but then on January 2, 1982 the act on small enterprises entered into force. In the same year, the Criminal Department of the National Police Headquarters of the Ministry of Internal Affairs took over and unified the investigation of the serial burglary cases previously investigated by several different police organisations in Pest County (Pintér, 1983, p. 96). In addition to the presumable mutual effects of the two events on each other, the act specified certain aspects of the investigation.

The investigative phase of the case called Prestige Case was concluded on 1 November, 1982, and 85 offenders were found guilty by a final and binding order in the next few years. Prosecutors proved their guilt in 170 cases, establishing 147 cases of burglary, and in relation to the above, the forgery of documents, illicit travelling abroad, stealing cars, weapon abuse and receiving of stolen goods (Tonhauser, 1983, p. 48).

One of the investigators of the case, Sándor Pintér clarified the actions of the investigation for the *Belügyi Szemle* (Pintér, 1983, pp. 96-103). Besides, the chronological explanation allowed the reader (primarily, the professional reader) understand how huge wealth could be accumulated in socialist Hungary by outwitting state control. In compliance with the legal terminology of the era, the classification could only be "criminal conspiracy", however, in the course of the relevant debate, the possible existence of organised crime was mentioned for the first time ever.

According to the memoirs of László Tonhauser, chief investigator of the group responsible for the case, the number of criminal acts against personal property, especially burglaries against private properties started to increase from the end of the 1970's. "Crime scenes were short in evidences. The value of the damage caused also multiplied, the loss of HUF 4, 5 or even 10 million was not infrequent per burglary. Clearing up became impossible. Even if we could produce a suspect for a singular case, he closed up, retired into his shell and did not communicate with the police" (Tonhauser, 1999, p. 100). In Tonhauser's interpretation a new type of criminal method set foot in Hungary. Perpetrators were well prepared and worked on the basis of reliable information. Clearing up became impossible because of the improvement in criminal networks. When a party to a crime or any other person partially related to the network was arrested, the organisation supported his family with money or packages. They kept influencing them through their relatives by giving them money and other assets. They supported every member or affected person with highly qualified lawyers at any hours the day (Pintér, 1983, p. 101).

Between 1957 and the change of regime in 1990, the secretary of the Hungarian Socialist Labour Party's Central Committee responsible for administration, the head of Governmental and Administrative Department, the minister of judicial affairs, the chief prosecutor, the minister of internal affairs and the chairman of the Supreme Court operated a commission beyond public notice, with significant power based on their positions. It was acknowledged as a practical solution that the heads of different

governmental institutions, like the representatives of judicial and law enforcement authorities and the representatives of the state party, would cooperate through this forum.

The Coordination Committee had monthly sessions in relation to actual criminal and judicial issues. According to the second topic of the agenda of the session held on February 7, 1983, Jenő Szilbereky, chairman of the Supreme Court at the time, made an informative report on “the experiences regarding the obstacles of pursuing timeliness in cases involving multiple offenders [*sic*] and in priority criminal cases [*sic*]”.<sup>1</sup> The informative report was prepared because of the Prestige Case, as according to the Tonhauser’s memoirs, the leaders of internal affairs had supported the ideas related to combating organised crime only until the conclusion of the investigation, and the investigative group established for the case was dismissed at the end of the case (Tonhauser, 1983, pp. 48-52). Accordingly, the informative report even avoided to use the term “criminal conspiracy”, although this meant organised conduct of criminal acts even in the statutory provisions of the time.<sup>2</sup> The chairman of the Supreme Court used the most legally neutral phrase “involving multiple offenders” to interpret his theory on “pursuing timeliness” using his special bureaucratic terminology. This concept aimed to accelerate the investigative and court sequences of the criminal cases (Bezsenyi, 2015).

The committee approved the report and enlisted future plans in four steps. According to the first step, cases “involving multiple offenders” should be divided into separate cases already in the investigation phase, and heard by court separately. In the Committee’s interpretation this served to secure that the procedure is not impeded by other difficulties. No further details are given, but practically political considerations may lurk behind the instruction. Due to the segregation of cases, cooperation between the members of the criminal organisation and the community of interests become relative similarities of interest on the level of legal perception.

In step two, all sizeable cases that cannot be divided must be heard by a committee of five judges. The actual aim of this provision was closely connected to the third step (C), which provided that the Ministry of Justice must examine the opportunity to simplify courts’ sentence drafting practice and methods. In other words, if a court hearing related to a large criminal organisation could not be avoided, the case should be heard and concluded by a court ruling as soon as possible. Thus, the media had considerably less time to deal with such cases.

The fourth and final step was phrased in a highly enigmatic way. “The heads of the proceeding bodies should monitor the hearing of voluminous [*sic*] cases and should secure timeliness”<sup>3</sup>. In case there is a logical connection between the two parts of this sentence: “monitor” should be the aim of the control, presumably including the ensuring of timeliness. This is nothing else but cutting criminal cases committed by criminal organisations, although legally only termed only “criminal conspiracy”<sup>4</sup>, as short as possible.

At the end of the agenda, the participants expressly state the measures leading to the desired result: time consuming investigations, namely, the evidentiary procedure

must be shortened. Basically, this also leads to cutting extensive bills of indictments short, considering that authorities “tend to overprove each single case”.<sup>5</sup> Presumably the author of these provisions was not aware of the fact that his critical instructions appear as implicit compliments for the readers. The author further states, that defence attorneys also tend to delay cases, and this, of course must be stopped, as there is no need for “indictments of thousands of pages or court rulings of several hundred pages”<sup>6</sup> either.

In the early 1980’s Tonhauser was one of the experts regularly appearing in the television show “Kék fény” (Blue Light) that explored criminal cases. Some of the more interesting segments of the Prestige Case were presented to the broader public, for example, burglary using rented cars or tricks worth ten million forints. With this Hungarian cultural policy-makers classified the stories of the Hungarian underworld generally consumable for the wider public, without an explicit acknowledgement of its existence. However, the presentation of the establishment criminal organisations to the viewers in the mass media was not allowed in any form.

For the most part, the criminals involved in the Prestige Case knew the victims working in the second economy, or if not, they could obtain information about them through their informants or contacts. Why would the investigating authorities want to disregard the asset accumulation of these individuals of second economy? The most probable answer may be found in an anthology compiled of private conversations by Ervin Tamás, police captain of the city of Siófok, about individuals employed in the underground economy of accommodation and catering. “As for the shops with contracts, one more thing must be taken into consideration: receiving. Stolen goods quickly exchange hands, and – due to the less stringent practice of supplies – the risk of exposure is considerably less than in the case of shops with a free cash register or shops with itemized accounting” (Tamás, 1988, p. 109). Presumably, the investigation of the malpractices of injured parties who fell within the scope of the act on small enterprises effective from January 1, 1982 would have raised serious political issues.

#### SYSTEM IN SLOWING

The change related to time in organised crime may become particularly important if we focus on its historical aspects during the change of regime. Although in criminal actions the acceleration and/or slowing trends show a closer correlation with changes in social conditions and environment than in the case of art, the following analysis is based on the theory of an art historian.

In Kubler’s sense, innovators and rebels open up future opportunities for a change in the historical sequence. Kubler thinks that social transformations do not necessarily coincide with periods of artistic innovation. However, in the case of crime there is a rather obvious correlation between political and economic changes and the mechanism of crime and criminal behaviour. The typology of artists’ lives (Kubler’s typology is used with the inventor and the rebel) play a significant role in shaping historical sequences, while the social pressure may alter historical sequences but cannot define



them. This may apply in part to precursors, but it is completely ruled out in the case of rebel criminals, since they act under social pressure. The various types of criminals appear as a consequence of the prevailing social and economic environment, contrary to artistic autonomy, which can successfully lead to the artist actualizing himself against the given art schools. Inventor and rebel art has a longer period of time than is available for inventive or rebel criminals.

Kubler notes that while “the precursor shapes a new civilization, the rebel marks the borders of a dissolving one” (Kubler, 1992, p. 140). As a result of the precursor’s actions “new areas of knowledge are revealed” (Kubler, 1992, p. 139). The inventor creates new shapes and forms on the grounds of the prevalent practice, while the rebel definitely departs from the existing opportunities so he is no longer limited in following his own imagination. The precursor never becomes scandalous, and he is not supported by fans, while the tone changing activity of a rebel triggers radical changes attracting a group of followers, which makes him easier to imitate.

Criminal precursors are primarily individuals who are able to make use of the opportunities generated by their current social and economic environment until the applicable statutory provisions manage to meet the new challenges. A Hungarian entrepreneur, later killed in the second half of the 1990’s, built a profitable business in video tapes after the change of regime. As copyright infringement and the infringement of related rights was only granted statutory protection by Act LXXVI of 1999 on Copyrights, he became one of the wealthiest persons in Hungary by buying a huge number of empty video tapes and renting or selling copied movies through his chain of shops or various other places, like markets.<sup>7</sup> It was extremely difficult or impossible to prove his activity, as using statutory gaps, he could perform indictable acts (like fraud) unverifiably due to the lack of appropriate statutory provisions and judicial background.

By the 1990’s T-K Kft. and L-C Kft. had become serious competitors to the “number one” cargo company of the socialist era. As the borders opened up with the change of regime, significant profits could be realised on the import and lease of used Western-European motor vehicles.<sup>8</sup> In the absence of the required statutory background, the conclusion of “prompt” lease agreements was allowed until the coming into force of Act LXXXVI of 1991 on Corporate Taxes at the end of 1992. The basis of this type of leasing was that the lessee paid most of the leasing fee simultaneously with the execution of the agreement. As these were short-term agreements, the lessee could acquire ownership of the vehicle after paying only a few installations of the leasing fee. The payment terms show that the lessees could have paid the total purchase price, but the parties concluded a leasing instead of a sale contract, as in the early 1990’s, a leasing contract was more advantageous since the seller (lessor) could enjoy the benefits of accelerated amortisation, while the actual buyer (formally the lessee) could account the total amount of the leasing fees paid for the leased instrument under the legal title of costs, thus reducing the contributions and affixes otherwise payable on his enterprise (Varga, 2009).

Act LXXXVI of 1991 terminated this statutory loophole, and only acknowledged agreements with a term exceeding one year as lease contracts. Nevertheless, the con-

clusion of lease agreements remained profitable to cover up illicit actions. Act LXXXI of 1996 on Corporate Taxes and Dividend Taxes essentially changed the situation by considering agreements concluded for a term less than one year as lease contracts again, but prohibiting the accounting of leasing fees as costs. Lessors were also granted better options for recognising amortisation (Varga, 2009).

Criminal organisations were not the only groups that could acquire significant volumes of assets by trading vehicles before the entry into force of stricter statutory regulations in the second half of the 1990's. State properties were easily transferred to private possessions under the legal title called "privatisation leasing" if the buyer was insufficiently funded, as the seller remained legally protected by keeping the ownership title.

Although the inventor criminals and wheeler-dealers comparable to Kubler's inventor artists marked out the directions of a new system, they are not the inventors of the emblematic measures characterising the new world. They are not surrounded by groups of imitators, first of all because they are very difficult to criminalise, and secondly, a substantial informal network needs to be built (for example, for the transfer of vehicles). These criminals are rebels, who set the legal boundaries of the newly evolving market economy, and can clearly be considered as deviants using considerably more characteristic and accessible methods that are easier to imitate. The government understandably considers them people society needs protection from.

In order to apply for state subsidies, in his double-entry books businessman József Stadler included higher than actual sales prices for the products he had previously purchased or produced. Thus he could apply for higher export subsidies from the state on his sales. In this tax fraud system based on virtual purchases, he reclaimed taxes never paid on purchases that never happened, receiving 25 percent value added taxes on amounts he had never paid.<sup>9</sup>

Péter Tasnádi granted mostly short-term loans to undercapitalised entrepreneurs during the change of regime, at interest rates calculated by himself. In most cases, his debtors were unable to repay the loans by the deadline, so he used force to collect multiples of the sums borrowed. From the early 1990s he even went on to collect the debt claimed by others, before statutory regulations were adopted on private bailiffs and executors. Actually, he continued this activity even after the judicial gap was closed (Tasnádi, 1994).

The rebel criminals mentioned above mark out the boundaries where a newly established system may decompose, as instead of exploiting deficiencies in the new system, they rather reinterpret the existing regulations in a way that infringes upon the effective statues and regulations of the prevailing social order, making them look virtual, apparent and pointless (Bezsenyi, 2015, pp. 135-158). Criminal acts like tax fraud are given considerably more publicity than the inventors' tricks, and due to the mass reproduction and imitations, it is much more important for the actual system in the new sequence to depict them as criminals.

Prior to the change of regime (for which Hungarian law enforcement bodies were basically unprepared) (Balassa, 2009, p. 83), the so-called TT departments (estab-

lished for the protection of collective property), which had investigated delinquencies and criminal offenses against public or collective property, had nearly been eliminated by the time of the change of regime, and by the introduction of market economy in 1989-1990 several chief officers of the police motioned against the transformation of TT departments and teams into the bodies engaged in the protection of public property. Brigadier general Ernő Kiss spoke about this in a report to the Oil Committee in 2000: "Some of chief officers of the police insist that there is no need for protection of the economy and economic law enforcement activity in the frame of a market economy".<sup>10</sup> The above quotation reflects a far too optimistic statement that reduces Scottish economist Adam Smith's "invisible hand" doctrine to a vulgar economic theory, as if building a capitalist market economy and the self-regulatory nature of the market made the conduct of economic criminal offenses, previously committed against state property and public monopoly, pointless.

This incorrect perception was related to another issue of the time. 5 January, 1990 prominent politicians of SZDSZ and Fidesz brought charges for the abuse of power. The State Security Service of the Ministry of Internal Affairs had misused confidential methods and means to survey persons in the opposition parties and civil organisations of the time, despite the fact that such activity was considered as breach of the Constitution in accordance with the amendment of the Constitution that entered into force on 23 October, 1989. Report No. 219. BM III/III-7 of 10 November, 1989 submitted by József Végvári, an employee of the Department Internal Security, was attached to their police report. A press conference was held in a film theatre in Budapest, where the opposition parties revealed the reports made on 6, 20 and 22 December, 1989. Most of the information included in these reports had been obtained by Ministry of Internal Affairs through secret surveillance (phone interception, checking mail, network methods). This series of events stirred such a political storm that Minister of Internal Affairs István Horváth was forced to resign at the end of January, 1990.

The "agent case" put such a pressure on the chiefs of police that nearly all the informants, called "social relations", were dismissed at once, not only those employed in state security but also those working on criminal cases.<sup>11</sup> This made operative work terribly difficult. Especially in the protection of public property, where infringement on the interest is not and cannot be as obvious as in the case of a report by an injured party for criminal offenses against property. Foremost in these cases the protected legal subject was state property itself, especially during the change of regime.<sup>12</sup> Naturally, the subsequent amendments of Chapter XVII of the Criminal Code made it clear that contrary to the previous general perception, in cases of crimes against public property, the injured party was not necessarily the state or any of its enterprises, but also the representatives of the private sector (investors and creditors). Nevertheless, informally the state was still considered as the injured party for the most part. On the one hand, the newly established private sector could only have access to fixed assets through privatisation,<sup>13</sup> in other words, by taking properties formerly in state ownership. On the other, the state managed to preserve its status through the criminal protection of the payment of taxes and other contribu-

tions. At that time, the National Police Headquarters as a managerial body did not have its separate department for the protection of public property. The Budapest Police Headquarters had a separate department for collective property protection, which functioned as an operative body, but the investigations based on the submitted reports were assigned to the competence of a different investigative authority. At county police units, the public property protection teams performed both operative and investigative work. However, the dismissal of informants nearly completely terminated operative projects, as information indispensable for criminal investigation became extremely difficult.

As the police management considered it unnecessary to transform public property protection departments into economy protection teams adaptable to the new economic environment, and the mentioned decisions made operative actions ineffective, the number of offences falling within the competence of the economy protection units, such as fraud, embezzlement and misappropriation, skyrocketed.

Ernő Kiss, in agreement with retired police colonel László Tonhauser emphasised that the decisions hindering investigation hit economy protection most. The chances to find witnesses in homicide or robbery cases are higher, and moreover, the media can provide more reliable assistance. However, in a business-related offense,<sup>14</sup> witnesses having insider information in the closest circles may be useful in exploring the offense. Not to mention the missing role of the media. It is always more difficult to reveal a subtle and elaborate business offense to the consumers of mass media.<sup>15</sup> It is a commonplace that thrillers and other shows frequently discredit the true value of expose investigation.<sup>16</sup> Economy protection efforts are not presented at all.<sup>17</sup> In the past twenty years, numerous organs and investigative journalists have made serious efforts to change this trend, nevertheless, economy-related offences intertwined with politics are far more frequently shown than perpetrators who are not politically exposed but are often transnational.<sup>18</sup>

The above outlined considerations shed a completely different light on the analysis of the statistical data set forth in the preamble to Mihály Tóth's study about market economy and criminal law. The number of criminal offenses increased from about 100,000 over to above 400,000 between 1974 and 1994. This significant increase was parallel to the adoption of market economy. Between 1986 and 1988 the total number of known annual criminal offenses fluctuated around 180,000, it rose to 225,393 by 1989 and then to 341,061 in 1990. By 1991 this number exceeded the 400,000 limit and culminated at 447,215 in 1992 (Tóth, 1995, pp. 4-5).

Meanwhile, the number of criminal offenses remained essentially unchanged, at an average of 8000 most of the time. Not even Mihály Tóth could explain stagnation. He thought that traditionally more than two thirds of the criminal offenses against the economy comprised customs offenses and offenses related to foreign currencies, while "their number was unchanged (or at least the capacity available for their investigation was set)" (Tóth, 1995, p. 5). The question why the annual number of offenses against the economy stagnate while, for example, offenses against life do not casts doubts on this argumentation. Moreover, all the other law enforcement bodies

also work with a set capacity. Tóth's argument points more to the fact that decrease in economic offenses by 1994 is more likely related to border opening, change in the economic infrastructure and customs regulations. At the end of his argument, Tóth also refers to insufficiency of his own interpretation and to the probable delay of law enforcement units behind criminal groups, writing that the police was unable to detect any actual criminal groups involved in economic offenses at the time. He mentions the 1994 criminal statistics, profiteering and illicit overpricing are still listed as high-priority offenses, even though the first had already been deleted from the Criminal Code years earlier, while the latter was significantly modified.

The above-mentioned factors, which impeded the investigative efforts of the economy protection units may offer a more plausible explanation for the low statistical data. The conceptual and terminological approach manifest in the criminal statistics quoted by Mihály Tóth is the textbook example of loopholes and inefficient professional methods, as it apparently disregards the change of regime.

Even Mihály Tóth did not believe that the aforementioned decline in 1994 would represent an "impressive progress" (Tóth, 1995, p. 5), an expression he explains by the economic abuses frequently published in the printed media. Since many offenses remain latent, he only used the presumable weight of economic offences to estimate if they increased or decreased. Based on, among others, the information found in a press material issued by the chief criminal director of the National Police Headquarters,<sup>19</sup> he thought that such kind of criminal offenses had grown in significance. According to the police records, in the first half of the 1990's the number of criminal offenses against the economy declined, while according to the chief police officer cited by Mihály Tóth, and the management quoted in this study, the number of such offenses grew on an unprecedented scale.

In 1996, deputy minister of state of the Ministry of Internal Affairs, Antal Kacziba already spoke of an "explosive growth" in fraud and fraudulent bankruptcy offences, since in 1994-1995 legislation approved the acts on public procurement, fraudulent bankruptcy and copyright protection. These changes finally room for the protection of the economy and "the facts... previously rarely referred to gradually came to life" (Kacziba, 1996, p. 61).

Actually, it is beyond the scope of this study to list all the reasons for the initial latency, but the most important ones are worth mentioning. An outstanding reason was the transformation of the economy into a capitalist one. In an area once falling under soviet influence, a capitalist state or government cannot be established overnight, a transitional phase needs to be inserted. Based on empirical research, Iván Szelényi's theory of "manager capitalism" explains that during the undercapitalised early 1990's, in addition to the political elite, technocrats and business managers also increased their power, and instead of the small businesses and sole traders capitalising on the reforms of the socialist period, the professional business managers who direct the successor companies of former large state-owned corporations but do not have any share in them may not build a capitalist system representing stable market conditions overnight. They could not set it as an immediate goal either as instead of

actual capital they only had an informal social network as an investable and convertible value. Szelényi cited the contemporary joke that it was more or less clear how fish soup (the socialist state) is cooked of the fish in an aquarium (the capitalist state), but the question was how to make fish again from the fish soup (Szelényi, 1995).

It is important to highlight the question of law and morals. This expressly concerns business morals, as its absence allowed certain media to depict József Stadler as a kind of a folktale hero (Sinkovics, 2007). Péter Imrédy summarized the life of the entrepreneur in a book of five columns (Imrédy, 2008). The terminology of the writing was somewhat folksy, imitating Stadler's lingo and dialect, as seen in his video-interviews.<sup>20</sup> Mihály Tóth also mentioned the absence of the intermediating and orienting functions of morals, but he thought it was due to the paternalistic world of state socialism. The preponderance of regulation in writing allowed that by the 1990's the "principle that 'you can do anything not prohibited by law (naturally, the latter only included written regulations!)" was assigned an unfettered and high-handed interpretation" (Tóth, 1995, p. 23). Thus the legal loopholes due to delay in the regulatory response to the economic changes and the unclear language used gave room to economic activities on the borderline of legal and illicit.

#### OUR TEMPORAL ERRORS

On the basis of the Tárki Social Research Institute's research, György Csepeli, Mária Neményi and Antal Örkény analysed the value choices in the Hungarian society in the early 1990's. 86 percent of the respondents did not categorically confute the assumption that nowadays one cannot really know the truth, 69 percent of them agreed that there was no point in engaging in an argument about the issue of the truth, as there was no chance to change things. Researchers were shocked to discover that 62 percent of the respondents could not recall any injustice they had suffered. Although they were presented with a list of eight different fields of injustice, such as religion, gender, region, race, age, political affiliation, etc., only one of them, namely financial injustice exceeded 10 percent (Csepeli et al., 1992, pp. 335-357).

The findings of the above-mentioned analysis give us an important guidance for understanding the social ideas related to organised crime. In the researchers' opinion the scepticism to the existence of justice and the apathy to the experienced injustice are presumably due to the sufferings the Hungarian society underwent previously. The researchers looked for an answer in society's past. They presumed that during socialism the respondents had numerous vicissitudes and sufferings. They did not even consider the almost obvious reason that if the members of the society think that there was no telling what is fair and what is not, this means that there is a considerably wider scope of actions an individual to obtain or achieve something for themselves or for their families, or to make decisions. If this is accepted, it is considerably easier to understand the argumentation included in a public letter written by prominent Hungarian celebrities opposing the raising of charges against Péter Tasnádi: "what can justify... making a successful businessman's businesses impossible, such a retaliation

against a Hungarian intellectual widely known for his critical thinking” while “smugglers, oil-bleachers and drug dealers are allowed to plead at large until the conclusion of the criminal court procedures pending against them” (Index.hu, 2000). In the economy and society that transformed as a result of the change of regime, simultaneously performed criminal offenses had different time frames. But they were criminalized differently. The organisation of burglaries that started in the socialist era resulted in an acceleration in the spread of information among criminals the authorities could not handle. Just as in the case of cross-border criminal behaviour. As socialism was coming to an end, the increasing number of criminal offenses related to tourism and to foreign exchange management, customs, and smuggling put an enormous pressure on the police and the customs authorities, which had already been struggling with arrears with their duties anyway. In terms of law enforcement, the change of regime entailed a slowdown in the system. In the 1990’s, criminal activities could take to a new level. Delay in the regulatory response allowed the present to function as part of the past in the arguments of academic researchers, while the above analysed new type of criminal behaviour preceded the above mentioned official “present”, and according to the arguments presented by the interviewed persons performing policing at that time, it practically assumed the role of the present time.

## NOTES

- <sup>1</sup> *Emlékeztető a Koordinációs Bizottság 1983. február 7-i üléséről* [Memorandum made at the session of the Co-ordination Committee on 7 February 1983]. MSZMP KB, 1983, w3.osaarchivum.org/files/fa/999/4/1/koordinacios/1983/koord\_biz\_83\_02\_07.pdf.
- <sup>2</sup> “Criminal conspiracy shall mean when two or more persons are engaged in criminal activities under arrangement, or they conspire to do...” Act IV of 1978 on the Criminal Code, Chapter IX, Interpretative Provisions, Section 137 (7).
- <sup>3</sup> *Emlékeztető a Koordinációs Bizottság...*, op. cit.
- <sup>4</sup> Dogmatically, the difference between organised criminal group and criminal conspiracy is that the organised criminal group is set to conduct several offenses providing regular income to the offenders. The latter is set up and organised to conduct only one or two offenses.
- <sup>5</sup> *Emlékeztető a Koordinációs Bizottság...*, op. cit.
- <sup>6</sup> *Emlékeztető a Koordinációs Bizottság...*, op. cit.
- <sup>7</sup> Interview with police lieutenant-colonel Sz. F. 22 August, 2013, reporter Tamás Bezsenyi.
- <sup>8</sup> Interview with police colonel P. Cs. 7 November 2013, reporter Tamás Bezsenyi.
- <sup>9</sup> Interview with police colonel B. M. 24 February 2013.
- <sup>10</sup> *Jegyzőkönyv az Országgyűlés az olajügyek és a szervezett bűnözés között az esetleges korrupciós ügyek feltárására létrehozott vizsgálóbizottságának 2000. október 30-án megtartott üléséről* [Record made at the session of the Parliamentary Committee examining relationship between oil cases and organised crime to reveal any corruption, held on October 30, 2000]. www.parlament.hu/biz36/olaj/v006-021.htm.
- <sup>11</sup> Interview with retired police colonel N. L. 17 April 2013.
- <sup>12</sup> Interview with police colonel B. M. 24 February 2013.
- <sup>13</sup> In Act C of 2000 on Accounting expressly stipulates the basic accounting scheme of balance making upon asset side and liability side.
- <sup>14</sup> For the sake of simplicity, in this study criminal offenses against property defined in the Criminal Code are also called “economic offenses” as fraud and embezzlement are investigated by economy protection detectives and departments, regardless of where in the Criminal Code they are defined.

- <sup>15</sup> The TV series entitled “The wire”, made by criminal journalist David Simon on Baltimore’s combat against crime is a refreshing exception among movies.
- <sup>16</sup> It is enough to remember the frequent complaint of police officers that citizens often demand the techniques, measures and speed they see in movies (<http://nol.hu/lap/hetvege/20091128-nyomkeresok>).
- <sup>17</sup> One of the most important characteristics of the image given of crime in the media is that only violent, rude and cruel offenses is given intensive media attention.
- <sup>18</sup> We may find positive examples in both written and electronic media, like in *HVG* and *Átlátszó.hu*.
- <sup>19</sup> *Népszabadság*, 9 January 1995, p. 2.
- <sup>20</sup> Stadler válasza az Armanira [Stadler’s response about Armani]. *Index.hu*, video-interview, 4 November 2007, [http://index.hu/video/2007/11/04/stadler\\_valasza\\_az\\_armanira/?s=tag percent3Astadler](http://index.hu/video/2007/11/04/stadler_valasza_az_armanira/?s=tag%20percent3Astadler).

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