

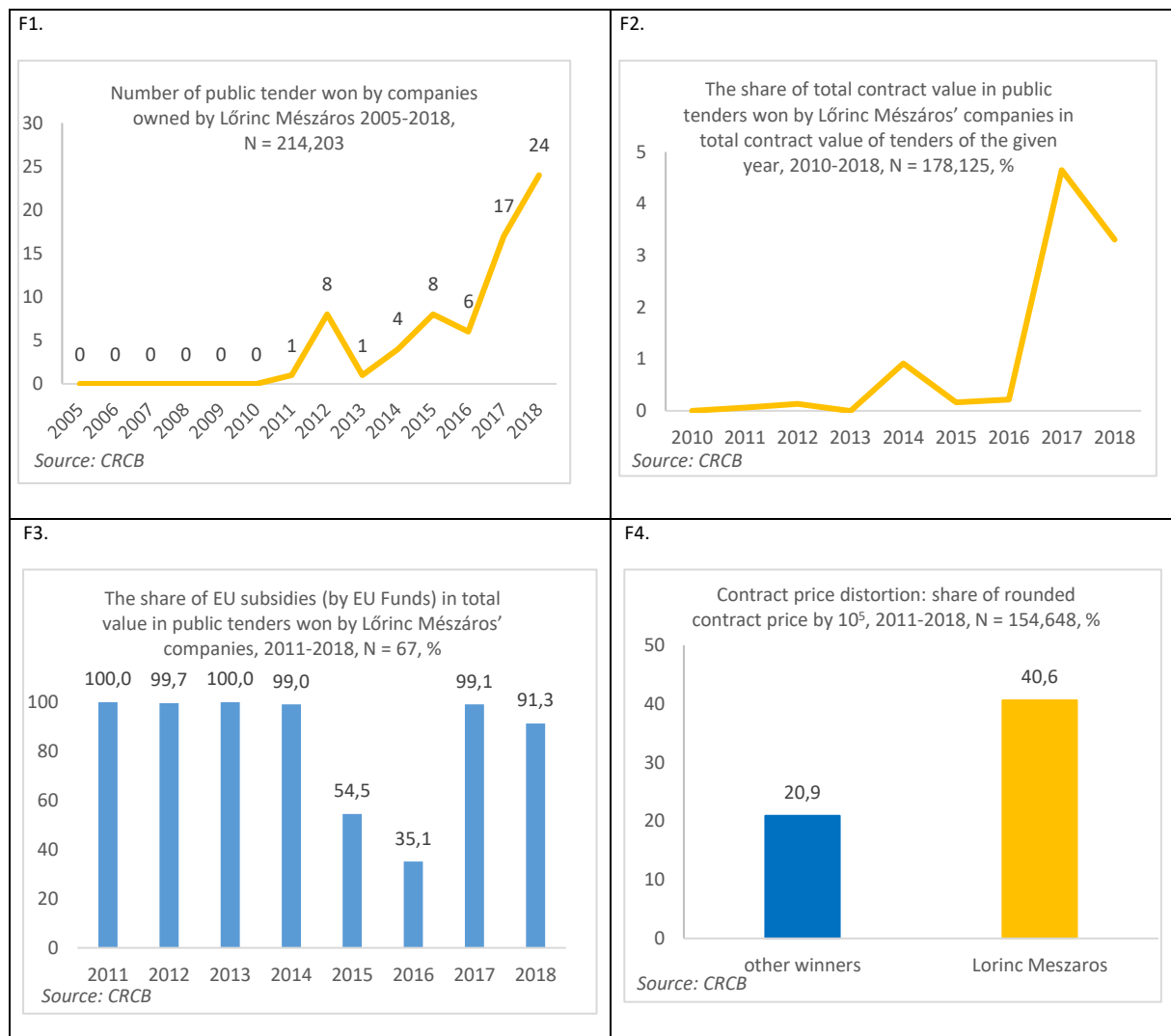
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The EU funds, Viktor Orbán and the performance of firms owned by Lőrinc Mészáros, the Hungarian gas fitter, in the Hungarian public tenders 2005-2018

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Based on the empirical analysis of the Hungarian public tenders we pointed out that the EU subsidies have perverse effects in Hungary: they help to reduce the intensity of competition, to increase the level of corruption risk and the weight of price distortion, and they generated the growth of the estimated direct social loss due to weak competition and high level of corruption risks from 2009 to 2016 [1]. The analysis on public tenders won by companies related to cronies and family members of the Hungarian Prime Minister Viktor Orbán (Lőrincz Mészáros, István Garancsi, István Tiborcz and Lajos Simicska) shows that the crony companies have significantly favourable conditions during public tenders than other companies [2]. The corruption risk was significantly higher and the intensity of competition was significantly lower in tenders won by crony firms than other tenders won by ordinary Hungarian companies. In this handout we included only four graphs concerning the role and performance of one of Orbán's best friends, the gas fitter, Lőrinc Mészáros. The last digits test [3] shows that the price distortion occurs significantly more frequently in the contract prices set by Mészáros than in contract prices set by other winner. This is a clear sign of overpricing.

Lőrinc Mészáros is a close childhood friend of the Hungarian Prime Minister; a gas fitter; the former mayor of Felcsút (the village where Viktor Orbán spent his childhood); since 2013 a Hungarian billionaire. "He founded a small gas-fitting company in Felcsút, the hometown of Prime Minister Viktor Orbán, in 1990. Orbán, who founded the Ferenc Puskas Football Academy, tapped Mészáros to be its president. Mészáros' gas-fitting company, Mészáros & Mészáros Ltd, is now a big player in the construction market thanks to contracts from the government." See [<https://www.forbes.com/profile/lorinc-meszaros/?list=billionaires#158d7f7c4868>]



References

- [1] Toth, Istvan Janos – Hajdu, Miklós. 2017. *Intensity of Competition, Corruption Risks, and Price Distortion in the Hungarian Public Procurement – 2009-2016*. Working Paper Series: CRCB-WP/2017:2, CRCB, Budapest. <http://www.crcb.eu/?p=1229>
- [2] Toth, Istvan Janos – Hajdu, Miklos. 2018. *Cronyism in Hungary. Empirical analysis of public tenders 2010-2016*, CRCB, Budapest, <http://www.crcb.eu/?p=1679>
- [3] Mark J. Nigrini. 2012. *Benford's Law. Application for Forensic Accounting, Auditing, and Fraud Detection*. Hoboken, New Jersey: John Wiley & Sons. Inc.