



This paper is taken from

*Citizenship Education in Society  
Proceedings of the ninth Conference of the  
Children's Identity and Citizenship in Europe  
Thematic Network*

London: CiCe 2007

edited by Alistair Ross, published in London by CiCe, ISBN 978-1899764-90-7

Without explicit authorisation from CiCe (the copyright holder)

- only a single copy may be made by any individual or institution for the purposes of private study only
- multiple copies may be made only by
  - members of the CiCe Thematic Network Project or CiCe Association, or
  - a official of the European Commission
  - a member of the European parliament

If this paper is quoted or referred to it must always be acknowledged as

***Orosz, G. (2007) Good Citizens? The Darker Side of Hungarian Competitive Business Life, in Ross, A. (ed) Citizenship Education in Society. London: CiCe, pp 663-674.***

© CiCe 2007

CiCe  
Institute for Policy Studies in Education  
London Metropolitan University  
166 – 220 Holloway Road  
London N7 8DB  
UK

This paper does not necessarily represent the views of the CiCe Network.



This project has been funded with support from the European Commission. This publication reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained herein.

#### **Acknowledgements:**

This is taken from the book that is a collection of papers given at the annual CiCe Conference indicated. The CiCe Steering Group and the editor would like to thank

- All those who contributed to the Conference
- The rector and the staff of the University of Montpellier III
- Andrew Craven, of the CiCe Administrative team, for editorial work on the book, and Lindsay Melling and Teresa Carbajo-Garcia, for the administration of the conference arrangements
- London Metropolitan University, for financial and other support for the programme, conference and publication
- The SOCRATES programme and the personnel of the Department of Education and Culture of the European Commission for their support and encouragement

# Good citizens? The Dark Side of the Hungarian Competitive Business Life

Gábor Orosz

University Eötvös Lóránd (Hungary), and University of Rheims (France)

## Abstract

*In the Hungarian transition from post-socialist state to market economy competition has become a key concept. It quickly became part of everyday life, and is now deeply rooted in the field of education. There was a quick rewriting of views about competition, capitalism and the market economy, from attitudinal, values and conceptual perspectives. Who can be a good citizen in a transitional society like this? For Stephens the notion of good citizenship requires consciousness and responsibility; a good citizen is 'punctual, reliable, trustworthy, and mindful of rules and laws, caring about the public realm, considerate of strangers, keeping it nice for others'. If these traits are not rewarded by government they may disappear.*

## Introduction

In the transition from post-socialist state to market economy during the last seventeen years, competition has become a key concept. In the socialist period, competition was an ideologically denied and banned phenomenon, but after the shift of regime it quickly became part of everyday life. Today it is deeply rooted in the field of education (Fülöp, 2007), economy (Fülöp, 2002; Fülöp et al, 2004a, 2004b; Fülöp & Orosz, 2006), and organisations (Fülöp, 2006). The system change required the quick overwriting of views towards competition (among other notions, for example capitalism, market economy, etc.) from attitudinal, value and conceptual perspective. The psychological confusion was coupled with the lack of appropriate public institutions of economic competition.

Who can be a good citizen in a transitional society like this? For William Stephens the notion of good citizenship requires consciousness and responsibility. More precisely a good citizen has to be 'punctual, reliable, trustworthy, and mindful of rules and laws, caring about the public realm, considerate of strangers, keeping it nice for others' (Stephens, 2003, p. 23). This is the responsibility of citizens, but on the other hand if these traits are unrewarded by government they can easily disappear. On one hand, the required characteristics i.e. reliability, trustworthiness, consideration of strangers, respecting others in general are quite close to the notion of trust. On the other hand, mindfulness of laws and rules, caring about the public realm (for example avoiding the legal externalities which are harmful to the state or the business environment) are closer to the dimension of morality.

From the point of view of the government, this means if they cannot reinforce morality and trust by their institutions and/or legal system, or in general if they cannot establish conditions which are fruitful in the above mentioned qualities, the value of good citizenship traits will diminish. I emphasise the role of institutions, because on a national

This paper is part of *Citizenship Education in Society: Proceedings of the ninth Conference of the Children's Identity and Citizenship in Europe Thematic Network*, ed Ross A, published by CiCe (London) 2007. ISBN 978-1899764-90-7; ISSN 1470-6695

Funded with support from the European Commission SOCRATES Project of the Department of Education and Culture. This publication reflects the views of the authors only, and the Commission cannot be held responsible for any use which may be made of the information contained in this publication.

level these are some of the most important frames of reference of the socialisation process.

### **Business Environment in Hungary on the Basis of International Surveys**

Perception of economic competition deeply influences behaviour in the business field. Several research studies underpin that the perception of the Hungarian economic competition does not always coincide with the principles of the 'good citizen' concept. Hence it has crucial importance to review the economical and psychological environment in which these 'malfunctioning' attitudes and acts are developed.

From the Global Competitiveness Report (2006) two points refer to the field of moral competition: 'lack of even-handedness in the government's relations with the private sector' and 'efforts (which) will have to be maintained to reduce the burden imposed on business by government regulation and tackle government favouritism and inefficiencies'. On the basis of the report, the connection between the private and public sectors and favouritism has a negative impact on the competitiveness of Hungary.

According to the World Value Survey - WVS (1999) the dimension of tax fraud is notable. The Hungarian attitude toward this subject is more permissive than most Western European countries. This concept has been reinforced by the results from other Hungarian studies. In the 1990s the majority of the population agreed with the following: 'If you want to achieve, you are forced to break some rules.' (Hunyady, Székely, 2003) In the Varga's research (1994) for the question 'How do you feel when you pay taxes?', 54 percent of Hungarians answered 'they are taking something away from me', and only 14 percent interpreted tax paying as a contribution to something. Tax evasion can be interpreted as a social dilemma too. If there is only one person in a community who commits tax evasion, on the one hand he will avoid the charges, therefore he will have higher personal benefits, on the other hand he will profit from the collective wealth i.e. infrastructure, highways, public institutions. However, the higher number of cheaters, the lower collective benefits will be produced and that is why the gains of each member of the community will be reduced. After a certain ratio of cheaters the financial existence of the whole community becomes questionable (Hankiss, 1979).

The GLOBE study (Global Leadership and Organisational Behaviour Effectiveness) compared middle-level managers in 61 culturally diverse countries, mainly using Hofstede's (1995) categories. In this comparison, Hungarian businessmen had a very short-term perspective, and they were extreme individualists; considering only their own interests and neglecting their group or community, they had a low achievement orientation in terms of hard work (Bakacsi, et al. 2002).

The World Bank and the European Bank of Reconstruction carried out the Business Environment and Enterprise Survey - BEEPS (1999-2000) which concerned managers and owners of firms from Eastern and Central European countries. The aim of this study was to generate comparative measurements in the field of governance quality, investment climate and competitive environment. On the basis of this study several dimensions which concern Hungary are notable: more than 50% of Hungarian managers had had a minor or major problem with their competitors who were selling their products

unfairly; below their prices; who avoided labour taxes or regulations; who received subsidies from national/local government. Furthermore, more than half of these managers said that a typical firm in their sector will report less than 10% of their percentage of sales to the tax authorities.

Fülöp et al. (2002) carried out a research study about Hungarian and English teachers' concept of citizenship. While English teachers emphasised primarily the responsibility for the community, among Hungarian teachers the morality – immorality dimension had a central role in the interpretation of citizenship.

### **Perception of Economic Competition in Hungary**

Fülöp and Berkics (2002) examined the conception and the attitudes toward competition among 16-18 year old Hungarian *pupils*, who participated in a special economic education programme. The results suggested that three quite different views could be distinguished concerning businessmen and business life in general: a positive view, a negative view and a realistic-cynical view. According to the positive view businessmen are flexible, open-minded, hard-working people, and they are the engine of the economy. The value system reflects a positive image of market economy. Another group of views refer to the negative sides: for these pupils a typical businessman exploits others, does not trust anyone, he is selfish, immoral and inhuman. The third concept includes a realistic but rather cynical attitude, which emphasises the stressful nature of business life and the large role of the connections in opposition with merit.

Fülöp et al. (2004) and Davies et al. (2004) analysed the views of Hungarian and English *teachers* towards entrepreneurs and enterprise and the business world in general. While the comparative study found several differences, among them the dimension of morality was one of the more salient. English teachers emphasised the value of meritocracy, pragmatism and transparent competitive processes, and the consideration of a wider business community. Hungarian teachers perceived the Hungarian business world as a land of corruption and immorality.

Fülöp and Orosz (2006) examined the perception of competition in the Hungarian economic sphere on the basis of 187 in-depth interviews with *businessmen*. This study concentrates on the main dimensions and categories of Hungarian business competition. The interviews showed a mostly negative picture: the proportion of positive aspects – the motivation to achieve, the required business skills – is much lower than the answers concerning the negative characteristics. The immaturity of business competition in Hungary, its Social-Darwinist and unregulated nature, businessmen's short term way of thinking, their exaggerated money orientation and finally their immorality were the most notable aspects of the study.

This article concentrates on the connections between citizenship and immoral competition in the Hungarian business sphere.

## **Participants**

Altogether 202 in-depth interviews were carried out, with 71 (35,1%) business people from the capital of Hungary, Budapest and 126 (62,4%) from other cities of the country (5 missing data). The age range was 23 to 65 (average age 43.3 years). 31% of the participants were women and 69% men. Almost half of the respondents are chief executives of companies, one-fourth of them have their own enterprise, ten percent of them are bankers and the remaining respondents are in different levels of management positions at Hungarian or multinational companies.

## **Method**

After collecting the demographic data, we carried out an in-depth interview with the participants of the business world.

The first part of the in depth-interviews aimed at revealing the concept of competition and the competitive strategies Hungarian business people employ in their private and their professional life and the way they handle competition among their employees. This article concentrates on the dimension of morality/immorality. Despite none of the questions focusing explicitly on this problem, this aspect appeared spontaneously in the answers of most of the interviewees. Hence we decided to analyse this topic in the frame of the study.

The approximately 70 minute long interviews were transcribed and content analysed and qualitatively different categories were set up.

## **Results**

Altogether 75 percent of our respondents mentioned immorality in the business world spontaneously. The respondents either spoke about immorality in general or they mentioned specific types of immoral practices, even 'really dark ones'. 25 percent of the respondents either did not refer to immorality or they spoke about fair competition in the business world.

### ***Immorality in general***

Forty percent of the subjects mentioned immorality in general in their interviews. They simply said that business life is 'dirty', 'immoral', 'and dishonest' but they did not specify what exactly they meant by that. They rather explained its causes.

For me competition in Hungary is absolutely unfair, absolutely, and there are only a few exceptions... On the basis of my experience everybody tries to stiff the others as he can, without any shame, and that's the problem, without any shame.  
(47 year old entrepreneur)

The main explanations were:

*Destructive effects of monopolies*

The MATAV (a Hungarian telecommunication company) is a very good example of this absolutely cruel competition, which didn't want to let anybody else into its market, it is normal from a monopoly company...But if I'm a consumer I would like to spit on them (the MATAV) as so many people would like to, and if I was a competitor/rival of them, who reads the law of liberalisation and sees the behaviour of the MATAV, I would certainly spit on them, and I would accuse them of dishonest business behaviour – with valid accusation.

*Unregulated nature of competition*

What are the characteristics of Hungarian business life? There is a proverb... There are 'wolf rules' – (it means cruel and hard rules) in Western Europe, however in Hungary there are wolves but without rules. (39 year old director of a Hungarian enterprise)

*The legacy of the socialist regime*

The socialist regime has extinguished not only the value of competition but loyalty too. There was a saying in that time: 'If something is not welded or fixed to the concrete, it is sure that it will be stolen... We fight against the shadow of this mentality. (49 year old president of a Hungarian firm)

*Specified types of immorality**Governmental favouritism*

They divide among themselves the tenders of public procurements and the assignments; hence the competition is illusory in the field of public procurements. So there are lobby-communities, persons with good connections, and they can get more easily the jobs from the public procurements and goods from the redistribution. (50 year old director)

*Connections*

Only 9 percent of the interviewed subjects mentioned the positive role of connections, mostly they referred to the already existing relations in the business sphere, and the lack of trust toward unknown companies. This data suggests that trust ends at the border of the family and close personal relationships in business connections in Hungary. Only five percent of the respondents talked about the neutral nature of connections, for most of them it is necessary to achieve the best position or get a good job. In contrast to the neutral and positive answers, 24 percent of the subjects mentioned the negative side of connections: its non-meritocratic nature, its relationship with corruption, distrust toward 'stranger' companies, favouritism, and the negative effects of the socialist regime. This data suggests that Hungary is a country where trust beyond family ties and narrow business relations is difficult.

Not always the bests are those who are in a winning position, not the bests win the tenders, it is those who possess the best connections. (48 year old director of an auditing company)

...business connections are very important; moreover sometimes I think they are more important than anything else... (28 year old logistics leader in a middle scale enterprise)

#### *Tax evasion*

Tax evasion was one larger field where entrepreneurs confess dishonesty. As they said it can be a rational reaction against high taxes.

A manager has to cheat because of the burden:

(The taxes altogether) ... is a 90% charge for an entrepreneur. So, it means if you produce 1000 Ft and the public taxes are 870 Ft, 130 Ft will remain in your pocket. While everybody has the possibility to reduce this 87% expense to 30 or 40% by employing illegal workers, by auditing tricks, by tax frauds or by any not 'white' market solutions, he will have a competitive advantage in Hungary. (32 year old manager)

There are two possible interpretations. On the one hand, taxes are really high and there is a low probability of punishment, therefore it is 'rational' to cheat. On the other hand, this kind of explanation is the sign of cognitive dissonance reduction concerning dishonest behaviours. Probably both play a role. According to the Laffer curve which defines optimal tax rates, the taxes are higher than the optimal in Hungary. This fact supports the idea of rational tax cheating, but we cannot forget the legitimating power of the cognitive dissonance reduction either.

#### *Lying*

I never lie, we brought up our children following this principle too, but it is the question of confidence too, I don't think they (his children) could lie to me, and I hate any lies. Except in business, in this case I can lie in cold blood. I've never been caught... or it has never been cleared up. (56 year old entrepreneur)

### ***The Dark Side of Business Competition***

#### *Corruption*

In this sample 23% mentioned corruption and bribery as an anticompetitive element in business life. Most of them referred to the benefits of corruption, they talk about this subject in general, concerning the intertwined nature of the Hungarian economic and political sphere. Furthermore other emerging aspects of this category are unjust evaluation of tenders and the issue of bribery.

We face challenges in a more experienced way, the stake of achieving an aim is bigger, and thus we use more corrupt tools in order to reach what we want. According to my experiences corruption is a characteristics of business life in Hungary... ...Acceptance of bribes, soaps and paying Hessians for destructing others' business image are natural tools in Hungarian business life. (47 year old leader of a Hungarian company)

#### *Cruelty and aggression in Hungarian business life*

More than 20% of businessmen mentioned the presence of cruelty spontaneously in Hungarian business life. For them competition is a dirty, aggressive, selfish, dog-eat-dog hostile fight. They mention frequently the aggressive strategies from multinational companies towards middle and small scale enterprises.

...a good competitive strategy is enough for the cost of living, but to get rich it is not question of strategy, if you want to reach it you need aggression, cheating, selfishness and a lot of other dark tools. (29 year old president of a Hungarian company)

You are God and you have to do that (a project). And if there is somebody who hampers you, you will kill, stomp, violate and chop him... So this kind of bulldozer technique works. (49 year old president of a logistics company)

#### *Sexuality as a tool to success*

Both women and men mentioned the power of sexuality in business life, the phenomenon was not very frequent but ten respondents referred to this category.

As a young and beautiful colleague they didn't take me seriously at the beginning. They made me all the time offers, it was flattering for a while, but you can be fed up with it quickly. But which is more useful: I could get in to places, and I could possess connections which would be much harder to attain as a man. And later with these pieces of information I went very far. If you find the weak points of the others, you can more easily get along. (33 year old businesswoman)

#### *Fair business competition*

In contrast to the 75 percent who spontaneously mentioned immorality in the business world only 26 percent of the subjects mentioned at least one form of fair business. Mostly they (18%) referred to it as their own strategy: that they avoid the usage of illegal tools. Another five percent talk about the progressing business conditions in Hungary concerning fairness, and only a small minority mentioned explicitly that their behaviour depends on the adversaries' attitude – if they don't cheat, they will be fair, but otherwise they will not hesitate doing the same.

These results show that almost one fifth of Hungarian businessmen are committed to be fair in any case, which can be a great resource for the change toward a fairer business sphere.



If we don't use the fair tools, we may have a chance to get along for a little while. But in a longer term, I believe it is only the legal competition which can be fruitful, so the fair play. (40 year old entrepreneur)

### **Fair and Unfair Competition in Hungarian Business Life**

On the whole, more than 90 percent of the subjects mentioned spontaneously the dimension of morality/immorality. It means that morality of competition is an issue which is in the centre of everyday thinking of Hungarian businessmen. 75 percent of the sample mentioned at least one aspect of non-meritocratic or unfair competition and only 18 percent reported fair competition as his/her own competitive strategy. Only a few businessmen confessed that they participated in unfair competition (less than 5%), but most of them saw the business environment infected by different kinds of unfair practices such as corruption; bribery; different kinds of fraud; and aggressive and cruel strategies.

### **Conclusion**

The transition to the market economy has had a deep impact on the perception of economic competition too (Fülöp, 2004b). One of the consequences of this process is the appearance of immorality in the perception of competition among Hungarian businessmen, while on the other side a notable minority of 'crusaders' stand by the values of fair competition.

From social psychological perspectives, on the basis of research by Tjosvold (2003) the fairer the competition, the more constructive it will be. It means, the fairer the competition, the more positive and enjoyable the achievement. Furthermore, constructive competition correlates with positive interpersonal relationships and greater psychological health and well being. The opposite is true for destructive competition, which seems to be a characteristic of Hungarian business life, where perception of unfair competition is much more salient.

The presence of aggressive and cruel strategies seems to be beneficial in Hungarian business life. Despite their inhuman nature they are among the best solutions especially in saturated markets.

Furthermore the importance of connections is unquestionable in Hungarian business life (Hellman, J; Kauffman, 2004, Csepeli et al. 2004). This is true both for those who complained about its non-meritocratic nature, and for others who enjoyed its benefits. On the one hand, existing connections are important, but on the other hand, distrust is strong against new, potential partners. Fukuyama (1995) calls these societies 'low-trust' cultures, where business relations are generated on the basis of kinship and insider business communities. These businessmen trade with each other, and nurse good relations with politicians, who belong to this community of interest too. The participants of the insider community do each other favours, and it is sometimes at the expense of the larger community i.e. society, industry and other participants of the field - 'outsiders'. The lack of trust in general and corruption influences negatively the values of fair and

meritocratic competition, because with the existence of these phenomena the value of connections will be more important than better achievement, product and service.

How is it possible to bring closer the current Hungarian business style to the values of citizenship? How is it possible to make business competition more constructive and what is the way towards a more meritocratic competition?

The answer to these questions is mostly around the question of trust and regulations. Following the paradigm of social dilemma between individual and public interest (Hankiss, 1979), the values of citizenship i.e. being aware of rules, caring about the public good etc. are most beneficial if all members of the community follow it. Otherwise the cheaters – ‘bad citizens’- will be the winners and the honest participants – ‘good citizens’ - will be the losers of the ‘social dilemma of citizenship’. Hence on the one hand the participants of this dilemma have to rely on each other, on the other hand trust has to be reinforced by regulations of the external institutions i.e. the state, which can punish the cheaters and reward honest participants.

Social psychological research shows that one of the most important factors of constructive competition is fairness. ‘The competition is fair when its rules and criteria for winning are clear and when they are fairly enforced’ (Tjosvold, 2003). Hence reinforced trust is as important for constructive competition, as for good citizenship. Meritocratic values can be enhanced when the participants of the competition are rewarded on the basis of their merit – their effectiveness, quality of service and products. Connections can substitute these values in certain circumstances. In the case of lack of trust a businessman does not consider reliable an unknown business partner and he does not want to trade with him because it can be a perceived source of danger for him. Hence he needs to rely on pre-existing connections. In Fukuyama’s ‘high trust’ societies for business communities meritocratic values are more important than kinship and relational ties (Fukuyama, 1995).

On the basis of the works of Collegium Budapest (Kornai, Rose-Ackerman, 2004) we can state that the regulator institutions play a crucial role in the trust building process. More precisely for achieving a trustful and moral business environment it is necessary to reinforce the legislative, judicial and institutional systems (Kornai, 2003). These regulators can give the necessary frames of reference for a more constructive, meritocratic, competitive business context which is compatible with the ideal citizen concept.

The question arises: how can we develop an immoral competitive mentality towards the values of good citizenship? The words of Kornai János (2003) about the building of a trustful and honest society can give an answer and guidelines towards the creation of a good citizen concept:

‘This does not mean that the change can simply be left to time, while people watch passively as dishonesty and oppressive uncertainty spread around them. The tasks begin with upbringing and education—in families, schools and universities. Untold good (and damage) can be done by the press and television. The approach citizens take is shaped by the words and deeds of every public

figure and workplace manager. This is an unending task. I wish myself and every member of post-socialist society the patience and endurance it requires.' (Kornai, 2003, 11.o)

## References

- Csepeli Gy., Örkény A. Székelyi M. (2004) Blindness to success. Social-psychological objectives along the way to a market economy in J. Kornai & S. Rose-Ackerman, (eds.) *Building a Trustworthy State in Post-Socialist Transition*, New York: Palgrave, pp. 213-240
- European and World Values Surveys Four-Wave Integrated Data File, 1981-2004, v.20060423, 2006. The European Values Study Foundation and World Values Survey Association.
- Fukuyama, F. (1995) *Trust*, Free Press Paperback, New York
- Fülöp, M. (1999) Students' perception of the role of competition in their respective countries: Hungary, Japan, USA. In: *Young Citizens in Europe*. A. Ross (Ed.), University of North London, pp. 195-219
- Fülöp, M. Berkics, M. (2002) Economic education and attitudes towards enterprise, business and competition among adolescents in Hungary. In: Hutchings, M., Fülöp, M., & Van Den Dries, A. (eds.) *Young People's understanding of economic issues in Europe*. Stoke-on-Trent: Trentham Books, pp. 129-153
- Fülöp, M., Davies, I., Berkics, M., Hutchings, M., Ross, A. (2004a) Entrepreneurs and/or citizens. A comparison of English and Hungarian teachers' views on enterprise and the good entrepreneur in a competitive world. *Applied Psychology in Hungary*. 2003-2004. 5-6. 23-46
- Fülöp, M., Berkics, M., Davies, I., Hutchings, M., Ross, A (2004b) The perception of corruption as a conflict between citizenship and enterprise in a competitive environment among Hungarian and British teachers. In: A. Ross (Ed.) *The Experience of Citizenship*. London: Metropolitan University, pp. 317-323
- Fülöp, M., Orosz, G. (2006) The perception of economic competition and the competitive strategies of Hungarian business people. *IAREP-SABE Paris*, July 5-9, Conference Proceedings, 1-12 p. CD-ROM
- Fülöp, M. (2006) Egyéni és csoportos versengés a szervezetekben. In: Mészáros Aranka (szerk) *A munkahely szociálpszichológiai jelenségvilága*. Z-Press Kiadó Miskolc
- Fülöp, M. (2007) Az egyén versenyképességének lehetőségei. Új pedagógiai szemle 2007.01. 21-30 p.
- Hunyady Gy., Székely M. (2003) *Gazdaságpszichológia*, Osiris Kiadó, Budapest
- Global Competitiveness report* (2006) Hungary comes in at disappointing 41st rank in the world economic forum's 2006 Global competitiveness ranking <http://www.weforum.org/pdf/pressreleases/hungary.pdf>
- Hankiss, E. (1979) *Társadalmi csapdák*, Magvető kiadó, Budapest

- Hellman, J., Kauffman D. (2004) 'The inequality of Influence' in J. Kornai & S. Rose-Ackerman (eds.) *Building a Trustworthy State in Post-Socialist Transition*, New York: Palgrave, pp. 100-118
- Kornai, J. (2003) Honesty and Trust in the Light of the Post-Socialist Transition. Some ideas arising from the 'Honesty and Trust research at Collegium Budapest' in *Beszélő*, June 2003 Vol. 8. No. 6. pp 20-29
- Stephens W. (2003) *Morality & Citizenship: England Compared with Underdeveloped Countries*, Infinity Publishing (PA).
- The BEEPS Interactive Dataset (1999-2000) <http://info.worldbank.org/governance/beps/>
- Tjosvold, D., Johnson, D.W., Johnson, R.T., Sun, H. (2003), Can interpersonal competition be constructive within organizations? *Journal of Psychology*, Jan. 137, 1, 63-84.