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## Take the Money and...?

### *Questions of Self-governance in the Hungarian Film Industry*

The past two decades have witnessed both local and global changes in the Hungarian film industry, in Hungarian cinema, and in terms of their cultural significance. During the 1990s and the early part of the twenty first century, Hungarian cinema tended to be seen as offering something of a blueprint with respect to its institutional structure and the role that the state played therein. The newly established Motion Picture Foundation of Hungary — known in Hungarian as Magyar Mozgókép Alapítvány or the MMA — was seen to be exemplary insofar as it was a self-governing institution that operated outside of the political sphere.<sup>1)</sup> Legislation that was passed in 2004 became a standard for developing investment incentives, tax benefits, and legal frameworks for film industries as well as other sectors of cultural production. The second half of the 2000s is often regarded as the most dynamic period in the two decades following the fall of communism, one marked by successes at film festivals, investment in infrastructure, and fiscal growth. In the past two years, however, the system changed fundamentally. A series of disputes and scandals have erupted over the running of the Motion Picture Public Foundation of Hungary. At first, the Hungarian government cut support for the foundation, before ordering its closure in the spring of 2011. In the place of the foundation, emerged a new system, at the heart of which lay the Hungarian National Film Fund (Magyar Nemzeti Filmalap).<sup>2)</sup> One-time Hollywood producer Andy Vajna was made the government commissioner responsible for overseeing the industry's reformation. The abolition of the foundation and the establishment of this new system drew criticism from filmmakers who feared the demise of art cinema. Their main objection was that the Film Fund would do away with the foundation's

1) In 1998, the Foundation became a Public Foundation (Motion Picture Public Foundation of Hungary — Magyar Mozgókép Közalapítvány, MMK).

2) The Hungarian National Film Fund was founded by the government. The Fund receives 80% of the tax revenue earned from the Hungarian National Lottery. The Fund's budget for 2012 was 5.5 billion HUF (€20m). The Fund supports script and production development and the production of feature films (including full-length documentaries and animated films). Decisions are made by a five-member Board.  
<[http://filmalap.hu/en/images/stories/overview\\_may2012\\_download.pdf](http://filmalap.hu/en/images/stories/overview_may2012_download.pdf)> [accessed at 6 December 2012].

system of self-governance, Vajna's calls for a modern, transparent, efficient institution notwithstanding. During this period of transition, Hungarian film production all but stopped. More time is needed to evaluate the new system with the first films supported by the Fund scheduled for released in 2013.

In 2011, my attention turned to the post-communist Hungarian film industry and to the changing cultural significance of Hungarian cinema. As I am still in the early stages of this project, my focus in this essay will be restricted to addressing problems I have faced, to providing an historical overview of the period, and to gesturing to hypotheses that will likely shape subsequent research.

### **From State Control to Public Support**

The transformation of the East-Central European screen industries in the early 1990s was primarily determined by political changes and cultural globalization. The influence of these factors can be described in terms of disintegration and integration. Disintegration refers to the breaking up of the state-socialist system, integration to supranational cooperation between the European screen industries. Regime change and cultural globalization necessitated new forms of funding and cultural policy. The consequences of regime change and the transition to a market economy precipitated the end of censorship and state-control of the cultural industries. Political changes also catalyzed both the liberalization of media and cultural globalization, which prompted new regulations in European countries.<sup>3)</sup> During the 1990s, legal and economic mechanisms were established on both a national and a supranational level.<sup>4)</sup> The European Community's audiovisual support system was developed in parallel to the fall of the Soviet bloc (the MEDIA I Program was launched in 1991).<sup>5)</sup> Thus, the disintegration of the state-controlled cultural industries and the increasing integration of European screen industries provided two key challenges for Eastern European cinema of the early 1990s.

The forty-year history of the state-socialist mode of production ended with the political changes of the late 1980s and early 1990s. Censorship and state-controlled production ground to a halt, and the centralized system started to collapse. At this time, plans to restructure the Hungarian film industry were drawn up. Financial questions and structural

3) Peter Humphrey writes: "Since the 1980s in the audiovisual sector new forms and arenas of regulation have developed, as policymakers have sought to adapt to new market and technological realities: principally, globalisation, trans-frontier broadcasting by satellite, and the digital convergence of broadcasting, telecoms and the internet. One key element of regulatory change is the European Union's (EU) accumulation of regulatory influence in the audiovisual field, in part to re-establish problem-solving capacity that is escaping the national level as the result of the new technologies (satellite broadcasting, etc.)." Peter Humphrey, 'EU audiovisual policy, cultural diversity and the future of public service broadcasting', in Jackie Harrison and Bridgette Wessels (eds), *Mediating Europe: New Media, Mass Communications and the European Public Sphere* (New York: Berghahn Books, 2008), p. 183.

4) Tim Bergfelder, 'National, transnational or supranational cinema? Rethinking European film studies', *Media Culture Society*, vol. 27 no. 3. (May 2005), pp. 315–331.

5) The implementation of the EU's audiovisual support system was accompanied by debates about the principles of cultural policies. The tension between the liberal (economic) and the interventionist (cultural) aspects reaffirm the importance of integration in the analysis of the East European screen industries.

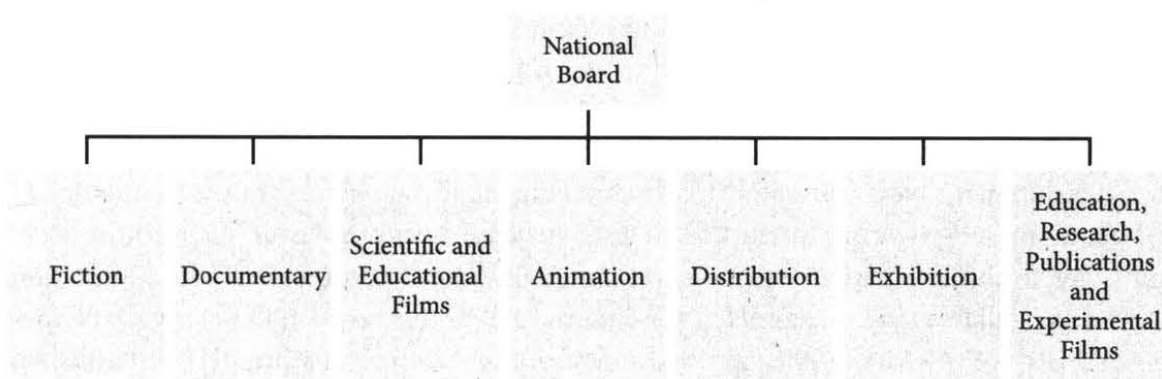


Figure 1: The organizational structure of the Motion Picture Foundation of Hungary's Boards and decision-making system.

changes were at the center of debates. Following protracted negotiations, a new structure was established in 1991 under the banner of the Motion Picture Foundation of Hungary. It was based on a consensus between representatives of the Hungarian film industry and the country's new political parties. The foundation was established by the Ministry of Culture and Education and thirty other organizations. For the next two decades, it was the central institution of the Hungarian film industry, with its basic operations remaining unchanged throughout the period. As Hungary's primary funding body, the foundation concerned itself with all sectors of the Hungarian film industry, from production to distribution and exhibition, and even education.

The foundation's operations were based on a two-tier decision-making process. The National Board, which consisted of cultural elites such as politicians and intellectuals, allocated money to Advisory Boards that represented different sectors of the industry. In turn, the Advisory Boards, which themselves were mainly made up of critics, intellectuals, and filmmakers, determined how capital was allocated in a given sector.<sup>6)</sup> However, in addition to being the principal beneficiary of state funding, according to its mission statement the foundation was also a self-governing institution. The members of the National Board and the Advisory Board were selected from a pool of individuals nominated by the founding organizations; the founders had to agree on the composition of the Boards. Because the selection of these decision-makers was based on negotiations and consensus among the founders, the Boards could testify to the democratic and self-governing nature of the foundation. During the 1990s, the foundation boasted seven Advisory Boards, each representing a sector of the Hungarian film industry (see Figure 1).

Because the state-socialist cinema industries' transformation was characterized by decentralization, it is necessary to consider financing and the mode of production. Decentralization (or diversification) of financing relates to motion picture funding com-

6) Due to new regulations for public foundations, the 2000s witnessed changes to the decision-making processes of the Foundation. Decisions on all applications had to be made by the National Board based on recommendations by the Advisory Boards. The question of balance between the Advisory Boards and the National Board was a delicate matter, but the National Board mostly approved the Advisory Boards' recommendations.

ing from various sources instead of being provided solely by the state, as was the case in the state-socialist system. Decentralization of production led to a shift away from a socialist studio system that involved state-owned companies and creative units of filmmakers to a package-unit system that was based on individual producers and their projects.<sup>7)</sup> These two developments were intimately intertwined during the early years of the foundation.

Through self-governance the foundation became responsible for distributing state subsidies to the Hungarian film industry. After the fall of communism, the foundation served as a reliable single-channeled funding model. In this respect, the Hungarian cinema industry of the early 1990s retained much of the state-socialist model but jettisoned the political control that had been central to it. Self-governance was the major change, as financing had yet to be decentralized, and the shift from to the package-unit system would take several years to complete.

### **Self-governance as the Fulfillment of the Socialist Era System of Creative Units**

It is customary to discuss the post-communist transformation of East-European film industries in terms of a transition from the socialist studio system's creative units to the producer-based package-unit system.<sup>8)</sup> This perspective provides a useful starting point for considering the developments that took place in the Hungarian film industry from the late 1980s to the 2000s.

The units (known in Hungarian as studios) that were established in Hungary during the first half of the 1960s offered a creative hub for film production, based as they were on the collective efforts of filmmakers. The units were run by directors, production managers, and intellectuals. All units elected a council of four, which consisted of a head, a director, a story editor, and a production manager. The units had the authority to make important decisions, including the scripts they greenlighted and the scheduling of shoots. The influence of censorship (and self-censorship) notwithstanding, units were pivotal decision-making forums when it came to evaluating proposals and to approving completed films. They therefore operated with a high degree of autonomy.<sup>9)</sup> In fact the units continually sought greater levels of autonomy, levels which they achieved in 1987 when the four ma-

7) On the package-unit system and its role in classical Hollywood see David Bordwell, Janet Staiger, and Kristin Thompson, *The Classical Hollywood Cinema: Film Style and Mode of Production to 1960* (New York: Columbia University Press, 1985), pp. 571–579.

8) Dina Iordanova, 'East Europe's cinema industries: financing structure and studios', *Javnost/The Public*, vol. 6, no. 2 (1999), pp. 45–60.

9) The structure of creative units allowed for greater autonomy than the Central Dramaturgy of the 1950s. It can be divided into four parts. The first acknowledges the importance of professionalism, the second refers to the units' creative autonomy and internal self-governance, the third to the possibility of organization according to different artistic platforms (compared to the uniformed, centralized and hierarchical system of the 1950s), and the last to the growth of diversity and the establishment of alternative options (filmmakers were allowed to transfer an unsuccessful bid team to another studio team). See Balázs Varga, 'Cooperation: the organization of studio units in the Hungarian film industry of the 1950s and 1960s', in Marcin Adamczak, Piotr Marecki, and Marcin Malatynski (eds), *Film Units: Restart* (Kraków: Ha!art, 2013).



jor units (namely: Budapest, Dialóg, Hunnia, and Objektív) separated from MAFILM (the state film production company) to become independent companies. Henceforth, the studios operated as creative production units and received government support, but they were no longer required to work with MAFILM, which allowed them to pick and chose partners from a growing number of private companies that had emerged. It is a mark of the studios' strength in representing their own interests that they were able to maintain their dominant position after the foundation was set up. Where new companies submitted each of their projects individually, the studios could submit a number of projects simultaneously as a package. The lion's share of state support was, however, given to those studios that submitted applications for packages of films — which the Advisory Board evaluated as a block. Studio executives decided how best to distribute funds among their projects. The model did not therefore change substantially from that of previous decades. The framework of financial support for the studios may no longer have been decided by the ministry or executives of the film industry but studio executives still decided on the actual selection of films.

The early years of the foundation witnessed countless debates about studio efforts to minimize the board's enforcement of its views. Discussions raged over whether the board could cherry pick from the individual films that had been submitted as a package or whether it could vote for additional funding to be given to projects that it deemed particularly worthy. The studios argued that their creative teams should be regarded as juries at the lowest level of the system since the studios were more than "a delivery service for individual film projects".<sup>10)</sup> They also suggested that the board should not form an opinion on individual films in the package but base its decision on the studio's track-record. This system favored established directors and greatly inhibited the development of young, independent, or alternative filmmakers who worked outside the system.<sup>11)</sup>

In summary, the establishment of the Foundation safeguarded Hungarian film production and state support for the film industry while at the same time minimizing political interference. This represented a major achievement given the hostility that erupted over the reconfiguration over other sectors of the Hungarian media.<sup>12)</sup> The changes primarily served the interests of the studios and their most powerful directors. The concept of self-governance and the foundation's operational model also stood to provoke internal conflicts, relating for example, to the amount of financial support that was given to individual sectors of the Hungarian film industry. Conflict also arose because the founders of the foundation were applying for financial support to the very Advisory Boards they had voted into office. Furthermore, law dictated that the circle of founders could not be altered. As a result of these conditions, questions emerged about the ability of the newly established organizations and companies to represent their own interests and to ensure professional self-determination. Ad hoc forums and organizations served to diffuse this

10) Quoted in a letter by the Guild of Hungarian Film Directors to the Fiction Films Advisory Board of the Motion Picture Foundation of Hungary, *Magyar Filmlevél*, vol. 2, no. 1. (1992), pp. 16–17.

11) Balázs Varga, 'A magyar filmszakma és a rendszerváltás: Intézménytörténeti vázlat', *Metropolis*, vol. 14, no. 4 (2010), pp. 10–18.

12) Péter Bajomi-Lázár, 'Freedom of the media in Hungary, 1990–2002' (Dissertation, Central European University, 2003).

situation, with, for example, the Motion Picture Roundtable providing an opportunity for industry-insiders to meet with the foundation.

### **The Transformation of the Support System**

In terms of state support, the transformation of the Hungarian film industry in the 1990s can also be described as having been characterized by decentralization. When the foundation was established, it was the only institution that distributed state subsidies to the film industry. However, there was no regulation of the amount of state support provided annually to the film industry, and it was unclear whether subsidies were to be distributed exclusively through the foundation. In its first year, the foundation had presided over almost one billion HUF (approximately US\$1.26m). In the following years, rising inflation caused comparable amounts of state funding to drop in real terms (see figure 1 and figure 2).

Because foundation grants rarely covered the cost of producing a film, filmmakers were required to top up their budgets with capital secured from other sources. This situation led to the demise of the single-channeled model as new forms of state, European, and private investment in film production opened up. State funding bodies included the Hungarian Historical Film Foundation, the National Cultural Fund, and the National Radio and Television Board.<sup>13)</sup> Moreover, even though many European Television stations underwrote the production of national cinema, financial limitations prevented their Hungarian counterparts from doing so in a sustained and meaningful manner.<sup>14)</sup> Hungarian films may have been financed with capital secured from a range of sources, and the late 1990s may have seen contributions allocated by the National Radio and Television

13) The Hungarian Historical Film Foundation (Magyar Történelmi Film Alapítvány) was established in 1992 by the Ministry for Culture and Education. Its main goal was to fund documentaries on the twentieth century history of Hungary. A year later, this brief was expanded to include historical feature films. The Foundation's annual budget was around HUF100m.

The National Cultural Fund (Nemzeti Kulturális Alap) was set up in 1993. It was supported by culture taxes and its boards were organized by artistic areas. Its motion picture board primarily supported scriptwriting, project development, distribution, exhibition, education, film festivals, and magazines, while also subsidizing film production. Each year, the specialized board gave approximately HUF 200m in the 1990s and HUF300–400m in the 2000s.

The Media Law of 1996 restructured radio and television broadcasting in Hungary and opened the way to the dualistic (public/private) television system. It took around five years of political debate and struggle to ratify it. The Media Law also established the National Radio and Television Board (Országos Rádió és Televízió Testület), which was the supervisory body for broadcasters, and a new funding body for the audiovisual sector. In addition to television programmes, documentaries, and animation, the Authority occasionally supported film production.

14) Due to the ambiguity of the media law and the financial collapse of public television, hardly any Hungarian telefilms and television series were made in the late 1990s and early 2000s. In order to open up new avenues for TV film production, which has been reduced dramatically after the fall of communism, the media law would have needed to be rewritten, but due to disagreements between the government and the opposition this remained unfulfilled. Due to the Media Law, the two national commercial televisions (TV2 and RTL Klub), which enjoyed hegemony in the market, were required to allocate a small part of their advertising income to the Foundation, thereby providing important additional financial source for the Hungarian film industry.

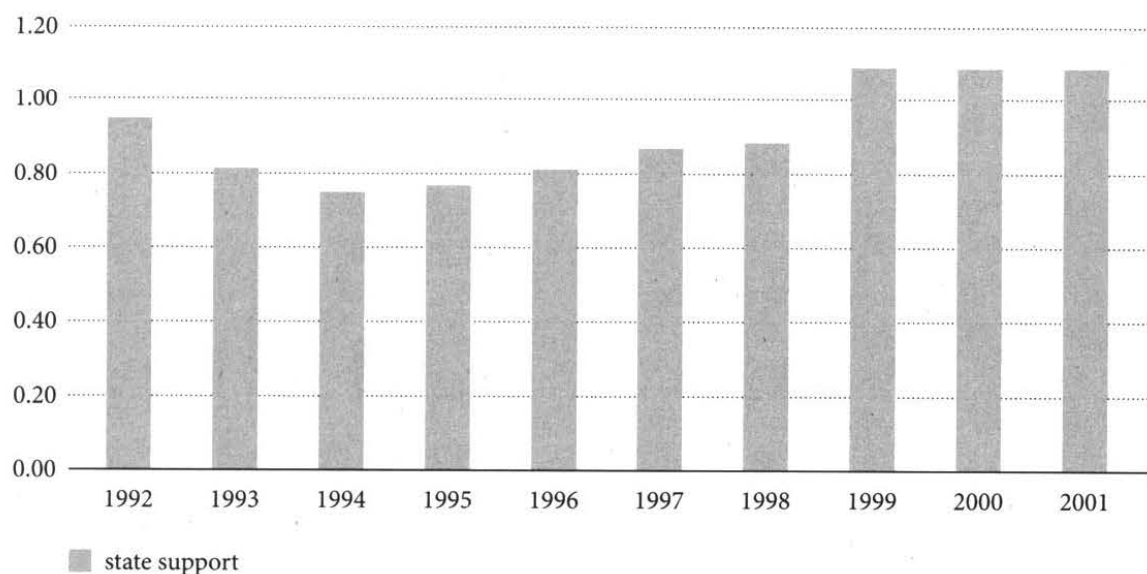


Figure 1: State support for the Motion Picture (Public) Foundation of Hungary, 1992–2001 (HUFb). Source: Motion Picture Public Foundation of Hungary.

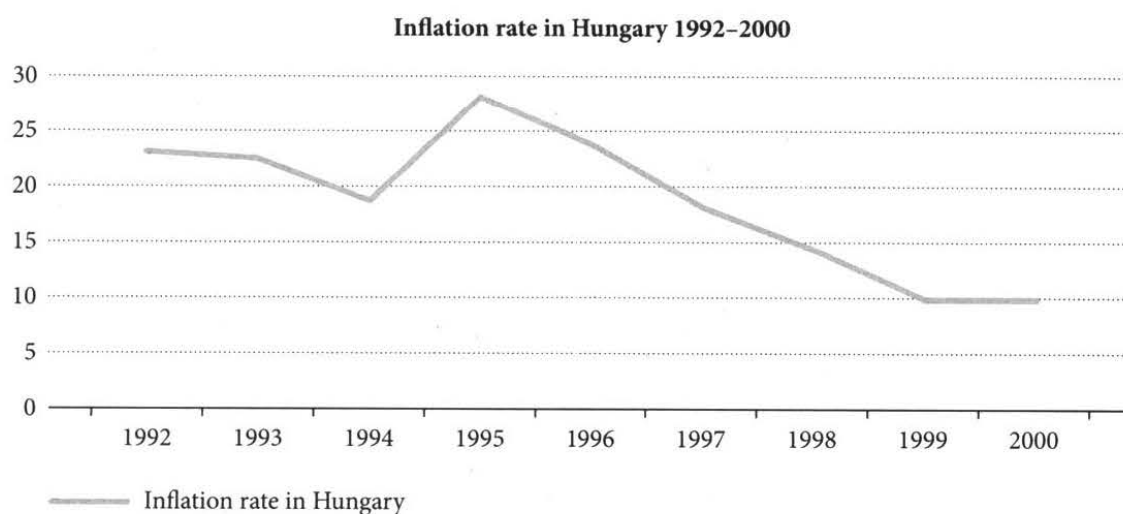


Figure 2: Inflation in Hungary, 1992–2000. Source: Hungarian Central Statistical Office.

Commission exceed those handed out by the foundation itself, but the foundation nevertheless remained the most important institution in the industry (see Figure 3).<sup>15)</sup> The foundation's system might not have been perfect but it functioned.

As it was not part of governmental decision-making, the foundation was unable to lobby for its interests during annual budget meetings, which partly explains why the cap-

15) Sources: Hungarian Motion Picture Foundation; Réka Sárközy, *Elbeszélt múltjaink. A magyar történelmi dokumentumfilm útjai* (Budapest: 1956-os Intézet–L'Harmattan, 2011); Zsolt Zádori, 'Az alapötlettől az alapprogramig,' *Beszélő*, no. 4 (2003) <<http://beszelo.c3.hu/cikkek/az-alapotlettol-az-alapprogramig>> [accessed 6 December, 2012]; National Radio and Television Board. <<http://tamogatas.mtva.hu/index.php?mid=97&m1=87&m2=97>> [accessed 6 December, 2012].

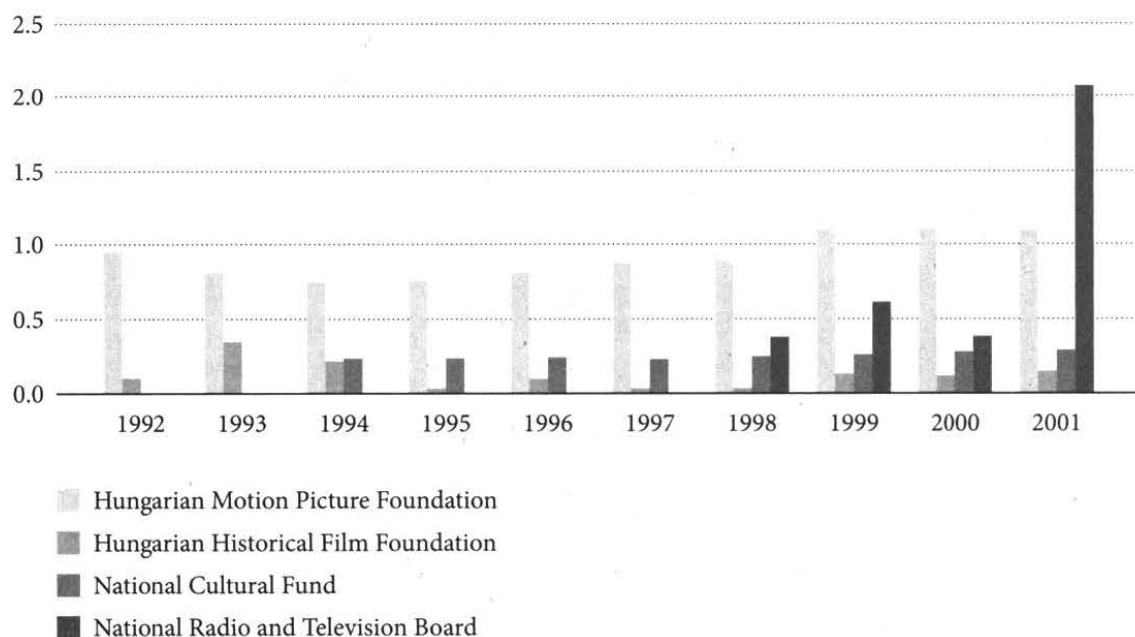


Figure 3: Amount of State support given to major Hungarian film funding bodies (HUFb).

ital it distributed to the Hungarian film industry dropped in inflation-adjusted terms. The late-1990s explosion of private organizations and state institutions may have filled this void to a greater extent but it also led the domestic financing scene to become increasingly complicated and convoluted. Industry regulation was one way of bringing a semblance of order to this increasingly chaotic situation.

### The Hungarian Film Law

During the 1990s, Hungarian cinema appeared to have become increasingly disconnected from the political sphere. However, in the early 2000s, politics once again took center stage as discussion turned to how the Hungarian state might participate in the restructuring of the nation's film industry. Central to this question were issues of motion picture financing and industry structure.

New legislation was drafted. It was innovative insofar as it involved allocating to the foundation an annual budget that was based on levies (for example on ticket sales) or investor tax benefits and was not determined by the short-term political agenda of the party in power. Such an approach, it was hoped, would give rise to a stable and fully functioning system built on the autonomy and self-governance of the foundation. However, efforts to ratify such a law ended in failure. The first failed attempt took place in 1998 when protests from distributors and the Hungarian Ministry of Finance slowed down ratification to the extent that the draft legislation could not be written into law because the ruling Socialist-Liberal coalition had been voted out of office. A second attempt was made after the 1998 elections, with the new conservative coalition government placing the secretary



of the foundation in charge of drafting the legislation. By the end of 2000, a new draft had been written that promised to appease the various sectors of the film industry, maximize revenue, be appropriately transparent, and use monies from culture taxes and investment tax allowances so as to increase the amount of capital available to the industry. Ultimately, however, the government decided to abandon this legislation and instead proposed to replace the foundation with a new institution called the National Film Center — an institution that would jettison the foundation's system of boards in favor of a professional committee presided over by a head that had been appointed by the Ministry of Culture. The ministry's proposal promised to increase film production subsidies, providing that the center boasted high levels of transparency. This proposal provoked intense debate, with, for example, Hungarian film directors roundly criticizing the proposed center because they feared it would be underfunded and that its reliance on public monies would pave the way for the kind of political interference that the industry had been fighting.

In spring 2001, the debates ended. The vast majority of Hungarian filmmakers believed that the ministry's proposal essentially institutionalized political interference in film funding. As such, they denounced the concept of a centralized film center, even though it guaranteed an increase in production capital. In response, the government initially put the near-completed draft legislation on ice, stating that film subsidies would only be increased if the film center was accepted, before dropping the idea once it recognized the depth of hostility it had provoked. Despite the resumption of negotiations between filmmakers and the government, no deal was cut. Rather, the ministry agreed to subsidize several films, many of which were historical dramas. The cost of just two of these films — *BRIDGEMAN* and *BÁNK BÁN* (both 2002) — approached €11m, a sum that easily surpassed that which had been allocated to the foundation. As a consequence, the advisory board struggled to allocate its meager resources among the hundreds of filmmakers who had applied for support, and was forced to postpone any decision on the matter. These circumstances led to a sizable injection of capital into the system but to most of it being disseminated by the ministry.

The impasse was finally resolved after the 2002 elections when the Socialist-Liberal coalition replaced the conservative government. The new government rejected the idea of a film centre and reopened negotiations with filmmakers about the terms of the new legislation. After lengthy debate, all parties came to an agreement, and the legislation was ratified unanimously by the Hungarian parliament in December 2003. When the new legislation was written into law, it provided a legal framework and an institutional-organizational structure in which state subsidization of film production would operate. In addition to direct funding, it introduced investment incentives and tax breaks that were designed to increase the competitiveness of the Hungarian film industry, to promote production services to runaway productions being shot in the country, and to encourage international co-production. These measures were seen to be well overdue as the Hungarian film industry had lagged behind those of its East-Central European neighbors since the early 2000s. The new law reinforced the foundation's position as the central institution of the Hungarian film industry albeit under a modified mandate. New types of subsidy were introduced, the most important of which was the prioritization of support to filmmakers who had enjoyed commercial success or who had entered their films into leading interna-

tional festivals.<sup>16)</sup> This policy change meant that the foundation now promoted popular cinema and not just prestigious art cinema.<sup>17)</sup>

The new law was intended to increase the domestic standing of Hungarian films and to integrate the nation's film industry into the international market. Positive developments have been seen on both fronts. Hungarian productions have captured a larger share of the domestic market and the international standing of the nation's film industry has also improved (see figure 4). Thanks in large part to a generous 20% tax deduction, capital has flowed into the Hungarian film industry from inside and outside of the country (see figure 5). Alongside the surge in domestic output, more and more overseas productions are being shot in Hungary. Films such as *MUNICH* (2005), *HELLBOY II: THE GOLDEN ARMY* (2008), and *A GOOD DAY TO DIE HARD* (2013) have seen the country become an important player in the so-called "subsidy game", wherein nations compete to host Hollywood's runaway productions.

It was clear that infrastructural changes would need to be implemented if the Hungarian film industry was to fully exploit the new opportunities that were opened up by the film law. Filmmakers wanted to be able to have a say in the control of, and direction taken by, industry institutions, and were concerned by the role of the state and the possibility of privatization. The filmmakers' lobby was successful and, following discussions with the government, the foundation gained a leading role in the management of the onetime state-owned film studio MAFILM and the Hungarian Filmlab (the oldest film laboratory in Hungary).<sup>18)</sup> The prosperity of the Hungarian film industry and an accompanying boom in service jobs provided to runaway productions such as the BBC television series *ROBIN HOOD* (2006) was driven by new investments made by venture capitalists. Unlike other East-Central European nations, by the early 2000s, Hungary still did not possess studio facilities capable of serving Hollywood productions. This situation changed in the middle of the decade with the construction of private studios on the outskirts of Budapest.<sup>19)</sup> Due to tax incentives, the city has become one of Europe's hottest sites for runaway productions.<sup>20)</sup>

The mid-2000s also saw an increase in the amount of support that the Hungarian government gave to the foundation. Yet, a byproduct of this injection of capital has been a significant amount of debt. This situation came about because the foundation allocated sub-

16) The system was quite complex. Directors and producers received so-called "funding points" for commercially successful films (the higher the attendance the more points they were awarded) and for A-category festival participation (prize-winners were given extra points). The foundation decided each year on the exact fiscal value of these points based on the number of applications they had received. On the whole, the value of these points decreased as time went by.

17) Little has been done to encourage cooperation between the film industry and public television, as had been called for by the legislation.

18) In 2012, the National Film Fund took over the Foundation's dept as part of a liquidation and dept settlement with the Motion Picture Public Foundation of Hungary. In exchange, the Fund obtained MAFILM and Hungarian Filmlab.

19) The first was Stern Film Studios and Media Center in Pomáz (20km north of Budapest) which opened in late 2006. The Korda Studios (located in Etyek, 30km west of Budapest) opened in 2007 and the Raleigh Studio Budapest (on the outskirts of the city) opened in 2010.

20) Dan Bilefsky, 'Hollywood on the Danube', *New York Times*, 2 July 2010, unpaginated.  
[http://www.nytimes.com/2010/07/03/business/global/03iht-eastfilms.html?\\_r=1&pagewanted=all](http://www.nytimes.com/2010/07/03/business/global/03iht-eastfilms.html?_r=1&pagewanted=all)  
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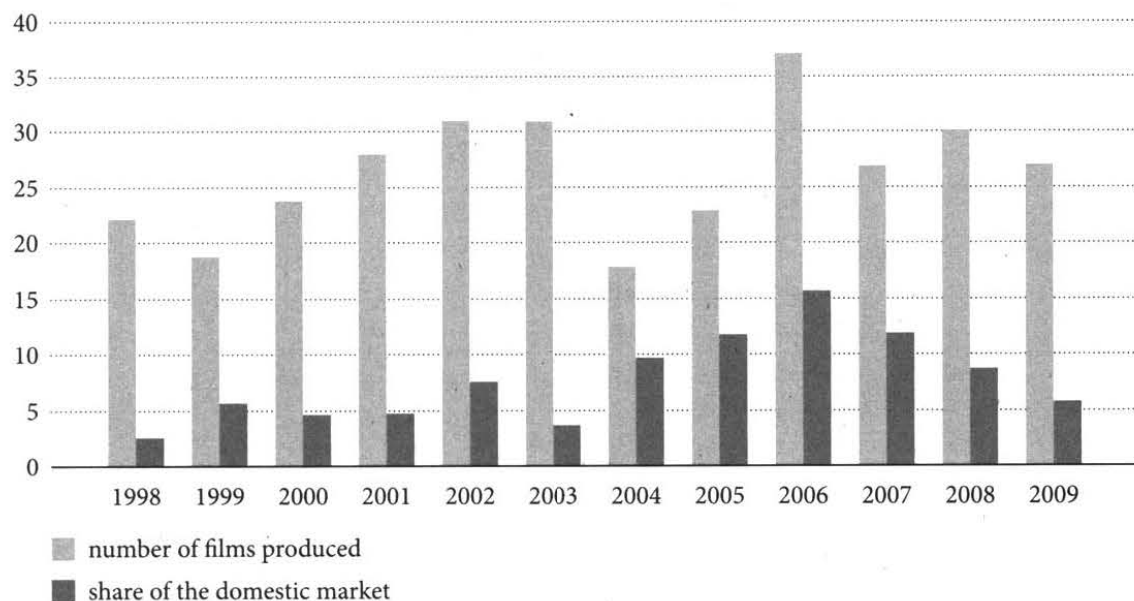


Figure 4: Domestic market of Hungarian-produced films, 1998–2009. Source: Hungarian Film Guide.

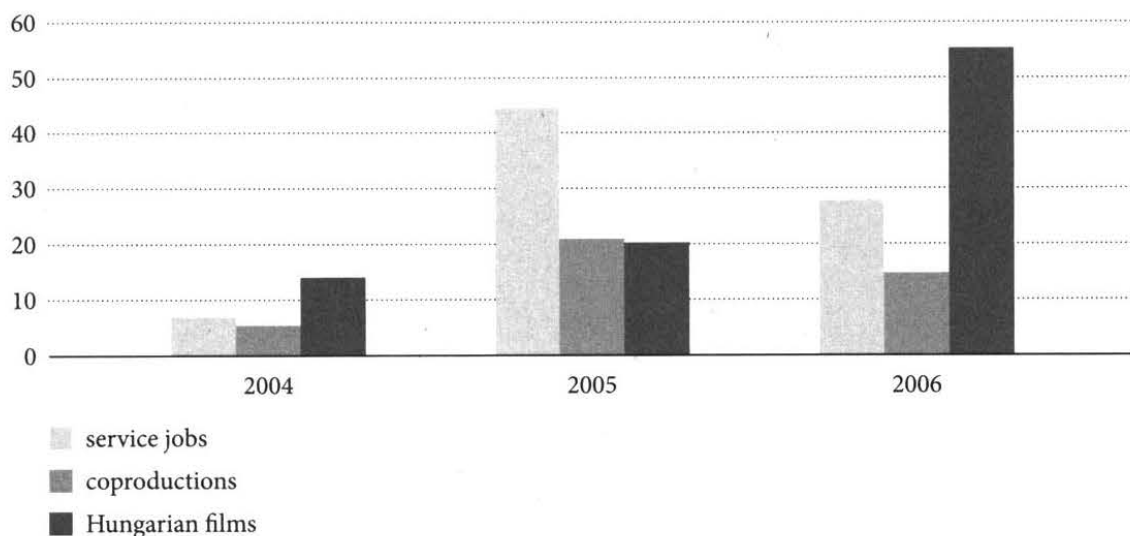


Figure 5: Expenditure on film production in Hungary (HUFb), 2004–2006. Source: Filmunio/National Film Office.

sidies based on monies that the government agreed to provide rather than those that it actually provided. During 2003's Film Week, the Hungarian Prime Minister, Péter Medgyessy, promised to gradually increase state subsidies to ten billion HUF (€40m) by 2006, but the foundation received significantly less than it was anticipating (see figure 6). In 2005, the amount of support that the state promised to provide was cut by about 40%. That year, the government did not allocate the HUF2.85b that it had promised the foundation but instead let it "borrow" this amount from the following year's budget. In 2006, the foundation may have been allocated a budget of HUF6.2b, but in reality it received under HUF3.5b due to the additional HUF2.85b it had used in 2005. As with the previous

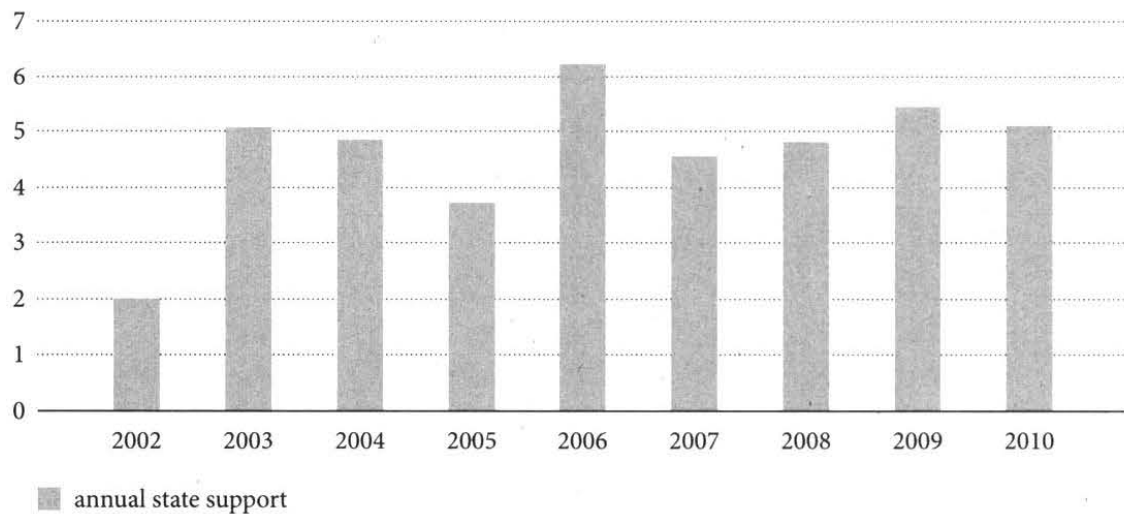


Figure 6: Amount of state support provided to the Motion Picture Public Foundation of Hungary (HUFb). Source: Motion Picture Public Foundation of Hungary and the State Audit Office's (Állami Számvevőszék) audit of Motion Picture Public Foundation of Hungary, 2003, 2006.

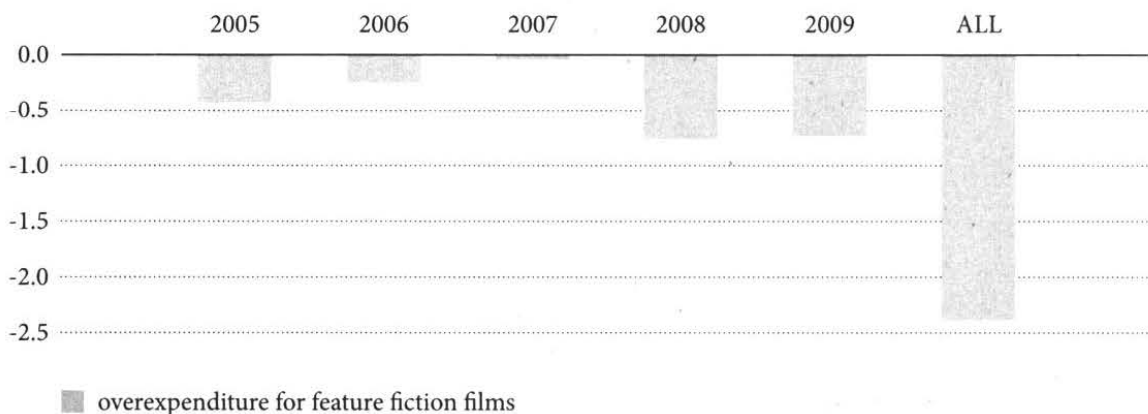


Figure 7: Over-expenditure on feature film production, 2005–2009 (HUFb). Source: Internal Audit of the Motion Picture Public Foundation of Hungary, 2010.

year, the foundation was permitted to make up the shortfall by using HUF3.1b that had been set aside for 2007. To manage these transactions, and thereby support production without causing the industry to collapse, the foundation merely presented a letter of intent to the production companies, who on this basis turned to banks for loans, which the foundation would then repay from the state support it received the following year. Problems increased however because each year the foundation's outgoings exceeded its income (see figure 7).<sup>21)</sup> In 2007, the financial support that the state gave the foundation decreased by

21) In November 2012, *Atlatszo.hu*, a Hungarian Wikileaks-like portal and investigative journalism center published the Motion Picture Public Foundation of Hungary's 2010 internal audit. All financial data cited are from this report. <<http://atlatszo.hu/2012/12/04/fraudulent-misuse-of-state-funds-for-the-film-industry/>> [accessed 6 December 2012]



30%. Concurrently, an agreement was made between the foundation and the Ministry of Culture that guaranteed that no additional cuts would be imposed on those monies remaining after the initial 30% cut had been made. The foundation was plunged into debt through a combination of over-expenditure and the interest that it had incurred on bank loans, leading to numerous scandals and ultimately to its closure.<sup>22)</sup>

### **Self-governance as a System of Obligations and Commitments**

Across its twenty year history, self-governance has been a leitmotif of the Motion Picture Foundation of Hungary. The issue of self-governance amounts to a yearning for independence; that the support of individual films and the industry as a whole should not be made on ideological-political grounds and not by a government ministry but by a committee of professionals. Efforts to secure this kind of independence can be traced to the years before the new law was ratified, when "take the money and shoot (a film)" logic was in full effect. Nevertheless, in light of the failures to get earlier legislation written into law, the 2004 legislation employed a quite different form of logic to legitimate the foundation on the principle of self-governance. This logic can be described in terms of a reciprocal relationship; as a system of obligations and commitments inasmuch as it not only emphasized the state's responsibility to the support of domestic film culture but the film industry's right to operate as a self-governing institution. Among these obligations were the reaching of production targets, the fostering of cultural diversity, and the support of popular cinema. The role domestic box office performances played with respect to state support of the domestic film industry was underscored by an initiative proposed during negotiations over the terms of the legislation. In 2003, the foundation set aside tens of millions of HUF in additional subsidies if applicants could make the case that a proposed film stood to sell at least 80,000 tickets domestically; if the film in question failed to reach this target, applicants were required to repay the monies.

Ultimately, the developments of the early 2000s indicate some of the ways in which the self-governance of the Hungarian film industry could be made acceptable both for politicians and the general public. From this perspective, the operations of the foundation can be seen as something of a learning process underwritten by acts of self-correction. However, due to financial mismanagement, misplaced faith in government promises, over-expenditure, and over-production, the foundation became trapped in debt.<sup>23)</sup>

Although the post-communist development of the Hungarian film industry is in many ways similar to the development of the film industries of other former Eastern bloc countries, it is also characterized by some specificities due to the rise and fall of the Motion Picture (Public) Foundation of Hungary. The transition from a state-controlled industry to a public support system was comparatively rapid and smooth. It was also one tainted by

22) There are different figures circulating about the total debt of the Motion Picture Public Foundation of Hungary.

23) As there are the Government Monitoring Office (Kormányzati Ellenőrzési Hivatal) and the police are still conducting investigations of the financial affairs of the Motion Picture Foundations of Hungary, it would be inappropriate to sum up the Foundation's financial affairs.



the inability of the film and television industries to cooperate with one another. Finally, it was characterized by the belated reorganization of the production sector through the development of up-to-date facilities such as film studios.

The establishment of the foundation in the early 1990s was a success in the sense that it maintained continuity in the Hungarian film production sector. Yet one might stop to consider the type of production it maintained. One might ask if this type of Hungarian film production does not need to be justified. Can there be national film production and a national cinema without the cooperation of the film and television industries? In addition to largescale social, political, economic, and cultural questions, fundamental questions also remain about the challenges facing industry professionals and institutions. Such questions relate to the ways structural change (studio-based support and production-based support), generational change (the rise of young and independent filmmakers), and attitudinal changes (the value that is placed respectively on art cinema and popular cinema) may challenge the transitional era's valorization of Hungarian filmmakers who prioritized socially- and politically-engaged cinema. The 2010s have already witnessed radical changes in the Hungarian film industry, notably the fall of the Motion Picture (Public) Foundation of Hungary and the establishment of the Hungarian National Film Fund. Time will tell if these developments mark a new chapter in Hungarian film history.

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#### **Films Cited:**

47 *Ronin* (Carl Rinsch, 2013), *Bánk bán* (Csaba Káel, 2002), *The Borgias* (Neil Jordan, TV series, 2011–), *Bridgeman* (Géza Bereményi, 2002), *A Good Day to Die Hard* (John Moore, 2013), *Hellboy 2* (Guillermo Del Toro, 2008), *Munich* (Steven Spielberg, 2005), *Robin Hood* (Foz Allan, Dominic Minghella, 2006–).

## SUMMARY

**Take the money and...?***Questions of Self-governance in the Hungarian Film Industry***Balázs Varga**

This essay provides an overview of the post-communist transformation of the Hungarian film industry and the changing roles the state played therein. At the center of the essay is an analysis of the rise and fall of the Motion Picture Public Foundation of Hungary (Magyar Mozgóképek Közalapítvány), Hungary's principal film funding body. Both the establishment of the foundation in the early 1990s and new film legislation that went into effect in 2004 were success stories in the sense that they preserved continuity in Hungarian cinema. However, during the second half of the 2000s, the foundation got into debt, which led to its closure in the early 2010s. The essay reviews the workings of the foundation with special attention being paid to issues of self-governance — a leitmotif of the institution's twenty-year history.