Peter Mihalyi**[[1]](#footnote-1)**

Renationalization and Recentralization in Hungary, 2010-2016[[2]](#footnote-2)

ABSTRACT

This paper presents a brief account of the ongoing Hungarian renationalization and recentralization process under the 2nd and 3nd government of Prime Minister Viktor Orbán. Under his autocratic rule, Hungary, the former leading reform country in Central and Eastern Europe has made a sharp U-turn. Many features of the former centralized planning system have been reintroduced. The author’s conclusion is that the changes in ownership have been significant, but they can be relatively quickly reversed by a future, competition-oriented new government. It would be perplexing and time consuming to build-down the newly created institutions, the laws and regulations which were introduced over the past 6 years and protected by a set of cardinal laws, requiring 2/3 parliamentary majority for change.

Keywords: Nationalization, privatization, state ownership, illiberal economic policies

JEL classification: P20, P26, P31, P51

1.

*A sharp U-turn.* In 1990, Hungary became a Parliamentary democracy, in which human rights and private property were enshrined in the constitution and strong institutions upheld a Western-type network of checks and balances. Subsequently, the country was the pioneer of the post-communist transformation process for roughly a decade. This policy brought not only a record amount of privatization revenues (Figure 1), but also a record amount of FDI into the country through green-field investment projects.[[3]](#footnote-3)

**Figure 1:** The cumulative size of privatization revenues in selected Central and Eastern European countries (as a % of GDP), 1990 - 2012

**Source**: OECD, based on World Bank Privatization Database 1990-2008, World Development Indicators, IMF Article IV reports and CESIFO DICE database.

Around the mid-1990s, Hungarian privatization officials understood that selling virtually each and every “crown jewel” of the Hungarian economy to the foreign multinational firms was not merely a financial necessity (to service the National Bank’s FX-denominated foreign debt), but a blessing in disguise. This was the only conceivable way to put Hungary firmly on an export-led growth path – something that Hungarian policy makers had urged in vain for two decades prior to 1989. In other post-communist countries, policy makers understood this connection 5-10 years later only. All in all, Hungary became one of the most **globalized** and **liberalized** economies by the end of the first decade of the 21st century (Table 1 and Figure 2).

**Table 1**: The degree of market liberalization in OECD countries, 2008

Liberalization index (Scale: 0 – 6)

|  |  |  |
| --- | --- | --- |
| Country | Total Economy  | From which: Energy sector  |
| OECD average | n.a. | 2.69 |
| OECD minimum | 0.96\* | 0.59\*\*  |
| HUNGARY | 1.54 | 1.94 |
| Czech R. | 1.50 | 2.68 |
| Slovakia | 1.52 | 3.02 |
| Estonia | 1.37 | 3.28 |
| Poland | 2.04 | 3.73 |

**Note:** 0 = complete liberalization; 6 = complete state regulation \* The Netherlands \*\* Great Britain

**Source:** OECD Product Market Regulation Database, <http://www.oecd-ilibrary.org/economics/data/oecd-product-market-regulation-statistics_pmr-data-en>

To the great surprise of the outside world, the elections in 2010 brought a complete reversal in the political and economic reform process in general, Hungary’s commitment to privatization and the import of FDI in particular. After the landslide victory of the Fidesz party[[4]](#footnote-4), politics has recaptured the commanding heights of the economy, economic rationality has been relegated to a secondary position. Kornai (2015) was right calling this a dramatic U-turn. Within a few months, a new constitution and a large number of new laws were approved by Parliament in order to remove systematically the classical checks and balances of representative democracies.[[5]](#footnote-5) Most of the new laws pointed towards more administrative centralization and the creation of an unlimited manoeuvring space for the state authorities – including the right to hide publicly relevant information. *Inter alia*, the concept of “private ownership” was also removed from the constitution without any public explanation, let alone discussion. Virtually all acts, affecting the scope of state power and ownership were converted to “cardinal” laws, requiring a 2/3 majority for changing them. It was mostly symbolic, but nonetheless noteworthy that the word “Republic” was removed from the full, official name of Hungary.[[6]](#footnote-6)

**Figure 2**: Economic globalization index, 2010

**Note:** The KOF Index of Globalization, developed by Axel Dreher at the Zürich Technical University (ETH) measures the three main dimensions of globalization: (i) economic; (ii) social; and (iii) political. In addition to three indices measuring these dimensions, they calculated an overall index of globalization, as reproduced above.

**Source**: <http://globalization.kof.ethz.ch/>

There is one additional remark, which needs to be made at the outset. As from 2010, Prime Minister Viktor Orbán has been ruling his party and the country as an autocratic ruler who is not subject to any institutional limitations. Therefore, throughout this paper his name, his party and his government are used interchangeably. Every decision made by Parliament, the President of the country or the government are Mr. Orbán’s personal decisions, even if they don’t look that way at first sight. Like President Putin in Russia, Mr. Orbán re-established the primacy of political power over the economy. In many ways, Hungary returned to the Socialist-type political power distribution model in which a charismatic leader dominates over the party-state apparatus and the professional managerial class (Mihalyi 1993).

*The broader picture.* The constitutional 2/3 majority between 2010-2015[[7]](#footnote-7) allowed Mr. Orbán to initiate a large-scale transformation of the entire domestic political institutional system which involved – as already noted above – the restructuring of the territorial administration and the abolition of the remainders of self-government, the destruction of the three major pillars of social security (pension, health and unemployment benefits), the control and supervision of public education (primary and secondary schools), etc. The new Fundamental Law, as the new constitution is officially called, took away a lot of discretionary power and property from the municipalities (e.g. schools, in-patient healthcare facilities, fire brigades, museums and archives) and shifted them to the central government. The remaining relative autonomy of the two social security pillars – the National Health Insurance Fund and the National Pension Fund – was scrapped. Both funds became part of the central budget. The term “social security” was removed from the text of the constitution.

The new strategy had an important **foreign policy** dimension, too. Much of the statements and the actions of the Prime Minister carry anti-EU and anti-US sentiments, as well as revanchist allusions at the detriment of Hungary’s terrestrial neighbors (chiefly Romania, but also Ukraine and Serbia). It is a recurrent expression of the state-sponsored media to speak on behalf of 15 million Hungarians (a number which includes the (over)estimated 5 million Hungarians living outside of the present Hungarian borders). “*Opening toward the East*” or “*Hungary can become the Western gate of the new “railway Silk Road” of the 21st century*”[[8]](#footnote-8) are typical examples of the newly invented campaign slogans. This meant, first of all, the plans of a 12 bn euro nuclear deal with Russia on the delivery of two 1000 MW electricity generating blocks in order to increase the present 4x480 MW capacity of the Paks Nuclear Power Station, a Budapest – Belgrad railway line for 1.1 bn euros financed by China and lots of moribund government efforts to make trade deals with Central-Asian former Soviet republics. The idea to cooperate with the post-Soviet republics in itself could have even worked in real life, but it didn’t as these energy producing countries were all pushed close to financial collapse after the fall of oil- and gas prices.

Among the 1264 laws passed by Parliament since mid-2010, many were purposely designed to **limit the free conduct of businesses**. The political calculation was that it would take years until the EU could enforce the letter and the spirit of the *acquis communataire* on the Hungarian legislators, and by the time this happens, the Hungarian public opinion would lose interest in that particular matter. And indeed, this tactic has worked well until today.[[9]](#footnote-9) Any case, which was subject of an EU infringement procedure, required at least two years, until the final and irrevocable decisions came out from the Commission and/or the European Court of Justice. The tacit support of Washington was “bought”, primarily, with the unconditional support of the NATO-alliance in foreign military campaigns (Iraq, Afghanistan and Syria).

*Brief quantitative summary of the ownership changes*. For many reasons, it is difficult have a grip on the true size of the ongoing Hungarian renationalization campaign. There is a deliberate policy attempt to keep as much as information hidden, as possible. The transactions on the government’s side have been carried out by different institutions, such as the Hungarian National Asset Management Inc. (HNAM Inc.), the legal successor of the former privatization agency, the state owned Development Bank (MFB), the Prime Minister’s Office, the central bank, branch ministries, certain large state-owned corporations, the capital city of Budapest and some other towns. Thus, a correct analysis would require a systematic data collection from all the above mentioned institutions pertaining to government-initiated asset purchases.

Another major problem is the way the deals are structured. Often the initial purchase price for which the state buys the companies’ equity is relatively small, compared to the size of future payment obligations in the form of debt and restructuring costs. Since other papers in the present volume of this journal (Voszka, Szanyi) give a detailed qualitative assessment of the ongoing Hungarian renationalization campaign, the present author will limit its own version of the same story to two tables and a few short comments, only.[[10]](#footnote-10)

**TABLE 2**: Renationalizations in Hungary, 2010 – 2016



**Notes**: \* All known transactions executed by public authorities, including local governments. Exchange rate as of 1 July, 2016: HUF 317 = 1 €.

**Source**: Data collected jointly by the author and Éva Voszka.

**TABLE 3**: Renationalization deals in Hungary according to the national origin of the seller company, 2010 – 2016



**Note**: \* All known transactions executed by public authorities, including local governments. Without moveable and immoveable properties.

**Source**: See Table 2.

Even before Orbán became Prime Minister in 2010 at the second time, he did not hide his re-nationalization plans. As the unquestionable leader of the opposition since 1998[[11]](#footnote-11), he systematically opposed any newly emerging privatization proposal and declared that the post-socialist privatization had been already completed by 1995, and there is nothing more to sell. With the benefit of hindsight, it is clear that this criticism was politically effective partly because the ruling Socialist Party displayed a half-hearted attitude towards privatization ever since 1989. In many cases, when the future of entire industries was discussed in Parliament, the anti-market creed of Fidesz and that of the Socialist Part were actually very close to each other. The mutual understanding and cooperation were most noticeable in the energy and the banking sectors. Therefore, it is not surprising that these two sectors alone represent 70 per cent of the renationalization deals in nominal terms (TABLE 2).

As the two tables above reveal, more than 80 per cent of the renationalization deals affected foreign companies fully in line with the nationalistic credo of Prime Minister Orbán. In terms of nationality, the most important foreign sellers were Russian companies. To be more precise, there was only one really large deal with Russia: the Hungarian privatization company in 2011 re-purchased 22% of the shares of the Hungarian Oil and Gas Company (MOL)[[12]](#footnote-12) from *Surgutneftegaz.*

*Soft deals and sweetheart deals.* At first glance, the large number of firm re-nationalizations may appear suicidal and therefore stupid, especially if and when foreign owners were affected. After all, Hungary is not only a UN and EU member, but she is bound by bilateral investment treaties (BITs) some of which preceded the 1989 regime change.[[13]](#footnote-13) However, after a close inspection of all the nationalization deals, we see that what happened was not a ferocious expropriation, but rather a “regulatory taking” in the language of Anglo-Saxon jurisprudence. In economic terms, this is a policy with which the government regulates the use of a property to such a degree that the regulation effectively amounts to an exercise of the government's eminent domain power[[14]](#footnote-14) without actually divesting the property's owner of title to the property. Thus, what has been happening in Hungary under the Orbán regime is **indirect coercion** in everyday parlance, as a result of which most foreign owners find it more advantageous for themselves to sell their property to the Hungarian State rather than to absorb the losses arising from the newly enacted regulatory rules. All this was not even hidden. As early as 2005, when Mr. Orbán was still in opposition, he declared bluntly at a public rally: “*We don’t need to be pusillanimous. If a government tells someone, please return this property, the government’s word will have enough weight.*”[[15]](#footnote-15) There were only a handful of attempts of “taking” – i.e. forced confiscation without compensation –, a procedure analogue with the Russian “corporate raiding” phenomenon[[16]](#footnote-16). But even in these cases, after the initial fierce verbal threats, the government finally chose a soft form.

Moreover, the most valuable transactions has turned out to be **sweetheart deals** – i.e. unbelievably favorable contractual arrangement for the foreign sellers. The buying prices in the four most notable cases, the purchase of 1/5th of MOL shares from Surgutneftegaz, a Russian company closely linked to President Putin, the 100% re-purchase of the natural gas wholesale business from E.ON Hungary, the acquisition of Budapest Bank and the Hungarian Foreign Trade bank previously owned by General Electric and the German Bayerische Landesbank, respectively, were all two-three times higher than the intrinsic market value of these firms.

How can we explain this? Our answer is that through such deals Prime Minister Orbán wanted to buy for himself good marks in Paris, Moscow, Berlin and Washington at the cost of the Hungarian taxpayers. In other, less important cases, the beneficiaries of such sweetheart deals were the Hungarian political friends and supporters of the Fidesz regime. In one case, an ailing manufacturing company (Rába) was saved by the government share-purchase transaction, which helped the Hungarian majority owner to keep the value of his own share package. In other cases, the state privatization company and/or the National Bank bought very expensive real estates, helping the political friends of Fidesz to get rid of their ill-fated development projects initiated many years earlier under totally different market conditions.

The data so far suggest that this policy of sweetheart deals was successful. The inflow of capital from the outside world didn’t stop, as many had feared at the beginning. In fact, Hungary improved its relative position among the leading reformist countries in terms of cumulated FDI/head – at least until 2014.[[17]](#footnote-17) The same can be said about the outward movement of capital which continued to rise as well (Table 4).

**Table 4**: Ranking of the leading post-communist states in foreign direct investments, 2007 and 2014

Euro/head



**Notes**: Equity + reinvestment of earnings + debt instruments from 1992. Excluding special purpose entities (SPE).

**Source**: WIIW FDI Database, <http://wiiw.ac.at/fdi-database.html>

III.

*Centralization and the deliberate creation of monopolies*. [[18]](#footnote-18) In macroeconomic terms, the most significant centralization move was the **liquidation of the** **2nd** (private**) pillar of the pension system**. This measure was announced as a total surprise in November 2010, weeks after the nationwide and local government elections. As a consequence 2.8 million pension fund members were shifted back into the state system by default. The government seized the assets of the private pension funds in order of 10% of GDP. This measure was officially justified by the claim that the pension funds were bad managers of their clients’ savings, “they lost the money on the stock exchange”, some of them were also accused of criminal negligence. The fund members were told that they have the right to keep their membership status, but in this case the will not be entitled in the future to any state pension at all, even if they had accumulated such rights with 20 or 30 years of work prior to joining the private system. At the end, this threat has never become a law, but it worked nonetheless as a blackmailing trick. Sensible adults couldn’t believe that their government was simply bluffing. Out of 18 private pension funds 14 were forced to close its services through liquidation or merger with a bigger one.

In the field of public **administration and publicly provided services** the 2. Orbán government’s first action was to reduce the number of ministries from 12 to 8. The National Bank swallowed the Financial Supervisory Authority, the Customs and Finance Guard was merged with the Taxation and Financial Control Office. Previously the state-owned, publicly financed radio and television channels operated separately, as did the state news agency. Now these have been merged into a giant centre called the Media Service Support and Asset Management Fund. This centralizes financing, and no less importantly, has the power to choose, hire and fire staff. Before the merger, the public radio and television departments could choose their own news sources. Now they are all obliged to use the material disgorged by the central news office. There was a wave of centralization engulfing the Hungarian Academy of Sciences network of research institutes. Various institutes of natural and social sciences with high reputations working separately and independently for several decades were being herded into groups and subordinated to newly created centres. Even the Museum of Fine Arts and the Hungarian National Gallery were merged.

The rules and regulations of the most important public services, such as primary and secondary education, the provision of healthcare, energy and water were all modified with the aim to reduce the power of the 3100 **local governments**. In a few years, the combined value of expenditures financed from the local budgets fell from 13 per cent to 8 per cent of GDP. As from 2017, all local governments will be forced to close down their own bank accounts and use instead the financial networks of the State Treasury. All these tasks and the corresponding *nomenklatura* rights fell in the hands of the government. After all these changes, Hungary has become one of the most centralized countries within the EU, similar to the territorial regimes of Bulgaria or Portugal. The sudden weakening of financial power of local governments (and the city of Budapest in particular) meant that the most important counter-power of the government was removed from the country’s political life.

As a corollary to the reduction of local governments’ power, the Parliament voted a series of new laws to **reduce the prices of utility services for households**. As it turned out, it was a very successful electoral trick to cut the prices of electricity, gas, distance heating, water, solid waste and sewage removal, obligatory chimney and elevator testing by 20-30 per cent, or more. There was even an attempt to cut the price of funeral services to zero Forint, if the relatives of the deceased were willing to dig the grave themselves. (At the end this measure was not implemented, although the relevant law had been past, because the whole issue has become a laughing stock.) As a popular move against the banks, the government made two monthly cash-withdrawals from ATM machines free of transaction charges, arguing that the people deserve this. In a similar way, certain postal services became free of charge. Since the Post is state-owned, the government didn’t need to discuss the matter with an opposing side. As the government rightly assumed, these populistic measures helped the Fidesz party to win the 2014 elections (both the nationwide and the local ones). The arbitrary price cuts, of course, hurt the companies concerned, but the tensions arising from this were left the local governments to solve. In other cases, the incumbent firms went bankrupt and were offered to the government for renationalization (e.g. solid waste disposal). A third group of firms which were always state-owned were bailed out by the central government with cash injections (e.g. regional water distribution companies).

An important part of Orbán’s new policy was the rapid **erosion of market** **competition**. This meant in practice that the law or the authorities have granted monopoly rights to state companies, or to private companies owned by the trusted business friends of the Prime Minister. In both cases, the competition on the given markets was seriously limited, especially in those cases, where the aim was to get rid of large foreign-owned companies (retail trade, banking, tobacco manufacturing, gambling). In legal terms, there were four major ways used by the government:

* The exclusion of foreign companies and/or private citizens from certain markets (e.g. the ownership of agricultural land, sewage and solid was removal, working as a public notary);
* The activity can be carried out only on a non-profit bases, requiring the set up the firms in a special legal form (e.g. sewage and solid waste removal, company liquidation in case of firms of “strategic importance”);
* Expansion of the list of concessionary activities (e.g. retail and wholesale trade in tobacco, operating slot machines, operating tourist bus services in Budapest);
* Modified concessionary acts limited certain activities to state authorities or to state-owned companies (e.g. on-line payment services through mobile telephone, civil engineering services to EU-funded construction projects).

When the formerly independent Hungarian Competition Authority has tried to stop this, the relevant legislation was immediately changed and the top management of the authority was replaced. A particularly amusing example was, when Parliament adopted a new law that specifically allowed to collusion of Hungarian water-melon producers and agree on price-fixing. The immediate objective – highly mediatized by the government – was to squeeze out imported water melons from the hypermarkets. In terms of money and political significance, a much more important decision was to assign the construction of two 1000 MW nuclear power blocks to a state-owned Russian company without any competition what so ever. The Hungarian authorities didn’t consult Brussels on this matter, until all the agreements were signed with the Russian partners in 2015. At the time of writing the final assessment of the EU commission is still pending, whether this deal in its original form is compatible with the general EU norms. Most likely it is not.

In order to strengthen the competitive position of the close business friends of Orbán, it has become a widespread practice that in **public procurement** tenders, the evaluation was predominantly based on necessarily subjective criteria (e.g. quality of business plan, the applicant's reliability). As a consequence of this practice, soon only the preferred firms applied, because the potential competitors didn’t want to waste their time and their resources in a rigged competition. Particularly widespread this practice has become at road construction and IT procurement tenders.[[19]](#footnote-19)

One of the most confrontational centralization measures was the **banning of the sales of cigarettes** and the introduction of a concessionary system in 2013. Under the official pretext of protecting the health of minors, the new system reduced the sales points from 42 thousand to 6 thousand. All previously operating sales points (e.g. food shops, petrol stations, restaurants, cafes) were banned and the newly issued tobacco licences were tendered. As it turned out, the licences were given to political friends and friends of the political friends through a point-based tendering, where – as explained above – subjective judgments were honoured with high number of points. In this way, the end-result was already fixed prior to the tender, and potential bidders (including the former tobacco shop owners) were discouraged to participate.

IV.

*Results and explanations*. In conclusion, we would like to offer the Polish readers a succinct assessment of Hungary’s economic performance during the period under investigation. Then, we shall try to present a coherent explanation of the described events.

A convenient way to assess Hungary’s economic performance is to measure it against its peers. In FIGURE 3, Hungary’s per capita GDP growth is compared to average performance of the 28 EU member countries and that of Poland. The comparison is lethargic from a Hungarian perspective.

**FIGURE 3**: GDP per capita in PPS, 2004

Index (EU28 = 100)



**Source**: Author’s calculation based on Eurostat data.

As the graphs above clearly indicate, the 2nd and 3rd Orbán governments were unable to accelerate significantly Hungary’s growth and catching up process. The slow advancement is particularly striking, if the comparison is made with Poland. Such a poor result begs for the second question. After such a poor performance, why does Mr. Orbán insist to a seemingly senseless renationalization and recentralization campaign?

Inside Hungary, but among the country’s foreign observers, there has been an ongoing debate on this question since 2010. One prominent and widely shared interpretation is the brain-child of Bálint Magyar (2015), a sociologist and a former Minister of Education. According to him, the prime mover of the 2nd and 3rd Orbán governments and their closest supporters is their wish to enrich themselves and their “extended family” which includes not only family members, but also their political and business clientele as well. While the traditional mafia channelled wealth and economic players into its spheres of influence by means of direct coercion, the mafia state – as Magyar labels the Orbán-regime - does the same by means of parliamentary legislation and selective criminalization of their opponents. The other extreme position has been taken by the writer and essayist Rudolf Ungváry. He has been arguing for many years that the Orbán-regime is a “*fascistoid mutation*” primarily driven by a backward looking ideology derived from the fall out of the 1930s, the regimes of Mussolini, Hitler and the Hungarian leader Miklós Horthy.[[20]](#footnote-20)

While we accept both extreme opinions to a certain extent, in our opinion the remnants of the communist planning ideology are also playing an important role in policy formulation. Both Mr. Orbán and his closest economic aid – György Matolcsy, a long time Minister of Economics and currently President of the National Bank – learned economics under the communist system.[[21]](#footnote-21) They honestly seem to believe in the superiority of *ex ante* direct decision-making, as opposed to the rules of free markets which are incalculable, slow and lead to equilibrium only ex post.[[22]](#footnote-22) It is not by chance, that during the past six years, a number of macroeconomic and sectoral policy documents were issued and publicized by the government and they all carried the term “plan” in their titles (e.g. New Széchenyi Plan, Széll Kálmán Plan). The case of present day Hungary once again illustrates the wisdom of Lord Keynes (1936) who famously stated in the very last paragraph of his *magnum opus* that ideology is often more important than the economic actors think themselves. “(T)he ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.” (pp. 383-384).

When the next U-turn will come, when and how Hungary will find back to the path of market capitalism – no one can predict at this point of time. The two types of negative changes – renationalization and recentralization – which occurred so far are not going to have the same long-term impact. The ownership changes were substantial, but they can be relatively quickly reversed by a future, competition-oriented new regime. As it stands today, 5 transactions represented 60 per cent of the renationalization deals in value terms. This will not be difficult to undo. But it would be more stressful, more time consuming and more resistance needs to be overcome in the process of building-down the institutions, laws and regulations which were introduced over the past 6 years and protected by cardinal laws, requiring 2/3 majority for change.

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2. Paper was prepared under the common Polish-Hungarian Project „Development pattern of CEE countries after 2007-2009 crisis, on the example of Poland and Hungary” in the framework of an academic cooperation contract between the Polish Academy of Sciences and the Hungarian Academy of Sciences in 2014-2016. The Polish language version of this paper has been delivered to the editors of Studia Ekonomiczne for publication. [↑](#footnote-ref-2)
3. For a detailed overview, see Mihalyi (2010, 2015). [↑](#footnote-ref-3)
4. The party’s full name is: Fidesz – Hungarian Civic Alliance. When the party was founded in 1989 as a youthful libertarian, anti-communist movement, the word Fidesz was the abbreviation of the words Alliance of Young Democrats (in Hungarian). [↑](#footnote-ref-4)
5. For independent assessment of these changes see, Fukuyama (2012), Scheppele (2012, 2013), Müller (2014), Bugaric (2014) and Brodsky (2015). [↑](#footnote-ref-5)
6. See Article A. The official English version of the current Hungarian constitution can be downloaded from here: <http://www.kormany.hu/download/e/02/00000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf> [↑](#footnote-ref-6)
7. Until 2015, the Fidesz government enjoyed the privilege of having a 2/3 majority in Parliament, but then this was lost in subsequent by-elections. Since then the ruling party needs to get the support of some MPs from opposition parties to achieve super majority. So far this has worked many times. In five years, even the new constitution was modified not less than six times! [↑](#footnote-ref-7)
8. See *The Programme of National Cooperation* (2010) p. 38. [↑](#footnote-ref-8)
9. Bugarič (2014). [↑](#footnote-ref-9)
10. For an earlier assessment on the same topic, see Mihalyi (2014). [↑](#footnote-ref-10)
11. Mr. Orbán has been the – *de facto* – head of the Fidesz party since its foundation in 1988. He doesn’t have to fear from the Hungarian business elite either, because just like President Putin in Russia, he managed to subjugate all the really wealthy entrepreneurs without exception. None of them dares to support financially the opposition parties or their activists. Initially, Fidesz had been a committed liberal movement, but after 1998 Orbán converted the party to a central-right movement. In the European Parliament Fidesz is currently a member of the European People’s Party. [↑](#footnote-ref-11)
12. MOL is, by far, the largest Hungarian corporation with a significant international presence. In 2015, its size was 56% of its Polish counter-part, PGNiG, measured on the basis of market capitalization. As of mid-2010, the state had no shares at all in this corporation. [↑](#footnote-ref-12)
13. See the full list of Hungary’s 58 BITs here: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/94#iiaInnerMenu> [↑](#footnote-ref-13)
14. In many countries, the reference to the state’s eminent domain power is simply called “public interest”. [↑](#footnote-ref-14)
15. Orbán was quoted as saying this in the run-up to the 2006 general elections on 27 August 200 at a widely publicized Fidesz convention. See <http://index.hu/belfold/kamp1525/>. [↑](#footnote-ref-15)
16. See Rochlitz (2014). [↑](#footnote-ref-16)
17. The figures in TABLE 4 display stock data – i.e. the cumulated magnitude of annual FDI flows. It is also important to note that after the 2008 financial crisis, a large part of the FDI inflows was involuntary transfer of money in the order of 3 billion euros. Foreign banks had no choice; they had to recapitalize their subsidiary companies in Hungary. In other words, the flow of fresh FDI into the Hungarian banking sector was not the vehicle of future growth, but rather part of the inevitable damage minimalization. [↑](#footnote-ref-17)
18. For a detailed analysis of the centralization process, see Kornai (2011, 2012 and 2015). [↑](#footnote-ref-18)
19. Meticulous studies proved that between 2009-2015, there was a single bidder in 30% of all public procurement tenders. On the IT market, this ratio was over 60 percent.. [↑](#footnote-ref-19)
20. For an English-language summary of this latter argumentation, see <http://hungarianspectrum.org/2014/11/29/rudolf-ungvary-on-the-fascistoid-mutation-in-todays-hungary-part-i/> and <http://hungarianspectrum.org/2014/11/30/rudolf-ungvary-on-the-fascistoid-mutation-in-todays-hungary-part-ii/> [↑](#footnote-ref-20)
21. For more details on Mr. Matolcsy’s economic ideas, see Bod (2012). [↑](#footnote-ref-21)
22. Mr. Matolcsy (2016), who is a prolific writer, actually says exactly this in his latest, 600 page long book. [↑](#footnote-ref-22)