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SMALL ENTERPRISES IN PRIVATE OWNERSHIP IN HUNGARY*

The article tries to find the expedient limits of small firms in private ownership and other small ventures; to what extent their support is advisable; what obstacles should be removed in principle and in practice and what their perspectives may be. The forms of small ventures are rather heterogeneous from the aspect of ownership. There are many transitory, intermediary forms.

It is difficult to make considerable advance in developing the sector of small ventures without drawing in the means of the population to a considerable extent. This raises ideological problems and requires adequate organizational solutions as well.

If the privately owned enterprise exceeds the scope of small firm in a farther future, the form of ownership must change. In this respect the procedure has to differ from the earlier one: the owner must be financially compensated and his expertise must be utilized in the future as well.

The system of new forms of small enterprises and ventures has developed and older forms have been modernized in Hungary mainly on practical considerations quite up to recently. Theoretical aspects and questions of principle have not been dealt with, nor particularly examined. Under the given circumstances this was permissible and even expedient. By now, it seems, however that we have come to a point from which progress can hardly be achieved without discussing some questions of principle, among them those with ideological suplications. Even behind seemingly practical difficulties often such problems are looming. I should like to give some assistance to solving them. First of all I try to answer such questions as the limits to permitting and supporting small ventures and small enterprises** in private ownership or forming other small property while remaining in harmony with our social objectives: what obstacles to their development should be removed in principle and in practice; and what their future should be.

The necessity of small enterprises in a modern economy needs no special proof any more. The functioning of modern economy cannot be imagined without small ventures, a

*When writing this article I was relying on my studies entitled *A termelési eszközök kistulajdona* (Small ownership of means of production) and *A kisvállalkozások fejlesztésének főbb elvi kérdései* (Major questions of principle of the development of small ventures), made for the Institute of Social Sciences of the HSWP and the Ministry of Finances.

**The notions of small venture and small enterprise will be used as synonyms in this article and include private small-scale industry, too, thus differing from official Hungarian usage.

relatively large number of them supply various goods and services with their own expertise, manpower and capital. It is widely accepted that beside big enterprises a considerable number of small enterprises is also required, partly for the direct supply of the population and partly for performing auxiliary activities for big enterprises and thus constituting a part of the "background industry."

The functioning of small enterprises seems to be expedient in Hungary first of all in the following fields:

- where changes in fashion have to be followed flexibly, eventually individual demands have to be satisfied. Thus, for example, in the clothing and shoe industries, the textile industry, furniture manufacturing, production of metal mass-ware, etc.;
- in the background industry complementing the activity of big enterprises, for example, in the production of spare parts, tools, packing material, etc., servicing, maintenance, etc.;
- in practical implementation of inventions, patents (including pilot projects);
- in the building industry meeting individual demands of the population (building of condominiums, family homes, week-end homes, etc.);
- in personal and family services (hairdressing, beauty-shops, cleaning, washing, children-care, care for sick and aged people);
- in certain branches of trade and catering (board and lodging);
- in certain intellectual activities and services (designing in constructions and other industries, computer techniques, translation, interpreting, etc.).

If the necessity of small enterprises is admitted, then the question may immediately be raised in which form of ownership they should function.* According to the teaching of historical materialism the form of ownership ought to correspond to the level of production forces. The forces of production having become large-scale and social, require social ownership, "big property", while small-scale productive forces—on the basis of the same consideration—necessitate "small property". The adequate ownership form of small enterprise is small property. This is also supported by practical experience. Within the frameworks of "big property" a small enterprise may only be run less efficiently than possible in most cases. Certain clumsiness and rigidity resulting from the nature of "big property" impede precisely the realization of the most important advantages of small business: flexible and fast accommodation to market demands.

Each property on the basis of which an individual or a smaller community disposes of a limited quantity (value) of means of production and conditions of earning an income based on them, and disposes itself about the use of this income—permanently or temporarily—may be regarded as small property. Positive financial results from the

*When writing about small enterprise I do not use this notion in conformity with the official Hungarian interpretation, according to which the small state-owned enterprise may, for example, employ 300 or even more workers, but I think of really small firms and ventures where the number of workers is *much less than that*, even less than hundred.

operation of property are enjoyed, eventual negative ones "suffered", obligation and risks borne by the individual or the small community.

The traditional form of small property is small private property, but small property may not only be in private ownership. In Hungary also ownership attached to agricultural household plots and auxiliary farms, and, in major part, to small cooperatives and new forms of small venture is regarded as small property. Household and auxiliary plots are the new forms of small enterprise and small venture.

The traditional form of small enterprise is the "enterprise" of artisans and retailers in their private ownership. It is fully understandable that when the claims to increase the number of small enterprises was put on the agenda in Hungary, this also meant giving some room to private persons. The extraordinarily strong individual interestedness resulting from private property cannot be renounced in the sphere of small enterprise where individual initiative has special importance. However, a considerable part of artisans display such activity not as a main occupation, but only as a secondary one or as pensioners. About 40 percent of them have their main job in the state or cooperative sector. Their workshops, where only one or two persons work, are mostly obsolete as regards equipment, only one third of them is equipped with some kind of small machine [1] and only every fourth artisan has one or more employee (at least legally), on the average one and a half.*

The justification of the private sector and the necessity of its development in the supply of the population are acknowledged by the majority of people in Hungary. In the course of a survey made in 1982 by the Research Centre for Mass Communication, 77 percent of those interviewed considered the private sector indispensable in the supply of the population and in the opinion of 70 percent supply would improve if the private sector were further extended. Merely 15 percent were of the opinion that no new fields should be opened to the private sector. [3] In this question the population votes on the market by making use of the services of the private sector day after day. Public opinion—understandably—does not deal with the participation of the private sector in spheres outside the direct supply of the population.

There are also such views that private ownership does not fit into the socialist economy and is "alien to the system", even in small-scale industry in the form of small property. No doubt, in the traditional, rigid model of socialism and in the practical system corresponding to it there is no room for small private property. It may be feasible, however, with all probability in a socialism allowing several sectors and further developing also "big property" in the interest of ensuring harmony between productive forces and production relations. Even an artisan with several employees cannot be regarded as an exploiter until he performs productive, organizing or management work of determinant

*This is so despite the fact that the number of employees has increased in this sector in recent years, for example by 10.4 percent in 1982. But even so, 63 percent of the artisans having employees engage one, 24 percent of them two, 11 percent three and only 2 percent more than three persons. [2]

importance in his plant. It may be supposed with good reason that his income is based under such circumstances mainly on his own work. What cannot be accepted is an extent of private ownership exceeding small property. It is only the small enterprise and small venture whose private ownership may be allowed under our circumstances. But where is the limit between permissible and non-acceptable private ownership or enterprise size? This question may hardly be answered on a theoretical basis. The limit may only be drawn by taking into account of actual economic and political circumstances as well as the rational size of the given branch and activity. The 1949 Act on Nationalization provided for the nationalization of enterprises employing more than ten workers, thus ten persons could still be employed in the framework of private ownership. This act has remained in force ever since then. Only lower legal orders made different provisions. It seems that the permissible number of employees with private artisans should be looked for at such level also at present. The new regulations usually permitting six employees plus family members, (in certain professions 9–12 employees) provide for similar numbers.*

The importance of private initiative has been emphasized also in other socialist countries in recent years. The new Soviet Constitution of 1977 confirmed the standpoint of the 1936 Soviet Constitution that private economic activity is justified in small-scale industry, handicrafts, agriculture and services for the population, if it is based on the personal work of the individual and his family members. Eminent Soviet economists suggest a better utilization of such possibilities in newspapers and periodicals. Small private property plays a substantial role beside Hungary also in the German Democratic Republic, Poland and Yugoslavia in European socialist countries.

New forms of small enterprises and small ventures are rather heterogeneous also as regards ownership. A state-owned small enterprise is unambiguously part of "big property"—despite the particularities of its economic conditions—and falls outside the range of our investigation. A small cooperative, however, may really be regarded as small property. Members invest their own capital and are directly interested in increasing it. A small cooperative is not simply a collective private venture [4], but some transition between private venture and "big cooperative"—it is cooperative small property. (A considerable part of accumulated wealth is indivisible and will not become the individual property of members.)

From the new forms of small venture 'individual' ones (e. g. private transport of passengers and goods) mean a transition between the private venture of artisans and personal property, bearing the marks of both. (Usually the same vehicle is used for work and family purposes.) Out of the collective forms the so-called civil law companies and the independent economic working communities** can be regarded as associative private ventures and are based on the private property of members. But the majority of the

*The number of participants in private associations may be 30.

**Also called workteams and business partnerships. See [10]. The terminology has not yet become settled.

newly established small ventures are not independent ventures, but work within some big enterprise, closely linked to it. The leasing of shops and the contractual running of shops, specialized groups of cooperatives or enterprise economic work-teams are practically built into the inner mechanism of big enterprises. Most of them are transitory forms, a mixture of traditional socialist ownership and collective (associative) small property where socialist and private ownership features assert themselves to deviating extent. It seems that these forms may be fitted—despite all the temporary or lasting conflicts—into our socialist management system and may usefully complement it.

Financing of small enterprises from the wealth of the population

In a modern economy intellectual capital, special expertise and knowledge are becoming more important factors beside money-capital in several fields. In other cases such individual properties as, for example, taste for fashion, sense of form or sheer physical strength (e. g. in the transport of goods) are important. At the same time traditional physical or financial capital is also indispensable to an extent varying by branch or field of activity. The capital supply of small enterprises should also be supported by the state according to international experience. However, also financial means of the population should be used for this purpose.

A considerable part of small enterprises have problems in Hungary resulting from shortage of capital both in the private sector and in the new forms of ventures. The majority of artisans and small entrepreneurs do not dispose of the necessary financial means. (Or, if they do, they are not properly interested in investing them into the venture. But we are not going to deal with this problem here.) The National Savings Bank (OTP) and other newly created monetary funds help with credit or financial participation in the venture those applying for such aid. This is, however, by no means satisfactory. Considerable progress may hardly be achieved in the development of the sector of small enterprises, if the financial means of the population are not drawn in into the financing of small enterprises to a much greater extent than at present.*

It is a well-known theorem of Marxian political economy that personal incomes should serve in socialism a single purpose—personal consumption and individual-family investment required for this. This principle had already been violated previously. For

*None of the newly created monetary funds—serving the financing of small ventures—as, for example, the Innovation Fund of the National Bank of Hungary, the Enterprising Fund of the National Bank of Hungary, organizations of the State Development Bank, the Ministry of Industry and the Ministry of Food and Agriculture established for such purposes; the Novotrade Co. Ltd., the Financial Association for Technological Development, etc. do actually not rely on financial means of the population. Bonds and shares issued by the listed institution may not be purchased by private persons.

example, when in the early 1950s the population had been forced to renounce a part of their personal income in the form of "Plan Loan" and "Peace Loan" and the financial means thus obtained had been spent on central investment projects. At present the question is raised in a different manner. While keeping in view that the basic role of personal income really is to cover demands of personal consumption, it should be furthered that a part of personal incomes—first of all the part that would otherwise be spent wastefully or irrationally hoarded—should flow back into the reproduction process, into the circulatory system of the national economy without any coercion. In the contemporary economic situation when state resources have considerably narrowed down, this would be especially important. For the time being, however, the concepts and organizational solutions are missing that would further the utilization of financial means of the population—within that of people not participating in ventures with their own work—in the financing of small ventures.

The possible ways of financing small ventures or enterprises by drawing in means of the population may be divided—in a simplified way—into three groups:

1. financing through the mediation of a bank;
2. financing through so-called "invest" enterprises;
3. direct investment.

Financing through the mediation of a bank

Under Hungarian circumstances the drawing in of financial means of the population into the financing of small ventures can most expediently be solved through the state or cooperative credit system, through the mediation of banks. This follows from the fact that most people are not willing to undertake financial risks, but wish to place their saved money at a more modest, but safe interest.* In this case the person depositing his money with the bank will obtain a definite interest independent of the business result of the bank—whether the bank grants credit to the small enterprise or participates in the venture, thus assuming risk. The form of placement of money may not only be a normal savings deposit, but also a bond with fixed interest. The most important is, however, in each case that the placement of money should be attractive for the money holder and the interest should exceed the rate of inflation. This requirement has not been met by the policy on savings interest in recent years. Even at present only the interest paid after time-deposits tied up for five to seven years reaches the planned measure of inflation.

In the case of a positive real rate of interest the problem of unearned income can be raised, namely, that those having greater amounts in savings deposits or securities could in

*In the course of the aforementioned survey of the Research Centre for Mass Communication 32 percent of those interviewed belonging to various social strata and occupational groups declared their willingness to start some private venture should they have the initial capital required. On the other hand, 57 percent answered that they did not want to venture even in such a case. [5]

this way obtain considerable income without work. Let us only mention in this regard that large incomes resulting from interest could be mitigated by an income tax, should interest increase to such an extent that it might really become a source of considerable income. However, we are very far from having such problems as yet. He who deposits his money in the bank hardly gains by it.

Big banks all over the world prefer to have big enterprises as clients and do not like to deal with insignificant and risky credit demands of small enterprises. This is an explanation for the fact that in developed industrial countries usually state or semi-state organizations are created to supply small- and medium-sized enterprises with credit. This is partly due to the fact that banks are not and even can not be prepared to judge properly situation and economic perspectives of small ventures, nor the expected economic importance of a new invention or product. [6] It is thus expedient that this function should be fulfilled by special banking institutes or at least departments.

Financing through “-invest” enterprises*

A great part of the population is not ready to invest its savings into business ventures involving great risks even in developed capitalist countries. Therefore, the necessity of reducing risks appeared. Thus such enterprises (banking institutes) financing investments and allocating capital were created which reduce and distribute such risks in a way that a larger number of ventures are simultaneously financed by them, while profits of successful ones compensate for losses. Furthermore, thanks to the extensive knowledge and experience of their employees, these specialized institutions may invest capital entrusted to them with higher profits than could individuals with proper experience lacking in this field. The individual deposits his money with the “-invest” enterprise, while direct investment is made by the latter. Capital investment through such institutions is for those who are willing to undertake certain financial risk in the hope of appropriate income, but only a smaller one than is involved by direct investment. Companies financing investments of small enterprises are usually established in the form of share joint-stock companies. So-called capital sharing companies were established in Austria in the late 1970s with state capital.

The possibility has also been raised in Hungary that small enterprises and ventures should be financed by “invest” enterprises established under the care of state agencies making use of means made available by the population. [7] According to this concept the simultaneous financing of several enterprises and management by experts would diminish the risks of the individuals. Those investing their money should, in general, obtain higher income after their invested capital than the interest paid after deposits in savings banks. Otherwise, they would not undertake even risks smaller than those in the case of direct

*These are essentially similar to Western firms providing venture-capital.—Ed. note.

capital investment. Several solutions could be imagined here. For example, also such one that the "invest" enterprise pays dividends in a predetermined fixed amount depending on the profitability of the enterprise could be added. The "invest" enterprise may eventually work in cooperative form, too, as a cooperative financing small ventures or as a cooperative enterprise. Nevertheless, whichever form will be chosen, each would be an institution working as a banking institute, whose working order and scope of activity ought to be developed with special circumspection.

Direct investment of means of the population

A general advantage of direct investment over the indirect one—made through a banking institute or "invest" enterprise—is that in the former case the money holder may participate in the venture with his judgement, and even his initiative. (He chooses the venture worthy of financing himself, maybe also participates in the activity or has some control over it.) This is explicitly attractive for certain people, because they feel they are the makers of their own fortune. For other people precisely the greater risk may be attractive that usually frightens away the majority. True, one can lose everything here, but a lot can be won, too, more than in case of investment through banking institutes or "invest" enterprises.

At present direct investment into some business is possible for artisans, private shopkeepers, members of small cooperatives, of specialized cooperative groups as well as for participants in certain small ventures of a new type, furthermore, for individual small entrepreneurs. There is no or only a minimum possibility for this precisely with the most popular forms of small venture.* But, even where this is possible, there is a lot of barriers and little stimulation. Thus, for example, a private artisan or shopkeeper may not obtain any interest after his own capital investment—at least legally—, the income of artisans is taken into consideration by taxation only as income resulting from work. Members of collective small ventures, thus also of small cooperatives obtain dividends after the shares bought by them just reaching or hardly exceeding the level of interest paid by the savings bank on deposits. Holders of savings deposits have no risk—as against those of cooperative shares—, they can take out their deposits from the bank at any time even prior to the term of engagement. [9] At the same time, the law allows participation in some venture with financial means only for those who contribute to it with personal work, too. Capital

*"A part of the new forms only allows the increase of personal income, and not the increase of disposition over goods. . . Small enterprise, the contractual running of an enterprise unit, the leasing of a commercial or catering unit, industrial service workshop by small entrepreneurs, as well as the civil law association, the economic workteams—whether independent within the enterprise—are all forms only stimulating for the increase of personal income. It is no objective with any of them to invest from personal income in order to provide foundations for the further functioning of the given organization."—Teréz Laky writes this in her paper. [8]

transfer, "silent partnership" are prohibited. Of course, this prohibition is circumvented—mainly in private small-scale industry and retail trade. There also exist illegal forms of the utilization of private capital, especially in the form of loans, against usurious rate of interest.

He, who possesses the expertise and venturing spirit required for entrepreneurship does not necessarily have the money required for this, and *vice versa*, the part of the population having the required money do mostly not possess the expertise or venturing spirit, and for other reasons have no possibility to participate in the venture with personal work. These two aspects should somehow be coordinated, which is hardly possible without mitigating the aforementioned prohibition.

This prohibition is supported by an emphatic ideological argument, the same that can be mentioned also against the raising of various rates of interest, dividends and the recognition of capital interest, namely' the nature of unearned income being alien to our social system. It would really not be proper if some people could obtain high incomes merely by lending money or ceding capital. Here the extent is determinant which may be influenced in different ways, by taxation, limitations, etc. In principle this problem does not differ from that of interest to be paid after savings deposits if this is a positive real value, which—obviously—is a normal state of affairs. Mainly with forms where appropriate control is ensured it could be allowed, within certain limits, that also those may invest their money who do not participate in the venture with their work. The income obtained in this way could be kept within regulable limits through taxation. Small share-holders or proprietors in capitalist countries are not capitalists and their situation practically does not differ from that of holders of deposits with a fixed term.

First of all cooperative shares (special-purpose shares) and those of economic work-teams could also be sold to people who participate in the venture only with financial means. The idea of issuing bonds and so-called "interestedness bonds" has also been raised. This latter would be a further developed variant of special-purpose shares. It would be a security of fixed denomination after which holders would obtain a basic interest and a share from profits in proportion to the denomination.* This could be a way of financing small cooperatives, economic working groups (workteams) and civil law associations. Bonds could be purchased by state institutions**, "big cooperatives" and the population, too. Recently, some state enterprises and "big cooperatives" have successfully issued bonds in Hungary. This makes it probable that such actions would be popular among the population if an appropriate rate of interest were offered. It is conceivable that small enterprises or ventures issues shares. This would be even more

*Cooperative special-purpose shares do not entitle the holder to dividends as against normal shares, but are also securities attached to persons and not transferable.

**In the West it is more and more frequent that big enterprises finance small ones. For example, the research activity of small enterprises is supported since small enterprises may display research activity with greater success and less expensively in several fields. Big enterprises do so, of course, nor unselfishly.

suitable for them insofar as they need not guarantee repayment in this case. In this regard negotiability ought to be clarified.*

Summarizing the above we may say that the way of drawing in means of the population into the financing of small enterprises should not be sought after merely in one direction or on a single basis. Beside financing through the bank as the basic method, direct investment and financing through "invest" enterprises are also possible as complementary solutions. More diversified solutions are desirable so much the more because in this way both the part of the population willing to undertake financial risk in the hope of a possible higher income and the one not willing to do so may find some possibility for participation.

The future of small ventures

The policy towards small enterprises and small ventures may only be appropriate if we have more or less definite ideas about their future development. If our present behaviour does not fit into this perspective, this may entail very serious consequences and the mistakes may hardly be remedied later on. Drivers, but even passengers of a train ought to know where a tunnel leads to already when they drive in.

A long-term security is needed for any form of small venture to work properly and fulfil its function. This long-term security has two dimensions. One is the possibility that the given activity may be carried out in a more or less unchanged way and within unchanged limits for a relatively long time yet. The other one is the possibility of development and growth. In the concluding part of this article we are going to deal with the second dimension.**

Traditional handicraft industry is of stationary character and usually relies on simple reproduction. Striving for development and growth as well as ability for this are different, immanent properties of modern small venture. Those who are against the increase of the growth possibilities of small plants in private ownership are often worrying and asking where this process will lead to and whether it is not the beginning of some

*In the case of bonds the issuer is obliged to buy back the security upon expiry independent of the result, that is, the creditor cannot lose his money. In the case of purchasing a share the purchaser does not grant credit, but gives capital. In return for this he continuously gets a share from the profits of the venture, but in case of failure his investment is lost.

**In reality not every thing is in order with the first dimension, either; and was even less on in the past, the negative consequences of which can be felt even at present. Thus, for example, because of the considerable uncertainty of the private sector in the past—when one could never know whether temporary concessions or stimulations would not be followed by restrictions within a short time again—those working in this sphere rarely worked in a solid manner, thinking of the longer run. It was much more frequent that they tried to get rich within the shortest possible time and to obtain maximal income even at the expense of business morals and reputation or by breaking the rules in force.

reprivatization resulting in the establishment of private capitalist relations, perhaps even in their prevalence in the economy. Such worries have obviously had some part in the contemporary limits set to the accumulation possibilities of the new forms of small ventures and to the possibilities of using properties of individuals for business purposes in general.

The usual answer to such questions is that these worries are unfounded, since the socialist state may prevent the establishment of capitalist relations in possession of her political and economic positions. In reality the problem is much more complicated than that. It is completely true that the change-over of small-scale commodity production into capitalist production can be prevented under socialist relations. What is more, such danger can be nipped in the bud—if so desired—which is proved by historical experience. Such a policy has, however, usually been concomitant with the "elimination" of such positive effects which are expected from the increasing role of small ventures and property and very much needed by the national economy. This, too, is a historical experience. Therefore, in this respect methods different from those of the past should be used.

If small ventures are given free scope and allowed to develop, then there will always be some especially successful ones, among them, getting stronger economically after some time and considerably increasing their wealth. Of course, this only holds for a very small part, while the majority cannot attain this status*. It will presumably cause fewer problems if it is a collective venture that flourishes, though it is very difficult to make forecasts with the necessary experience missing. The problem is greater if the plant of an individual entrepreneur or private artisan develops to such an extent that the value of his business wealth (building, machines, equipment, circulating capital, etc.) amounts to several million forints and he is able to permanently employ 8–10 persons. It is hardly expedient to prevent this if the given activity is useful and in demand. It should be taken into consideration here as well that much greater private fortunes are also existing in other forms, much less desirable from social viewpoints, for example in luxurious buildings and valuables serving basically for hoarding purposes which bring considerable income for their holders due to an increase in their value at a faster rate than prices are rising. Furthermore, incomes carrying the danger of tensions do exist outside the private sector, too, and may even be obtained more easily, with less work. Since tensions are connected first of all not with the amount of the entire income, but with its part used for personal purposes in a wasteful manner and an entrepreneur spending his income on the development and modernization of his plant is much more accepted by public opinion than the one with an ostensibly wasteful way of life, the widening of investment and development possibilities may even diminish discontent caused by income differentials. Of course, this is not a solution free of contradictions. Business wealth increased with diligent work may later on become a source of unearned income or wasteful

*The bulk will always remain owners of small businesses unable or perhaps unwilling to exceed the limits of family business or small ventures.

consumption, too, mainly in the hands of descendants. Such contradictions cannot be avoided: the economy is not a world of ideal relations, but one of realities where from time to time benefits and disadvantages should be weighed against each other.

And what should happen if the most successful small enterprises reach the upper limit of small property mentioned in the foregoing under conditions favourable for them? Should swinging over be allowed or not, and if so, then how? This question is seemingly not topical yet, but it occurs sooner or later in reality to all small-scale producers thinking of the development of their plants, and the supposed answer may influence their present behaviour, too. All rational arguments speak in favour of not impeding this swinging over—if the activity is needed and this is confirmed by the market. Yet efforts ought to be made to find a transition acceptable economically and politically, too.

Problems of small private property and other forms of small property deviate from each other in this respect; nevertheless, common principles may also be developed. Thus, for example, that this transition can by no means be some forced collectivization or nationalization as it has been the case in 1949 and in the early 1950s, but only a solution that is also advantageous for previous small proprietors. First of all the possibility of displaying their knowledge and abilities at a higher level should be ensured, but financial compensation has to be given, too.

As it has already been mentioned, private property can only be imagined in the form of small property and it can only be fitted into our system, in this way even in the long run. Therefore, if a firm in private ownership reaches the critical limit—that should be handled in a flexible and differentiated way—then also its form of ownership ought to change.* One may think here of transforming a private small enterprise into a collective small holding or its integration into or association with a big enterprise. Thus, for example, transformation of a private artisan's firm into an economic work-team or a small cooperative may be imagined. In this case the collective having become the owner would provide for the compensation of the previous owner and the remuneration for his capital handed over. Since the capital of the enterprise would presumably further increase after it had become collective property, the share of the previous owner and, accordingly, also that of the income due to him by this title would gradually diminish. There may be several ways of solution. The collective may buy or lease the means of production from the owner, they may become joint proprietors, etc. while the previous owner may continue working as expert or leader in the collective, too. The precondition of this "peaceful transition" is that forms of collective small venture become attractive or at least acceptable for private artisans. This has not been realized yet.

The integration into or association with a big enterprise may be realized in several ways, too.** The simplest solution is that the state enterprise or cooperative purchases the

*This limit is not identical with the present one determining the upper limit of employees by legal order.

**Civil law allows the association of a private person with a legal entity—e.g. state enterprise—in Hungary even at present. This has occurred, however, very rarely in the practice.

private firm, pays out the owner in one sum or in instalments, and he could, of course, remain there as a leader also further on. Association could be brought about on the initiative of either the private small firm or the state-owned enterprise, while such a proposal would only be accepted by the other party if it is advantageous for him, too. It would probably be a frequent case, too, that the small private firm for which the means required for further development and investments are not available asks for state (state or cooperative bank, state enterprise, etc.) support and in return for this offers a corresponding part of its property. If this offer were accepted by the given agency, then the venture would be transformed into a joint-state-private or cooperative-private-enterprise. Thus, it would further grow not only within the frameworks of private property. The previous proprietor would obtain a salary for his work and remuneration after his capital at a decreasing rate. (The weight of his capital would continuously decrease within the total enterprise fortune, too.)

In this case the state would become a partner in the private enterprise. But, an enterprise in joint ownership could also be established in such a way that the private person joins the state enterprise. For example, his firm would become a part of the state (or cooperative) enterprise, while he becomes a part-owner keeping his leading function. It is also possible that not only one artisan, but a group of artisans joins the big enterprise in this way.

These solutions may be accompanied by several foreseeable and unforeseeable difficulties. It is foreseeable, for example, that the employment of former private artisans as leaders in an enterprise in joint ownership may only be realized if the earnings of leaders of state enterprises approach those of successful private artisans. Another difficult problem in such enterprises in joint ownership is also the inheritability of the part in private ownership. The viewpoint of mitigating socio-economic inequalities would require that this should not be inherited. On the other hand, however, the lack of inheritability would withhold private artisans from previous own investment.

The growth of small enterprises, forms of small ventures based on collective (group) ownership, for example small cooperatives, economic working groups (workteams), etc. exceeding the size of a small enterprise also requires certain changes in form, but at least a further development of such forms. These problems are,—by all probability—less complicated, thus the transition seems to be easier. Economic working groups (workteams) may be transformed into small cooperatives if they exceed the limits of the original form, small cooperatives into big cooperatives or may become a part of big cooperatives, etc. Among other things, such a solution is conceivable also here that by giving capital the state becomes partner in the small venture which then will change over into an enterprise in joint ownership. The precondition of all this is, however, that “big forms” become attractive. The future of small enterprises is largely dependent on that of big enterprises.

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ПРЕДПРИЯТИЯ В МЕЛКОЙ СОБСТВЕННОСТИ В ВЕНГРИИ

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В статье автор ищет ответа на вопрос, каковы границы, в пределах которых целесообразно обеспечить в условиях Венгрии возможность развития мелких предприятий, находящихся в частной или иной формы мелкой собственности, целесообразно оказывать им поддержку; какие принципиальные и практические препятствия необходимо удалить с пути их развития и какова перспектива этих предприятий.

Потребность в увеличении количества мелких предприятий в Венгрии неизбежно сопровождалось определенным расширением мелкой частной собственности.

Новые формы мелких предприятий и предпринимательств весьма неоднородны с точки зрения характера собственности. Среди них имеются весьма близко стоящие к частной собственности и весьма далекие от нее. Много переходных, промежуточных форм.

В развитии сферы мелких предприятий нельзя продвинуться вперед без гораздо большего привлечения материальных средств населения. Это ставит и определенные идеологические проблемы, а также требует соответствующих организационных решений. В статье рассматриваются некоторые из них.

Если находящееся в частной собственности предприятие — в относительно отдаленном будущем — перерастет границы мелкого предприятия, то должна измениться и его форма собственности; однако в этом отношении необходимо идти по иному, чем в прошлом, пути: необходимо обеспечить материальную компенсацию бывшего собственника, а также возможность использования его знаний и навыков.