

Brief Summary of the Articles

Powerful state: does it promote or distort the competition?

ÉVA VOSZKA

The global financial crisis puts the old discussion about the relationship of state and market on the agenda again. The paper sets out to describe what the new Hungarian government declared and what it practically did after coming into office according to its concept to establish a powerful state. Instead of discussing the chances of accelerating the growth or decreasing the budget deficit, this paper focuses on the goals and institutional mechanisms. It argues that the concept of “powerful state” can be interpreted in two different ways: firstly as a tool of strengthening the market institutions, secondly the reinvention the direct political intervention in the economy. Empirical analysis suggests that the outcome may be the asymmetric interdependence between government and business, the well known state capture – that is the revival of combination of the weak state and the weak market mechanisms.

The impact of the crisis on the competition in the Hungarian automotive supplying market

KATALIN ANTALÓCZY – MAGDOLNA SASS

Companies in the automotive sector are very sensitive to the business cycles and highly internationalised. Even before the crisis, their markets could be characterised by excess capacities, increasing cost pressures and saturated markets. Reaching the market equilibrium was hindered by the activities of the large production companies and the competition distorted by state intervention. Lower demand was “compensated” by various credit schemes. The crisis impacted mainly upon this latter and induced further state intervention. Cost pressures accelerated the internationalisation of the sector through outsourcing and relocations. The Hungarian automotive sector, which mainly consists of suppliers, is well embedded into the international value chains, thus it operates in strong rivalry usually with foreign partners. During the crisis competition among firms producing standardised, less

complex products became more and more intense: competitive advantages based only on cheap labour evaporated. Companies successfully handling the crisis usually offer “extra” services to their buyers, they try to strengthen their relationships with the buyers and change to more complex activities, in which Chinese and Indian companies can not compete with them partly due to the geographical distance. There is another successful strategy: to increase capacities through establishing a strategic partnership with other companies.

The Great Default Crisis Management: Chrysler, Ford and the GM

PÁSZTOR SÁRA

The recent economic crisis has substantially rearranged the global ranking of car manufacturers. Since 2008, it has become evident for all players, that their future competitiveness is the function of the capital intensive and Research and Development dependent technological revival. The American car producers particularly, but also most of the European ones, has delayed the required investments and developments. The bankruptcy of GM and Chrysler in 2009 is directly linked to the fact that since the mid 70's both companies were postponing the technological change by international expansion. The article discusses it in details the negotiations of the American car manufacturing industry with the government, the final arrangements and their results. The results of the bankruptcy procedures are both in case of GM and Chrysler seems promising at present, but the available information is still not sufficient to confirm the complete revival of the industry. In the meantime, GM succeeded to replace the originally 61 percents governmental ownership into minority shareholding, but until now they still did not manage to progress substantially in the area of technological development or further professional enhancement of the top management team. The second half of the article is describing the main events at Opel, the European subsidiary of GM, in the same time period (2008-2010). By this way, it is easier to perceive the differences in between the European (especially the German) and American government in case of managing large corporate failures, state subsidies and negotiations. The difference can be illustrated easily by the fact that in the U.S. although the GM really wanted, could not avoid bankruptcy procedure, while during the negotiations to sell Opel, they could obstruct the procedure without any further consequences.

Crisis upon crisis
Competition in the Hungarian milk market during
the recession years of 2008 and 2009

MÁRTON SZABÓ

The Hungarian consumer milk market is a multi-player, dynamic and competitive market where domestic processors, due to their structural weaknesses, find difficult to get ahead. Ill-conceived support policies and protectionism applied by the Hungarian government during the EU-accession period have limited the competitiveness of both primary milk production and processing, structural adjustment, and performance against import competition. In spite of a keen competition, the consumer milk market has operational weaknesses stemming from a lack of transparency, deficient market information, the existence of an extended grey sector, and selective state support. In this market the impacts of the overall economic recession have rather slowed only the recovery from two earlier crises: from the permanent Hungarian dairy crisis, and from the international dairy market crisis of 2007-2008. Domestic market players reacted to their difficulties not by market adjustment only but also by increasing pressure on politicians. Apart from transferring the very limited resources at its disposal, that could get to the beneficiaries with a considerable time lag only, the Hungarian government tried to keep up the appearance of supportiveness mainly by incompetent and ineffective actions.