

## SMASHING PUMPKINS: INTERVENTIONS TO THE ECONOMY IN HUNGARY, FROM A COMPETITION POLICY PERSPECTIVE

Pál SZILÁGYI\*

Competition Law Research Centre, Hungary

### 1. Introduction

In a previous article, I described the actual mishaps in competition regulation in Hungary.<sup>1</sup> The newly elected Hungarian Government introduced very protectionist rhetoric followed by similar actions. In this article, I will show some of the actions of the government and look at how this relates to mainstream competition policy thinking.

The Government began a large-scale redirection of the economy as Hungary was on the verge of bankruptcy. This redirection involved several contested decisions, such as: Erzsébet utalvány (cafeteria vouchers system); lex MOL; and statutory price drops for utilities.<sup>2</sup>

For a long time, Hungarian competition policy was regarded as one of the best among countries with newly introduced competition legislation.<sup>3</sup> This was a result of the legacy of the first few leaders of the Hungarian competition authority, who

---

\* The Director of the Competition Law Research Centre in Hungary and associate professor at Pázmány Péter Catholic University.

<sup>1</sup> See Pál SZILÁGYI: Hungarian Competition Law & Policy: The Watermelon Omen. *Competition Policy International – Antitrust Chronicle*, 10/2. (2012) 2.

<sup>2</sup> See also Márton VARJÚ – Mónika PAPP: *The crisis, national economic particularism and EU law: What can we learn from the hungarian case?* [http://hpops.tk.mta.hu/uploads/files/The\\_crisisCMLREV.pdf](http://hpops.tk.mta.hu/uploads/files/The_crisisCMLREV.pdf).

<sup>3</sup> See also Tihamér TÓTH: The Reception and Application of EU Competition Rules in Hungary: An Organic Evolution. *PLWP*, 2013/17. <https://ssrn.com/abstract=2402616>; Tihamér TÓTH: EU Enlargement and Modernisation of Competition Law: Some National Experiences. In: Damien GERADIN (ed.): *Modernisation and enlargement: two major challenges for EC competition law*. Antwerpen–Oxford, Intersentia, 2004. 367–384.; Tihamér TÓTH: Competition Law in Hungary: Harmonisation Towards EU Membership. *European Competition Law Review*, 19/6. (July 1998) 358.

could achieve large-scale real independence for the authority. The leaders of the competition authority changed after the election of the new government in 2010. There was a large turnover of former competition authority too. These departures left the new President and his team with the responsibility to recalibrate the authority. The staff that was hired around that time now hold leading positions within the national competition authority.

Skimming through the case law we see several protectionist measures that make it difficult to navigate the Hungarian competition policy landscape. In a previous article,<sup>4</sup> I highlighted the difficulties arising from the first few interventions by the Hungarian government. In this article, I will elaborate on the issue that draws a clear, systematic system of national protectionist measures.

## 2. Legislative interventions

### 2.1. Direct intervention – a consumer welfare gain or loss?

One of the first initiatives of the new Government after the 2010 election victory was requiring utilities to drop their prices for households by 10%, including electricity, gas or water utilities. This is a clear short-term gain for households. Between 2010 and 2015, household electricity prices decreased 27.3% and household gas prices fell 36.5%.<sup>5</sup> Consumers in competition law include both natural persons and undertakings that are the final buyers of a particular product or service. As can be seen in the same European Commission report, the end-user electricity prices paid by industrial consumers only had a very small price range and was basically stagnant while many Member States faced an increase in prices. Based on pricing alone, the Government intervention had led to a clear consumer welfare gain in the short term. However, many question what impact this will have on the state of the utilities networks and innovation. In the water sector there are already some signs that the underinvestment and lack of systematic maintenance and upgrades is leading to harm that might be greater than the savings generated by the price drop. No systematic study on this exists so a conclusion cannot be drawn yet.

### 2.2. Transfer of welfare

For a short time, a very important topic was the role of Uber on the market. It is very obvious that Uber generates huge consumer welfare gains. It provided a clear system for paying for travel with the cab and led to decreased prices for consumers. Quality was also improved for individual consumers since, contrary to the taxi companies, consumers could rate the drivers and achieved a higher rate of satisfaction and better-quality treatment in the end. The decree on regulating taxi drivers was adopted a

---

<sup>4</sup> SZILÁGYI (2012) op. cit. 2.

<sup>5</sup> See European Commission: 2<sup>nd</sup> Report on the State of the Energy Union (2017).

short time before Uber entered the market. Probably due to political reasons, the government finally succeeded in expelling Uber from the Hungarian market. Uber's expulsion led to higher, regulated prices for consumers and a welfare transfer to the few taxi drivers.

### 2.3. Wasting an opportunity

In September 2014, the Hungarian Competition Authority began an investigation into a public procurement cartel and conducted a dawn raid.<sup>6</sup> Four companies connected with the undertakings allegedly shared information with each other regarding public procurement procedures in the waste collection sector between 2012 and 2014. In the decision that finally closed the case, the GVH stated that protecting public interests would have warranted a full investigation of the alleged practices, especially due to the very high market share of the undertakings participating in the alleged cartel and the nationwide presence of these companies.<sup>7</sup> In December 2014, an MP proposed an amendment to the Act on the Foundations of the Central Budget of Hungary arguing that public procurement of products in the waste collection sector that are subject to environmental product charges requires information sharing between the undertakings that are capable of collecting waste and that if the undertakings entered into price competition it would endanger waste collection and environmental policy goals. Therefore, such cartels shall be exempted from the cartel prohibition. The final act adopted by the Hungarian Parliament was worded, as follows: “[a]n infringement of Article 11 of the Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices cannot be established for behavior committed in 2012-2013 regarding the public procurements concerning the execution of the activities of the OGYHT.”<sup>8</sup> As can be seen, the Parliament basically exempted all cartels in the sector in a specific act directed at infringements committed in the previous two years. These rules entered into force on the 1<sup>st</sup> of January 2015. In February 2015 the GVH terminated the investigation and closed the case. The GVH decision particularly relied on the act and stressed that under such circumstances, public interest is best served if the GVH concentrates on other possible infringements of the competition act.<sup>9</sup> However, the national competition authority failed to argue why Article 101 (1) TFEU was not applied to the infringement in the case. According to the press release issued a day after the dawn raids, the undertakings being investigated basically cover the entire market and have a nationwide presence.

### 2.4. Agriecartelculture – nomen est omen

<sup>6</sup> See press release on 19 September 2014. [http://www.gvh.hu/sajtoszoba/sajtokozlemenyek/2014-es\\_sajtokozlemenyek/kartellgyanu\\_miatl\\_inditott\\_eljarast\\_a\\_gazdasagi\\_v.html](http://www.gvh.hu/sajtoszoba/sajtokozlemenyek/2014-es_sajtokozlemenyek/kartellgyanu_miatl_inditott_eljarast_a_gazdasagi_v.html).

<sup>7</sup> See Vj/67-59/2014 – ALCUFER et al., 19/02/2015.

<sup>8</sup> Article 125 of Act 99 of 2014.

<sup>9</sup> Vj/67-59/2014 – ALCUFER et al., 19/02/2015.

Even today the competition act has another “interesting” article: Article 93/A. In 2012, an act<sup>10</sup> introduced some surprising passages into the competition act.<sup>11</sup> The new rules came into force on the 28<sup>th</sup> of November 2012.<sup>12</sup> In May 2015, the Minister for Justice proposed an amendment to the competition act to stress that if EU law is applicable, the rules in the article do not apply. The legislation in force currently is, as follows:

- (1) In respect of agricultural products an infringement of the prohibition pursuant to Article 11 shall not be established if the distortion, restriction, or prevention of competition resulting from an agreement pursuant to Article 11 does not exceed the extent which is necessary to attain an economically justified, legitimate income and the player of the market affected by the agreement is not shut out from the attainment of such income.
- (2) The minister responsible for agricultural policy shall establish whether the conditions of the exemption pursuant to paragraph (1) are met.
- (3) In the course of an investigation of the infringement of the prohibition pursuant to Article 11 in respect of an agricultural product the Hungarian Competition Authority shall obtain the statement of the minister responsible for agricultural policy pursuant to paragraph (2) and shall proceed in line with it. The minister responsible for agricultural policy shall provide its statement within sixty days from the receipt of the inquiry of the Hungarian Competition Authority, for the period of which the Hungarian Competition Authority shall suspend its proceeding.
- (4) The competition council proceeding in the case shall suspend the imposition of a fine in the case of an agreement infringing Article 11 where the infringement has been committed in respect of an agricultural product. In such a case the competition council proceeding in the case asks the parties to the agreement or the concerted practice to bring their conduct in line with the legislation by setting a time limit. If the time limit expires to no effect, the competition council proceeding in the case shall impose a fine.
- (5) Paragraphs (1)–(4) shall only apply to a case, if the necessity of the application of Article 101 of the TFEU does not arise. The necessity of the application of Article 101 of the TFEU shall be established by the Hungarian Competition Authority in its competition supervision proceeding pursuant to Article 3(1) of Council Regulation (EC) No 1/2003, before making the final resolution.

<sup>10</sup> Act no. CLXXVI of 2012 on amendment of Act CXXVIII of 2012 on inter-branch organisations and on certain aspects of agricultural markets.

<sup>11</sup> See also Tihamér TÓTH: The fall of agricultural cartel enforcement in Hungary. *European Competition Law Review*, 34/7. (2013) 359.

<sup>12</sup> I have already written about this previously: SZILÁGYI (2012) op. cit. 2.

While writing this article, the last case concerning agriculture in Hungary was in 2016 (a concentration).<sup>13</sup> Prior to that, there was a case on misleading advertising.<sup>14</sup> The last case concerning the antitrust rules a matter that was terminated based on the amendment of the Competition Act in 2012.<sup>15</sup>

In 2013, the Hungarian Chamber of Agriculture was established as a public body. The Hungarian Chamber of Agriculture (HCA) covers the whole domestic food chain, the agricultural production activity and the field of rural development through its members. Recently, the Chamber has been pushing for stabilization in the agricultural market.

## 2.5. Public interest at stake

Since 2010 more than 200 firms were renationalized, for which more than 5 billion EUR was paid out.<sup>16</sup> As part of this process, in 2013 a new article was introduced to the competition act.<sup>17</sup> Article 24/A. The new act entered into force the day after official publication. The new article concerns merger control and was amended in 2016. The original text of the act stated that there is no need to ask for the authorization of the GVH for certain concentrations. This was amended and after the 2016 amendment entered into force, the text changed to the following: “[t]he Government may, in the public interest, in particular to preserve jobs and to assure the security of supply, declare a concentration of undertakings to be of strategic importance at the national level. Such concentration must not pursuant to Article 24 be notified to the Gazdasági Versenyhivatal.”

Since the adoption of these rules there have been several government regulations to declare certain concentrations to be of strategic importance at the national level. These include:

- a concentration in the gas sector,<sup>18</sup>

<sup>13</sup> Vj-69-116/2016. GreenChem Hungary Kft. and Multicore Kereskedelmi és Szolgáltató Kft.

<sup>14</sup> Vj/82-72/2013. Első Magyar Karbongazdálkodási, Megújuló Energetikai, Egészségmegőrzési és Ingatlanhasznosítási Technológiákat Fejlesztő Innovációs Projekt Kft. et al.

<sup>15</sup> Vj-62-64/2012. ALDI Magyarország Élelmiszer Bt. et al.

<sup>16</sup> See Péter MIHÁLYI: The renationalization of privatized assets in Hungary, 2010–2014. MT-DP – 2015/7. <http://econ.core.hu/file/download/mtdp/MTDPI507.pdf>.

<sup>17</sup> Act Nr. CXCI of 2013. Article 1.

<sup>18</sup> 146/2017. (VI. 12.) Government regulation: az MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaságnak a Fővárosi Gázművek Zártkörűen Működő Részvénytársaságban fennálló társasági részesedése ENKSZ Első Nemzeti Közműszolgáltató Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségének minősítéséről; and 268/2015. (IX. 14.) Government regulation: a GDF International S.A.S.-nek a GDF SUEZ Energia Magyarország Zártkörűen Működő Részvénytársaságban fennálló részesedése Fővárosi Gázművek Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségének minősítéséről; and 14/2014. (I. 29.) Government regulation a Fővárosi Gázművek Zártkörűen Működő Részvénytársaság 49,83%-os társasági részesedése MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségének minősítéséről; and 330/2014. (XII. 16.) Government regulation az MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaságnak a Fővárosi

- energy sector,<sup>19</sup>
- electricity sector,<sup>20</sup>
- tobacco industry,<sup>21</sup>
- the exhibition real estate market,<sup>22</sup>
- financial sector,<sup>23</sup>
- railway sector,<sup>24</sup>
- TV broadcasting sector<sup>25</sup> and

Gázművek Zártkörűen Működő Részvénytársaságban történő részesedésszerzése nemzetstratégiai jelentőségűnek minősítéséről; and 338/2014. (XII. 18.) Government regulation: az MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaságnak a Fővárosi Gázművek Zártkörűen Működő Részvénytársaságban fennálló részesedése MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság és MFB Invest Befektetési és Vagyonkezelő Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségűnek minősítéséről; and 254/2014. (X. 2.) Government regulation: a Magyar Gáz Tranzit Zártkörűen Működő Részvénytársaság társasági részesedéseinek állam javára történő megszerzésére irányuló ügylet nemzetstratégiai jelentőségűnek minősítéséről; and 218/2014. (VIII. 28.) Government regulation a Fővárosi Gázművek Zártkörűen Működő Részvénytársaság Fővárosi Önkormányzat tulajdonában lévő társasági részesedésének állam javára történő megszerzése nemzetstratégiai jelentőségűnek minősítéséről.

<sup>19</sup> 326/2016. (X. 27.) Government regulation: az Alpiq Csepel Korlátolt felelősségű Társaság 100%-os üzletrészének MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségűnek minősítéséről.

<sup>20</sup> 434/2016. (XII. 15.) Government regulation: az EDF International S.A.S.-nek az EDF DÉMÁSZ Zártkörűen Működő Részvénytársaságban fennálló részesedése ENKSZ Első Nemzeti Közműszolgáltató Zártkörűen Működő Részvénytársaság általi megszerzése nemzetstratégiai jelentőségűnek minősítéséről and 455/2016. (XII. 19.) Government regulation: az MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaságnak az Első Nemzeti Közműszolgáltató Zártkörűen Működő Részvénytársaságban történő részesedésszerzésének nemzetstratégiai jelentőségűnek minősítéséről.

<sup>21</sup> 151/2015. (VI. 18.) Government regulation: a Tabán Trafik Dohánytermék-forgalmazó, Kereskedelmi és Szolgáltató zártkörűen működő részvénytársaság és a BAT Pécsi Dohánygyár Korlátolt Felelősségű Társaság összefonódásának közérdekből történő nemzetstratégiai jelentőségűnek minősítéséről.

<sup>22</sup> 14/2016. (II. 9.) Government regulation a Foncière Polygone Hungária Korlátolt Felelősségű Társaság 99,9934169% társasági részesedésének állam javára történő megszerzésére irányuló ügylet nemzetstratégiai jelentőségűnek minősítéséről.

<sup>23</sup> 190/2014. (VII. 30.) Government regulation: a Magyar Államnak az MKB Bank Zrt.-ben történő részesedés szerzése társasági összefonódásának közérdekből történő nemzetstratégiai jelentőségűnek minősítéséről; and 48/2014. (II. 26.) Government regulation: a Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság és a Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság összefonódása közérdekből nemzetstratégiai jelentőségűnek minősítéséről; and 56/2015. (III. 17.) Government regulation a Budapest Bank Zrt. tevékenysége feletti befolyás megszerzésével megvalósuló társasági összefonódás közérdekből történő nemzetstratégiai jelentőségűnek minősítéséről.

<sup>24</sup> 235/2014. (IX. 18.) Government regulation: a Magyar Államnak a Bombardier MÁV Hungary Kft.-ben történő részesedés szerzése társasági összefonódásának közérdekből történő nemzetstratégiai jelentőségűnek minősítéséről

<sup>25</sup> 106/2014. (III. 26.) Government regulation: az „Antenna Hungária” Magyar Műsorszóró és Rádióhírközlési Zártkörűen Működő Részvénytársaság 100%-os társasági részesedése állami tulajdonban álló társaság általi megszerzése nemzetstratégiai jelentőségűnek minősítéséről.

- IT sector<sup>26</sup>.

The regulations adopted by the Government typically do not comment or provide reasons for declaring these concentrations to be a matter of national interest. Most of the time, the reason is quite clear that the state is basically monopolizing the markets concerned, or the Government wants to intervene on the markets and increase the market share that is covered by undertakings not owned by foreign undertakings.

## 2.6. Missed(?) opportunities

One of the main focuses of the Government in recent years is the tourism sector. Therefore, it is surprising that the Government misses some very important market aspects that would also increase consumer welfare.

The Hungarian Competition Authority completed a market analysis of the market for online hotel bookings. The final report was adopted in May 2016.<sup>27</sup> The report found no real competition concerns on the Hungarian market of online travel bookings. However, the report included some severe flaws<sup>28</sup> and was basically going against the mainstream approach of EU states. Basically several Member States abolished price parity clauses in the travel market sector, by either adopting a decision that it is anticompetitive<sup>29</sup> or by legislative act<sup>30</sup>. After careful evaluation it is obvious that the current price parity conditions are leading to severe consumer welfare loss. Recent data shows that consumer welfare increases in those Member States where price parity was abolished, even in short term.<sup>31</sup> Since the final sector inquiry report, the GVH might have noticed developments on the market that could bring enforcement action back to the table since it carried out a dawn raid at Booking.com in March 2017.<sup>32</sup> According to information in the press, this raid was done not for price parity issues, but for another type of market manipulation.

Given the current tools available to consumers, and their shopping and searching habits for accommodation, it is obvious that an introduction to the competition in

<sup>26</sup> 282/2014. (XI. 14.) Government regulation: a WELT 2000 Szolgáltató és Kereskedelmi Korlátolt Felelősségű Társaság társasági üzletrészének a Magyar Állam javára történő megszerzése nemzetstratégiai jelentőségűnek minősítéséről

<sup>27</sup> GAZDASÁGI VERSENYHIVATAL: *Végleges jelentés az online szálláshelyfoglalás piaacán lefolytatott ágazati vizsgálatról.* (2016).

<sup>28</sup> See further Pál SZILÁGYI: The evaluation of the Hungarian sector inquiry in the online travel market. *PLWP*, 2017/16. [http://www.plwp.eu/files/2017-16\\_Szilagyi](http://www.plwp.eu/files/2017-16_Szilagyi).

<sup>29</sup> See B9-121/13 Booking.com B.V., Booking.com (Deutschland) GmbH, HRS-Hotel Reservation Service Robert Ragge GmbH, Expedia Inc., Hotelverband Deutschland (IHA) e.V.

<sup>30</sup> E.g. France, Italy or Austria. See also EUROPEAN COMPETITION NETWORK: *Report on the monitoring exercise carried out in the online hotel booking sector by EU competition authorities in 2016.* (2016).

<sup>31</sup> See e.g. Matthias HUNOLD – Reinhold KESLER – Ulrich LAITENBERGER – Frank SCHLÜTTER: Evaluation of Best Price Clauses in Hotel Booking. *ZEW Discussion Paper*, No. 16-066. <http://ftp.zew.de/pub/zew-docs/dp/dp16066.pdf>.

<sup>32</sup> See e.g. [www.portfolio.hu/vallalatok/lecsapott\\_a\\_gvh\\_a\\_bookingcom-ra.245902.html](http://www.portfolio.hu/vallalatok/lecsapott_a_gvh_a_bookingcom-ra.245902.html).

commission rates charged by online travel agents would clearly benefit consumers and not hinder innovation on the market.<sup>33</sup>

### 2.7. Decisions of the GVH

For the sake of this article, and a short survey, I checked the GVH antitrust decisions from 2015-2017.<sup>34</sup>

Cases under Article 102 TFEU and the national equivalent: There were only 5 decisions (against MasterCard<sup>35</sup> and against Sanofi-Aventis<sup>36</sup> and against three national undertakings (two owned by the state). There were dozens of decisions concerning allegedly anticompetitive agreements and the cases involved both national and foreign undertakings.

Pure statistics is of course not conclusive as to whether there is a bias or not, but taking into account also the substance of the cases, it seems that there is no systematic protection of national undertakings by the competition authority.

## 3. Theory and practice

Current mainstream competition policy found its soul in the early 1990s, by declaring consumer welfare as the goal of competition policy enforcement. This goal can easily be translated to common sense, that money is best spent by those who earn it. At least in theory, competition policy protects the final consumer by ensuring lower prices, better quality<sup>37</sup> and, according to a recent trend, choice.<sup>38</sup>

Giuliano Amato wrote a great book on antitrust law<sup>39</sup> in which he basically argued that too much private or public power is harmful for the society. Consumers are best served if neither the state nor the private actors are capable of seizing market control.

One important aspect of competition that is difficult to measure, in practice, is innovation on the market. Consumers might be better off in the short run by

<sup>33</sup> An interesting fact is, that the overcharge paid by consumers – in the form of higher room prices, due to high commission rates charged by the online travel agencies – is mainly spent on advertisement of the services of the travel agent and not on innovation. Since the advent of the OTA systems, there are hardly any breakthrough innovation visible. (The author of this article has ownership in hotels).

<sup>34</sup> Those that were published until 29/08/2017 on the webpage of the authority.

<sup>35</sup> Vj-46/2012/244.

<sup>36</sup> Vj/61-460/2014.

<sup>37</sup> See also Ariel EZRACHI – Maurice E. STUCKE: *The Curious Case of Competition and Quality*. SSRN eLibrary. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2494656](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2494656).

<sup>38</sup> See also Paul NIHOUL: *Freedom of Choice – The Emergence of a Powerful Concept in European Competition Law*. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2077694](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2077694); Robert H. LANDE – Neil W. AVERITT: *Using the 'Consumer Choice' Approach to Antitrust Law*. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1121459](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1121459); Julian LE GRAND: *The other invisible hand : delivering public services through choice and competition*. Oxford, Princeton University Press, 2007.

<sup>39</sup> Giuliano AMATO: *Antitrust and the Bounds of Power: The Dilemma of Liberal Democracy in the History of the Market*. Oxford, Hart Publishing, 1997.



achieving lower prices but they might be left in the “middle-ages” if innovation falters for a longer period. Innovation is not something one can easily measure. A breakthrough idea might not come for decades and no one knows in advance which ideas will turn out to be game changers for an undertaking, or even for the society. It is beyond question that constant innovation is costly and it is difficult to define at what particular point price competition prevails over innovation, by undermining innovation due to loss of earnings.

In 2017, the current Hungarian government has seemed to follow a very successful economic policy according to macroeconomic data. Basically, important macroeconomic data is consistently moving in the right direction.<sup>40</sup> As I highlighted earlier, some elements of the economic policy included direct and indirect intervention to the market. At this time, it is not possible to irrefutably state whether consumers are better off because of the interventions, such as a price drop in electricity prices (10% statutory decrease) or worse off, due to, lower pace of innovation and less upgrades on the grid.<sup>41</sup>

One argument by critics of the current government policy is that the state is monopolizing the markets by nationalizing industries. From a competition policy perspective, whether there is private or state ownership, is irrelevant.<sup>42</sup> Values of competition can be both achieved by state- or privately-owned enterprises, by monopolies or by a large number of competing firms. Therefore nor is private ownership good, nor state ownership bad in itself. One key aspect that ensures the protection of consumer welfare on the market is the contestability of markets. If market entry remains possible and feasible, international competition will ensure the proper functioning of the market and deliver the expected consumer welfare gains. Apart from some very radical interventions by the Hungarian state related to the tobacco market, cafeteria system, nationalization of some utilities, most of the interventions are not endangering the protection of consumer welfare. Some of the radical interventions are found in other policy goals, like protection of human health (tobacco) or industrial policy and it would be very difficult to condemn those practices taking into account similar interventions by other Member States.

---

<sup>40</sup> I am not an expert in macroeconomic policy, therefore I am not allowing myself conclusions on the real reasons behind the improvement of these macroeconomic factors.

<sup>41</sup> It is not necessarily the case that decrease in revenue leads to lower innovation or less upgrades, it might be that innovation is in the right state, since there was for example overspending, etc.

<sup>42</sup> Another take on this question is that the cost of nationalization now is much smaller than the earnings via privatization in the '90s. See MIHÁLYI *op. cit.*