

Eszter Bakonyi

ATTITUDES TOWARDS ECONOMIC COMPETITION IN THE KAPOSVÁR REGION

We will explore in this paper what the inhabitants of the Kaposvár Region think about the concept of economic competition and its variations.

The basis of this study is a survey of 1514 respondents which represents the adult population of the area. This survey was carried out in May 2008, before a Deliberative Opinion Poll conducted by the Corvinus University of Budapest.

We analyzed data immediately and when possible we compared them with the results of national, country-wide research. For this comparison we used monthly surveys from The Medián Opinion and Market Research Institute, which represent the Hungarian adult population.

Another specialty of this study is the fact that, according to some indicators regarding employment and certain types of infrastructure, Kaposvár Region is in as bad condition or even worse than some parts of North-Eastern Hungary. For example, there is no highway connecting to the Kaposvár Region and there is no daily direct high speed railway connection on a regular basis with the capital. These are the reasons we think it worth exploring how these circumstances affect the economic attitudes and feelings of people living in the region towards competition.

We will use some explanatory variables for the study but the frequencies of these variables are also interesting in themselves as they characterize the sample very well. As can be seen in *Table 1*, educational background does not differ too much from the country average. Also, the proportion of the two sexes approximates the national average (with just a few more female respondents than the country average). Meanwhile, it can be also noticed from the table that the social status of quite a lot of people is unfavorable. Nearly half of the sample is comprised of older people and 60 percent of the sample is economically inactive. Three out of ten inhabitants of the Kaposvár Region have been affected by unemployment in the last decade. One tenth of the sample is unemployed, and an additional one fifth is currently not unemployed but they have been at some point over the last 10 years. It is worth to notice that this proportion is even higher among the youth. Four out of ten young people have been unemployed at least once in the last decade. It is likely that the reason is the difficulty of getting a job in this area. Although many people in Hungary are mistrustful of foreign investors, two thirds of the people in Kaposvár and its surroundings state their willingness to work for a company which is foreign-owned. However, three tenths of respondents would not work for a company with a foreign owner.

We planned to use variables about the number of workers at respondents' workplaces and data about workplace ownership as explanatory variables but these did not show significant relation to any question analyzed here.

Table 1. Frequencies of explanatory variables , percentage

SEX	
Male	43
Female	57
AGE GROUPS	
Young	22
Middle-aged	33
Elderly	46
LEVEL OF EDUCATION	
elementary (8 classes) or lower	27
vocational training	28
secondary school	32
Diploma	13
ECONOMIC ACTIVITY	
Worker	40
pensioner	40
other inactive	20
UNEMPLOYMENT	
presently unemployed	10
not presently, but in the last ten years	18
no, and not in the last decade	72
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY	
would work	65
would not work	28
do not know	7

OPINIONS ABOUT THE DESIRABILITY OF COMPETITION

According to the national country-wide surveys of Medián, two decades after the transition to market economy a significant proportion of the Hungarian population is not convinced that economic competition is a good thing for them. This is especially true for those in their 40's who are still far from retiring but for whom it has proved very hard to make their way on the labor market, even with good diplomas and school-leaving certificates¹. The population of the Kaposvár Region, similarly to the rest of the country, is divided very much on this matter. As Table 2 shows, every fifth respondent thinks that it is very important to protect certain industries against foreign competition (score 1). On the other hand, nearly one quarter of the respondents said that markets should be made as open as possible (score 7). Another one sixth supports competition but to a smaller extent. Every fifth person holds a neutral position about this issue, and one out of 12-13 respondents could not formulate an opinion.

In sum, the relative majority (four out of ten) agreed with the suggestion of opening up markets for economic competition. But all in all, less than half of the population of the Kaposvár Region can be said to be competition-friendly. Three out of ten would limit competition in relation to certain industries. And the same proportion (i.e. three out of ten) people held a neutral or uncertain position on this matter.

¹ For a more detailed summary of the research see: Laki, M. – Voszka, É. (eds.) (2008): *Kaleidoszkóp. Versenyhelyzet Magyarországon 2007-ben*. This study was supported by the Centre of Competition Culture of the Hungarian Office of Economic Competition and edited by Mihály Laki and Éva Voszka, 2008

Table 2. Opinions about economic competition, percentage on a 7-point scale

1: certain industries should be protected against foreign competition	21
2	4
3	5
4: neutral position	21
5	8
6	9
7: market should be made as open as possible	23
do not know	8

The opinions of the people in the Kaposvár Region about competition are affected very much by some variables concerning social background. But regarding people's opinions of labor market characteristics it is only economic activity that caused significant differences in statistical terms. It can be seen in *Table 3* that all variables which show differences in opinion show that the people who refuse competition tend to be those who have a lower social status and less chance of favorably competing on the job market. They are the elderly, the unskilled and pensioners. There is not much difference within other groups' opinions; they prefer that free competition prevails at nearly the same proportion.

Table 3. Opinions about economic competition in some social groups, percentage

	protection of certain industries against foreign competition	neutral, uncertain	open up markets for competition
AGE GROUPS			
young	29	25	47
middle-aged	28	28	44
elderly	33	32	35
LEVEL OF EDUCATION			
elementary (8 classes) or lower	29	43	29
vocational training	28	26	46
secondary school	32	24	44
diploma	36	18	45
ECONOMIC ACTIVITY			
worker	33	22	45
pensioner	31	34	35
other inactive	26	33	41
ALL RESPONDENTS			
	31	29	40

The role of the state in relation to economic competition

Although the relative majority of people living in the Kaposvár Region are competition-friendly, this does not mean that they would refuse state intervention in the economy. According to nationally-representative surveys, this is also true in general for the Hungarian population. Surveys from Medián show that the great majority of Hungarians (two thirds) think that economic competition should not prevail in its pure form but the state should intervene somehow: either

to limit competition or to promote it. People who prefer that competition be limited by the state are usually those who face a higher level of competition: owners, independent contractors and employees of state companies. People who urge the state to strengthen and promote competition are exactly those who are practically safe against its effects; workers in the public sphere (Laki M. – Voszka É. (eds.) 2008).

People in the Kaposvár Region also support to a rather great extent certain policy measures aimed at limiting or promoting competition. The statement with the highest support was more neutral than others, and it says that ‘from the point of view of national economic competition there should be investments in new technologies’. This statement refers to rather the initiating, promoting role of the state towards economic competition. In contrast, the policy measure that received less but still very high support is clearly one that would limit economic competition. It received 75 points on average on the 0-100 scale. According to this statement, strategic industries must remain in national hands. The next suggestion that received very high support refers also to the competition-limiting role of the state. Many people would, from the point of view of national economic competition, favor that increased taxes be levied on imported goods. This stated preference does not mean automatically that there is a general mistrust of economic competition. It may also be a reaction to the fact that after the country’s accession to the European Union there is now free movement of goods and services, but that conditions are worse for new members than for the old member states.

Finally, the suggestion which received the lowest support from the respondents regarded encouraging support for foreign investment. Although it received the lowest support, the average mean of opinions is rather close to neutral. This indicates that people would rather encourage foreign investment than refuse it.

Table 4. Public support of some suggestions regarding economic competition. On a 0-100 scale from those who gave a valid answer*

investing in new technologies	82
keeping strategic industries in national hands	75
increasing taxes on imported products	62
encouraging foreign investment	57

*here and in the following: 0 = oppose strongly, 50 = neither favor, nor oppose, 100 = favor strongly

Public support for these four policy measures to affect competition differs according to the social and economic background of the respondents. The respondents’ expressed willingness or lack of willingness to work for a company with foreign ownership affected responses most significantly. In the analysis we did not take into consideration those who could not decide on this matter. The other variable that made a great difference between opinions was respondents’ economic status; namely, if somebody was actively working or not at the time.

Table 5 shows that investing in new technologies to promote economic competition is important for all social groups (as the average is always close to or exceeds 80 points on the 0-100 scale). In all questions, people with a higher social status and those who are more open supported the suggestion to a higher extent. The highest supporters were men, people with a higher level of education, those who are economically active and those who would work for a foreign-owned company.

Table 5. Public support of investment in new technologies in some social groups. On a 0-100 scale from those who gave a valid answer*

GENDER	
male	84
female	81
LEVEL OF EDUCATION	
elementary (8 classes) or lower	78
vocational training	82
secondary school	84
diploma	86
ECONOMIC ACTIVITY	
worker	85
pensioner	81
other inactive	80
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY	
would work	83
would not work	81

*0 = oppose strongly, 50 = neither favor, nor oppose, 100 = favor strongly

The suggestion of keeping strategic industries in national hands was strongly supported by all social groups, especially by the elderly and pensioners. The middle-aged and workers were also among the biggest supporters. An interesting result that can be noticed on Table 6 is that those people who would work for a foreign company also supported the idea of keeping strategic industries in national hands.

Table 6. Public support for keeping strategic industries in national hands in some social groups. On a 0-100 scale from those who gave a valid answer*

AGE GROUPS	
young	70
middle-aged	74
elderly	78
ECONOMIC ACTIVITY	
worker	74
pensioner	78
other inactive	69
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY	
would work	73
would not work	78

*0 = oppose strongly, 50 = neither favor, nor oppose, 100 = favor strongly

Increasing taxes on imported goods is somewhat less favored among young people and young and middle-aged inactive respondents. Their opinions were close to the neutral point on this matter. Attitudes of the other groups practically do not differ.

Table 7. Public support for increasing taxes on imported products in some social groups. On a 0-100 scale from those who gave a valid answer*

AGE GROUPS	
young	55
middle-aged	62
elderly	65
ECONOMIC ACTIVITY	
worker	62
pensioner	64
other inactive	56

*0 = oppose strongly, 50 = neither favor, nor oppose, 100 = favor strongly

Regarding encouraging foreign investment, only the gender and the willingness of the respondents to work for a company in foreign ownership created statistically significant differences between opinions. At the same time, as can be seen on *Table 8*, it is also interesting that in case of those who would work for a foreign company, support for this suggestion is rather modest: the mean is higher only by 10 points than the neutral position.

Table 8. Public support of encouraging foreign investment in some social groups. On a 0-100 scale from those who gave a valid answer*

GENDER	
male	60
female	55
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY	
would work	60
would not work	52

*0 = oppose strongly, 50 = neither favor, nor oppose, 100 = favor strongly

Opinions about privatization

Medián has been analyzing the attitudes of the Hungarian adult population on issues related to market economy since the regime change in 1989-1990 using representative surveys on a regular basis. These surveys show that the majority of the Hungarian public has been dismissive of all issues on the functioning market economy listed in the questionnaires. However, these negative feelings were not always as strong as they are now, and significant fluctuation can be seen over the last two decades. For example, Medián measured one of the lowest levels of support towards privatization in the Spring of 2008. Privatization was more popular at the time of the regime change in 1989-1990; support significantly decreased later at the time of the so-called Bokros-package, drastic economic restrictions imposed in 1995. After this, privatization gained support but again received very low support in 2008². From this point of view, the Kaposvár Region does not differ from country averages as privatization was poorly supported in the early summer of 2008.

² A detailed longitudinal dataset is published on this topic in: Laki, M. – Voszka, É. (eds.) 2008

Respondents were asked during the survey to indicate using a 7-point scale what they thought about the privatization of Hungarian companies. The frequency of answers is presented in Table 9. The relative majority (every third) respondent chose the most extreme anti-privatization position. Another 15 percent of respondents took a more neutral position but still preferred state ownership. Every fourth respondent held a neutral position about this matter. And only one out of ten people from the Kaposvár Region supported privatization wholeheartedly. Every eighth respondent characterized him/herself as a supporter of privatization but to a lesser extent.

In sum, nearly half of the population of the Kaposvár Region is against privatization and preferred that Hungarian companies remain in state hands. The opposite attitude, i.e. that Hungarian enterprises should be given over to private ownership, was supported only by one quarter of the people. Three out of ten respondents gave a neutral or uncertain answer to the question.

Table 9. Opinions on privatization, percentage on a 7-point scale

1: Hungarian enterprises should be state owned	33
2	7
3	8
4: neutral position	25
5	7
6	5
7: Hungarian enterprises should be privately owned	11
do not know	4

There are significant differences between opinions on privatization according to social and economic characteristics. For example, as *Table 10* shows, women prefer state ownership much more than men, and young people support privatization much more strongly than the middle-aged or the elderly. The level of education of respondents caused even bigger differences between attitudes on this question: unskilled people insist on state ownership at twice the rate of people with a college or university diploma. Similarly, pensioners and those who reject foreign employers more strongly prefer to keep Hungarian companies in state hands.

Table 10. Opinions about privatization in some social groups, percentage

	state ownership	neutral, uncertain	private ownership
GENDER			
male	42	32	26
female	51	28	21
AGE GROUPS			
young	39	31	30
middle-aged	47	29	24
elderly	51	29	20
LEVEL OF EDUCATION			
elementary (8 classes) or lower	57	24	19
vocational training	52	28	21
secondary school	42	31	27
diploma	28	41	31
ECONOMIC ACTIVITY			
worker	43	30	27
pensioner	53	28	19
other inactive	44	31	25
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY			
would work	44	32	24
would not work	53	22	25
ALL RESPONDENTS			
	47	29	23

Utility of foreign investments

According to the time-series analyses of Medián, the Hungarian population is rather dismissive of foreigners. For example, few people can accept that foreigners could buy property in Hungary. Resistance is a bit more modest when ownership is related to companies and real estates, although this was also supported only by less than three tenth of Hungarians. Refusal was much stronger regarding selling agricultural soil and large energy-supply companies to non-Hungarians. As with privatization, people were more permissive about the acquisition of property by foreigners at the time of the regime change in 1989-1990. The proportion of supporters then decreased significantly at the time of drastic economic restrictions in 1995. After this, the number of supporters went up moderately. Finally, a new low point was reached in the Spring of 2008. In contrast to privatization, opinions towards foreign ownership of property changed to a greater extent in the nearly two decades after the regime change in 1989-1990. But the general trends of attitude change for privatization and foreign property ownership were very similar (Laki, M. – Voszka, É. (eds.) 2008).

Probably because of the unfavorable economic and employment indicators of the region, the population of the Kaposvár Region state that they are somewhat more positive about foreign investments in Hungary than the country average. As presented in Table 11, four out of ten respondents answered that international economic investments help the development of the Hungarian economy. Only half of them think that these investments are harmful to the Hungarian economy. Many people (three out of ten respondents) hold a neutral position. These respondents think that foreign investment neither helps nor hurts the Hungarian economy.

*Table 11. What do you think about foreign economic investment?
Does it support or damage Hungarian economic development?
percentage*

help a lot	7
help somewhat	33
neither help nor hurt	30
hurt somewhat	15
hurt a lot	6
do not know	8

It can be seen from *Table 12* that men, people with a higher level of education and those who would be willing to work for a foreign-owned company support much more strongly the idea that foreign investments come into the country than other respondents. On the other hand, it is an interesting finding that even one fifth of those who would work for a foreign employer think that foreign investment damages the Hungarian economy. This is very similar in the case of middle-aged people and those who have a job. They say more often than other social groups that foreign investments help the development of the Hungarian economy on the one hand, but on the other, they also often mention that these investments are harmful to the country's economy. Thus, these social groups hold sharper or more explicit opinions on this matter than others.

*Table 12. Opinions about foreign investment in some social groups,
percentage*

	help the Hungarian economy	neutral, uncertain	hurt
GENDER			
male	47	33	20
female	36	43	22
AGE GROUPS			
young	41	40	20
middle-aged	43	33	25
elderly	39	42	19
LEVEL OF EDUCATION			
elementary (8 classes) or lower	33	48	20
vocational training	39	37	24
secondary school	43	37	20
diploma	53	27	20
ECONOMIC ACTIVITY			
worker	43	34	24
pensioner	39	42	19
other inactive	39	41	21
WILLINGNESS TO WORK FOR A FOREIGN-OWNED COMPANY			
would work	44	35	21
would not work	36	41	24
ALL RESPONDENTS			
	40	39	21

We present the opinions about foreign investment and its relationship to unemployment in a separate table as the connection between the two variables is very close to being significant in statistical terms. How the situation of being unemployed affects attitudes towards foreign

investment is not that clear. There is a significant difference in opinions on foreign investment between those who are presently employed but were unemployed at some point over the last 10 years and the opinions of other respondents. It can be seen on *Table 13* that the unemployed appear more hostile to foreigners and more likely to consider that their investments harm the Hungarian economy.

Table 13. Opinions about foreign investment according to relationship to unemployment, and those who have never been unemployed, percentages

	help the Hungarian economy	neutral, uncertain	hurt
presently unemployed	39	41	20
not presently but it happened in the last ten years	40	34	27
no, and it did not happen over the last decade	41	39	20

General attitudes towards economic competition

If we make a multivariate analysis called cluster analysis with all these variables, we can describe typical groups of people who have similar views on economic competition. Cluster analysis results in the formation of four attitude groups; the first one is the 'fatalist' group, whose members were dismissive to all characteristics, suggestions and policy measures in connection with competition except one; namely that they are neutral about the positive effects of foreign investments to the Hungarian economy.

The second one is the 'cautiously market-friendly' group. The people who belong to this group are very much in favor of economic competition and they are against taxes on imported goods. They support technology development, privatization and encourage foreign investment. They also consider the effects of foreign investment to be positive. At the same time, to a modest extent they are in favor of keeping important industries in national hands.

The members of the third group essentially prefer a modest level of competition for national private firms. They support competition in moderation and do not think that certain industries should remain national properties. They are against an increase in taxes on imported goods, technological development, foreign investment and encouragement of more foreign capital. At the same time, they prefer Hungarian companies to be bought by private firms or private persons.

The members of the fourth group can be best characterized by the fact that they oppose competition very strongly and they favor that certain important industries remain in national hands. They would increase taxes on imported products and discourage foreign investment. They believe that foreign capital harms the Hungarian economy. Additionally, they are against privatization, but favor the development and spread of new technologies.

Table 14. Groups created according to attitudes towards economic competition, cluster centers³

	fatalist	cautiously market-friendly	modest competition for national private firms	against market and foreigners
competition	-0,32	0,61	0,12	-0,79
national industry	-0,18	0,20	-1,57	0,73
Tariffs	-0,11	-0,05	-0,44	0,47
new technology	-1,34	0,46	-0,18	0,55
more foreign investment	-0,41	0,66	-0,45	-0,47
privatization	-0,33	0,38	0,28	-0,37
role and effect of foreign investment	0,02	0,63	-0,56	-0,66

While there are a significant amount of people in the Kaposvár Region who have anti-market and xenophobic feelings, the majority prefers economic competition and is open to some characteristics of market economy to some extent. In sum, four out of ten people belong to the cautiously market-friendly group, so they think that although some limitations are needed, economic competition is acceptable and desirable. Every seventh person sees moderate competition for national private firms as favorable. Exactly two times as many people in the Kaposvár Region (three out of ten) can be characterized as having anti-market and xenophobic attitudes. Nearly every fifth person has a dismissive, fatalist standpoint about economic competition and related variants and policy measures.

Table 15. Attitude groups according to attitudes towards economic competition, percentage

fatalist	18
cautious market-friendly	40
modest competition of national private firms	14
against market and foreigners	28

The patterns of attitude groups based on opinions about economic competition are significantly different regarding some social dimensions. For example, the cautiously market-friendly disposition is more typical of men and people with a higher education. Those who prefer modest competition for national private firms are overrepresented among men, the young, the middle-aged, workers and especially, among the middle-aged and young inactive people, and among those whose highest level of education is vocational training and secondary school.

Anti-market and xenophobic feelings are thus rather typical among women and the elderly. But it is also interesting to notice that this way of thinking is represented at practically the same proportion among both unskilled and educated people and between workers and pensioners. Finally, members of the fatalist group are overrepresented in social groups with a lower status. These groups are the women, the elderly, the unskilled, and pensioners.

³ In the left-hand side column are presented the economic questions of the questionnaire that we have already analyzed in detail. In this analysis we used these questions with some modifications to make them appropriate for so-called K-Means cluster analysis. Preparations included excluding the 'I don't know' (thus invalid) answers from the analysis and standardizing these variables. Standardization means that we modified these variables to have a mean of 0 and a standard deviation of 1. We thus solved the problem of the scale of questions being different. The meaning of the larger values or Z-scores of the variables are as follows: market-friendly, strategic industries to be in national hands, tariffs on imported goods, investing in new technologies, encouraging foreign investment, favoring privatization, foreign investments help our economy.

*Table 16. Social background of attitude groups
in relation to competition, percentage*

	fatalist	cautious market- friendly	modest competition of national private firms	against market and foreigners
GENDER				
male	16	46	12	26
female	20	34	16	29
AGE GROUPS				
young	14	42	20	24
middle-aged	18	38	17	27
elderly	20	40	10	30
LEVEL OF EDUCATION				
elementary (8 classes) or lower	26	33	11	30
vocational training	18	41	16	25
secondary school	17	39	16	28
diploma	10	49	12	29
ECONOMIC ACTIVITY				
worker	16	39	16	30
pensioner	21	41	10	28
other inactive	17	40	20	22

SUMMARY

Two decades after the regime change in 1989-1990, the population of the Kaposvár Region – similarly to the country's average – is very ambiguous about the advantages of competition. Although, the relative majority would go for the opening up of markets in Hungary for more economic competition, only less than half of the population of this area can be seen as competition-friendly citizens. Besides this, a certain amount of people would limit competition in relation to certain industries. Also many people hold a neutral or uncertain position about improving or limiting economic competition in Hungary. Our analysis shows that those people who have a less favorable position in society are much more frustrated and against to competition.

Free-market economy, competition, and state intervention go well together in the heads of the people living in the Kaposvár Region, but it is also true for the Hungarian population in general as well (Laki, M. – Voszka, É. (eds.) 2008). Many respondents prefer to give a strong role to the state in either promoting, or limiting, but somehow affecting economic competition. The statement that received the highest support was more neutral and referred to the initiating and assisting role of the state. However, the statement that became the second most popular is clearly about limiting economic competition: it urges that strategic industries remain in national hands. The third statement also shows the limiting role of the state in relation to competition, while the one got the lowest support is about encouraging foreign investment.

Medián has analyzed the attitudes of the Hungarian adult population on some phenomena of free-market economy with monthly representative surveys since the regime change in 1989-1990. The data show that the majority of the Hungarian public have been dismissive to all characteristics of a functioning market economy listed in the questionnaires (Laki, M. – Voszka, É. (eds.) 2008). From this point of view, the Kaposvár Region does not differ from the country average: the vast majority rejected privatization and would prefer if Hungarian companies

remained in state ownership. Only one quarter of the respondents is in favor of private ownership when it comes to Hungarian companies and enterprises.

An interesting finding of this study is that people in the Kaposvár Region have a bit more positive attitude on foreign investment in Hungary than the country's average. The unfavorable economic situation and the low employment rates of the region may be among the possible reasons behind these results. The relative majority think that international investments help the Hungarian economy to develop and only half of this proportion says that foreign investment is harmful to the country's economy. Another interesting result which refers to the ambiguity of Hungarians about the term of competition is that some of those who would work for a foreign employer think that foreign investment harms the Hungarian economy.

Multivariate statistical analysis generated four typical groups whose members are similar to each other in their attitudes on economic competition. There is a significant amount of people in the Kaposvár Region who have anti-market and xenophobic feelings, but the majority prefers economic competition and is open to some characteristics of free-market economy. In sum, four out of ten people belong to the cautiously market-friendly group; they believe that although some limitations are needed, economic competition is still acceptable and desirable. Every seventh person wishes to see moderate competition for national private firms. Slightly more than one out of four people can be characterized as having anti-market and xenophobic attitudes. Every fifth person has a dismissive, fatalist standpoint against economic competition and related policy measures.

REFERENCE

Laki, M.–Voszka, É. (eds.) (2008): Kaleidoszkóp. Versenyhelyzet Magyarországon 2007-ben, [Kaleidoscope. Competition in Hungary in 2007], Pénzügykutató Rt.