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# **Partial state ownership in CEE companies and financial institutions**

(A Polish – Hungarian comparison)

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# Why does it matter?

- General relevance:

- Increasing call for government correction of market failure after the 2007-9 crisis and recession thereafter (statist renaissance?)
- Existence of different types of capitalism, more/less state – vs. general recipe of crisis management

- Hungary:

- Privatization had been declared finished in 2009. Since then frequent changes (purchases and sales) in state property – property management rather.
- Statist statements and policies have been applied after 2010 – state/national ownership needs to be increased in utility services, banking, retail trade media.

- Poland:

- Privatization process slowed down after 2010
- Strategic economic branches were selected for continuous state control



# Role of state ownership and privatization

- Traditional reasons for state ownership
  - Correction for market failure
  - Active structural policies (industrial policy)
- Specific roles in post-communist economies
  - Elementary bricks of central planning – systemic change – general mass-scale privatizations
  - Usage of different types of privatization methods (sales to high bidder in H., transparency and stock exchange public offering in P.)
  - Privatization was influenced by various interest groups (e.g. incumbent management in H., Solidarnosc trade union movement in P.)
- Different extension and role of state ownership in post-communist economies (institutional qualities vary)

# Market controls for politically motivated increase in state ownership

- Re-nationalization is easier if state property is not under social and market control.
- The eminent role of Hungarian interest groups in privatization produced dual ownership structure: strong foreign ownership and weak, politically motivated local owners.
- Polish stakeholders' participation effectively controlled privatization process resulting ownership patterns were also more transparent (role of capital markets).
- Consequently, there was more room for covered cooperation of polity and business in Hungary – crony capitalism.
- Current Hungarian policy of strengthening national business against multinational is made possible because of loose social, political and institutional (market) control.
- Similar Polish ambitions are less powerful (yet).



# Main body of the research: partial state ownership in Hungary

- Only very few listed companies (out of the nearly 50 listings of former SOEs less than 10 remained, only 8 of them is partially state-owned)
- Partial state ownership in over 200 firms (mainly utility service companies, banks and few special strategic firms – gambling, broadcasting, etc.)
- Declared policy of increasing national/state ownership in utility services, banking, retail trade
- Reasons for re-nationalization: utility service price subsidization, national preference in retail trade supplies, „just” terms in consumer banking contracts, financial support of national business (occasional bailing-out of friendly business, re-sale for friendly business)
- Policy is coupled with selective regulatory and tax pressure on parts of multinational business and public procurement support for friendly business

# Main body of the research: partial state ownership in Poland

- 24 listed companies with partial state ownership plus local utility suppliers
- Privatization slowed, only partial sales occurred, state control remained intact in strategically important firms
- Selling and buying (property management)
- Banking, mining, utility services
- Political statements vs. policy practice (neoliberal fundings and slow privatization, today nationalist statements but no re-nationalization – yet)
- Role of political, social, institutional control (?)
- To be continued...

# Preliminary conclusions

- The role of state must be analyzed in systematic comparisons of capitalist models
- The role of the state as owner in CEE depends on the countries' privatization stories
- Interest groups influenced privatization process, many of them remained active in business exercising now 2,5 decades long cooperation with governments (suspect cronyism)
- The 2007-9 crisis gave ample fuel for statist and nationalist political movements this is reflected in both Hungarian and Polish state property policies – albeit in different ways
- Danger of increasing cronyism, potentially state capture (Hungary)

# CAPITALISM

TRUE  
25¢

≡ *works for me!*

YES  
99