

SMALL ENTERPRISES IN HUNGARY – MYTH AND REALITY

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Beside the *individual* producers of goods and services—like the artisans, the household-plot farms in agriculture, the lease and contractual operation of commercial and catering units—as from January 1st 1982 small economic units may be established in Hungary also in the form of *partnership*. The article analyzes the identities of and differences between these organizations called “small enterprise”, the ratio of the organizations and their membership, and the socio-economic factors restricting their economic role.

The statutes providing for the setting-up of small business units functioning in the form of *company (partnership)* which private entrepreneurs may form came into force in Hungary on January 1st 1982. A new term was thus introduced and the comprehensive name used for the several possible forms is *small enterprise*.

Types of small enterprise

Forms of individual enterprise did exist in postwar Hungary also earlier. The traditional artisanry is the most common one. Now about 100 to 110 thousand private artisans are active mainly in the sphere of services and also produce small volumes of goods expanding the range of choice (shoes, clothes, leather goods, chemicals, plastic products, etc.). The so-called household-plot farming done by workers of large agricultural farms (cooperative and state farms) is significant: these small farms produce a considerable share of the meat, poultry, fruit and vegetable output. It is established practice in home trade to let small shops and small restaurants by contract or lease for private running.

Two years ago the *partnerships*, i.e. small enterprises, were added to the chances of individual business. They may pursue a broad range of business activities. (They are only disqualified by law from a few spheres of activity such as mining, insurance, banking, real-estate agency, foreign trading.)

Business partnerships may organize themselves in several forms, the following being the most important ones:

Civil Law Partnership (Hungarian abbreviation: PJT) Although statutorily this form had existed for a long time, it was restored to life by the new regulation. Its members must be not less than 2, the maximum is not specified. Also a legal entity may be a member. Its setting-up is contingent upon financial contribution by members, without it only a person whose professional knowledge is required for the given activity is entitled

to membership. The contribution of property made in money and in kind suitable for use is transferred into collective ownership, i.e., for collective use. The partnership also may employ non-members. The wealth of the partnership and the profit produced by its activity are disposed of by the members: they may divide or invest it by autonomous decision. A 40 percent tax is levied on the profit originating from the functioning of the partnership (except the following, each liable to 3 percent tax: those having concluded contract to run enterprise sections, tenants of commercial or catering shops of state enterprises, and partnerships of private retailers); members will pay tax in proportion to their individual incomes. Loss or bankruptcy of the partnership is a personal risk of the members.

Business Partnership (Hungarian abbreviation: GMK) The most important differences between the PJT and the GMK are the following: only natural persons may be members of the GMK and membership is limited to not more than 30 persons. Personal involvement in work is compulsory. A GMK may not pursue commercial activity. The tax payable by the partnership is only 3 percent.

Enterprise Business Partnership (Hungarian abbreviation: VGMK). It is actually the same as a GMK with the only difference that its membership is limited to the workers or retired workers of a given business organization (enterprise, cooperative, budgetary organization). A preliminary approval of the enterprise leader (manager) is required for its setting-up. The VGMK may not engage employees. The VGMK pays a charge to the enterprise for the use of means and equipment lent by the enterprise. The financial liability of VGMK members is limited to the financial contribution to and incomes earned in the partnership.

Specialized team of industrial/service cooperative: this is an organization working in the framework of the cooperative, with specified independence of self-management and business activity and with independent economic accounting. Its setting-up requires not less than 5 persons but there is no ceiling on membership. The specialized team is not a department of the cooperative and their relations are laid down in bilateral agreement. The parent cooperative, however, is responsible for the activities of the team and it will be responsible with its total wealth for the losses if any. (For this reason the autonomy of functioning and the scope of accepting liability of the specialized team are also rather limited.)

ÁFÉSZ specialized team. In principle it is the same as the specialized team of the industrial service cooperative but this form is attached to the agricultural consumer and sales cooperatives (ÁFÉSZ). It is set up when its activity is not agricultural in nature; in this case the taxation of the team corresponds to that of the dominant industrial or service activity, that is, the same 3 percent as of the others.

Both colloquially and statistically, the *small-size* state and cooperative units like small enterprises, affiliates and small cooperatives are classified together with the afore-said small ventures working in the form of partnership. They, too, were formed by force of the statutes of January 1st 1982. However, their setting-up and principles of functioning do not differ from the earlier rules concerning organizations set up by the state or by cooperatives, except that they may keep simpler accounts and enjoy some facilities as regards the rules of management.

Although the two years of functioning of small enterprises are tempting for evaluation, this paper has not been written with the intent of casting an account. All the more as from the nearly a dozen of forms only two will be treated in detail: the business partnership (GMK) regarded a private enterprise and the enterprise business partnership (VGMK) functioning within the economic organizations of the state and cooperative sectors. Although these two forms amount to almost 90 percent of the new small organizations working in partnership form, I would not dare to venture a comprehensive assessment of small enterprises because I have found that the most important and still valid characteristic of these two years is the extraordinary changeability of phenomenon. It is impossible to foresee the direction of the trends of the various processes even for a span of one or two months. (For example that the number of the civil law partnerships that were started as the most popular form of small enterprise is below 200 and that practically exclusively graduated persons of the liberal professions are interested in it —or that after half a year of hesitation the number of VGMKs abruptly increased.) Therefore it cannot be estimated either what consequences will intensify in one month or two: the desirable or the undesirable ones? As it usually happens with new trends, once again there are too many yet unseen circumstances that affect things (eg. the "receptivity" of the economy, the trend in large-enterprise interests, changes in the equilibrium between purchasing power and available commodities, the degree of differentiation of personal incomes, etc.) each of which may cause different public atmosphere, strengthen different circles and entail different economic policy measures. All the above demand enormous precaution even in the handling of available facts. Therefore I will try to present only a few, apparently more lasting trends in the socio-economic role of the said two forms of small enterprise, as much as facts now permit. I will try to be as factual as possible, hoping that mere facts will answer a large number of questions and doubts by themselves and eliminate a few myths fabricated out of arguments of enthusiasm or anxiety that envelop small enterprises in Hungary today.

The anticipation

Although the practically uninformed public opinion was not quite aware of the meaning of names put into circulation (and it is probably still not quite aware, although news about them have been poured by the media for the last two years), the preparatory apparatuses and policy-makers expected that by setting up small business units to be run in new ways and in the form of partnerships a substantial step would be made toward launching several kinds of desirable changes in the functioning of the economy.

As far as it can be summarized on the basis of the different proposals submitted and of the arguments of informative and preparatory lectures held to collaborators of the government and party apparatus, the economic policy considered the small and flexible units capable of prompt response to any demand primarily as a *means* of improving the standard of living. It was assumed that the said units would be capable of and ready to significantly increase the range of choice of consumer goods, satisfy many sorts of demand for services, as well as to organize such activities in the spheres of both production and consumption which the traditional organizations are unable to carry out.

This way, by easing the shortages existing in the most different fields of the economy and showing the most different forms (ranging from services for the population to labour shortage suffered by big enterprises) the troubles of the economy could be diminished and the living conditions of the people could be improved. It was primarily precisely this socio-economic objective that justified the calling into being of the small enterprises.

At the same time the existence of the small-size units organically fitted into the envisaged structural transformation of the industry and it was hoped to gradually establish a network of small and medium-size establishments to complement and fit into the activities of big enterprises as a "background" required for the rational production and flexible management of the powerfully centralized socialist industry.

The small organizations were also hoped to become the means of providing new jobs without burdening the state budget and to thus help solve employment problems which different strata (e.g. new graduates in some professions and those with secondary school leaving certificate who do not go to higher education) suffered from and which became chronic in some areas of the country and in a number of counties.

Though with a certain ambiguity, expectations were also formulated that part of the wealth or income of the population would be rechannelled into production, instead of being spent on sometimes wasteful consumption.*

It has become slowly discernible from the number, activities and functional characteristics of the different small enterprise forms set up through two years that although something was started, it was in many respects different from what had been presumed (whether this is good or bad is hard to state as yet) and achievements were very modest.

Figures are changeable and by now there must have emerged new small organizations in each form and a few dozens must have ceased to exist. Let us nevertheless see the latest available summary data to get a general idea.

The following reference figures are given for appreciating the order of magnitude: the number of members working in the more than ten thousand small units represents less than 2 percent of employees in the national economy, that is, 98 percent of those employed do not participate in small ventures. Also the majority of those belonging to the two percent have kept their jobs with the original employers so that they spend their leisure time in the small enterprise.

This should be sufficient to dispel one of the most general myths of contentedness ("this is a country of enterprise") and to relieve the most general worries of two years ago ("the small enterprises would drain the workforce from big enterprises").

Irrespective of their number, the forms of small enterprise can nevertheless play an important role in the life of the economy. However, in order to form an idea about their actual socio-economic role as well as to confront new myths with reality, we must take a closer look at the different forms classified in one family by the collective term "small enterprise" but practically showing very few kindred features. It is one of the sources of the, mostly erroneous, ideas about the small enterprises to assume common characteristics whereas differences are more predominant in many respects.

*This idea has been widely reiterated since the paper of A. Hegedűs and M. Márkus published in Hungarian in 1978 [1] See also e.g. [2], [3].

Table 1
Number of small enterprises and their members in August 31, 1983

Form	Units		Membership	
	Number	Percent	Number	Percent
<i>Partnerships</i>				
PJT (civil law partnership)	188	1	1 035	1
PJT, managing given sections of enterprises under contract	10		31	
PJT, managing commercial or catering shop of state company by lease	172	1	301	
PJT, keeping retail shops	229	2	481	
GMK (business partnership)	4 184	31	24 186	20
VGMK (enterprise business partnership)	7 533	56	75 271	61
Specialized team of industrial/service cooperative	972	7	21 611	18
ÁFÉSZ specialized team	229	2	481	
Total	13 517	100	124 397	100
<i>Small establishments</i>				
Small companies	180			
Affiliates	83*			
Small cooperatives	204			

*59 of this number also function in the form of small company.

Similarities and dissimilarities

Before indulging in the peculiarities of the business partnerships and enterprise business partnerships (GMK and VGMK), I attempt to give a summary below of the general and common characteristics that are, at least till now, typical of every form.

I consider the following to be essential *similarities*: a) Each form appears to be suitable for achieving the basic objective, i.e., for easing service and commodity supply shortages, diminishing the anomalies of the economy and thus improving the living circumstances of the population. b) Their flexible adaptivity adjusted to demand is due to their small size; all of the new business units functioning in the new form are small.* The presence of relatively small-size business units is indispensable in the economy: by their dimensions they represent an essentially new and the most acutely missing form in the organizational system of the economy and especially of the industry. c) Their setting-up and functioning is legal and regulated by law. This important common parameter

*At least relatively. As it was shown in the presentation of the different forms, the staff is statutorily limited only for the GMK and VGMK. The staff can amount to any number, even one thousand persons, in the other forms. Also about the size of the small enterprise the statute merely states that "as a rule, its staff will be smaller than of enterprises of similar activities". The same is valid for the small cooperatives.

demarcates those working in the new forms from the still greater camp of illegal, unlicensed and untaxed people performing similar activities whose lasting viability is due to chronic shortages. d) The functioning of new forms is based mostly on the use of *leisure time*. In about every form (except affiliates, small companies and, partly, small cooperatives) the participants work in the "small venture" after having done their daily work in their full-time jobs. This significant extension of working time in the hope of extra income, which used to be typical mainly in agricultural production and in the building industry, has become a way of living for members of further groups of the population. Using part of leisure time as working time is mutually attractive for those profiting from their knowledge in extra work as well as for those demanding that knowledge and working time. On the other hand it is obvious that the transformation of leisure into working time is an employee behaviour and not that of an entrepreneur, i.e., a simple carrying on of the habitual strategy of living and way of life.

I find that two of the *dissimilarities* of these enterprise forms are essential: a) It is probably the most important point that from the new forms only the PJT and the GMK can be considered private enterprise while every other form is a unit belonging to the state or the cooperative sector. That is, from the total of the organizations statistically regarded as uniform, one-third are private companies and about 20 percent of the membership belong to them.* The great majority of organizations and membership act as part of the state and cooperative sectors with corresponding ownership relations; except in small cooperatives, members do not invest capital into the organization and do not own the means of production. b) Differences are most considerable according to the extent to which a given form qualifies an enterprise. When the notion, in accordance with classical specifications,** implies autonomy of organization (independence from direct state control and from other business organizations, a criterion which I find to be a particularly important mark of distinction; the pursuing of profitable business activities, that is, a choice between business acts depending on profit (in the broad sense); the risk run in the hope of profit (the loss of personal investments made and occasionally of personal wealth held and income earned by the parties in the enterprise); furthermore, their freedom of decision on the profit (whether to invest or use it); moreover, their freedom of decision on the whole enterprise (whether to keep it running or to wind it up); then the forms named "small enterprises" can be classified in at least three major categories: enterprises, quasi-enterprises and non-enterprises. As a methodical analysis of the existence or lack of the different criteria of enterprise cannot be given here, I will simply summarize the conclusion. Only the main *missing* criteria will be referred to in stating the differences.

Enterprises are, in principle—in the sense of undertaking—within the bounds of statutes, the PJT, the GMK and the small cooperative where the criteria of enterprise are present.

*T. Sárközy purports [4] that "from the organizational point of view it must be endorsed that, contrary to the original economic-political hypothesis, the majority of small enterprises have been formed actually on the ground of public ownership." Sárközy namely assumes that "most of the small enterprises develop integrated in the internal mechanism of socialist enterprises. . . . Thereby a new way has been opened for internal enterprise organization."

**The most commonly used definition concerning modern enterprises is the one of Schumpeter [5] who depended on Max Weber in his fundamental statements. See e.g. [6], [7].

Quasi-enterprises are the small enterprises having only partial autonomy of organization; they are set up by the transfer of equipment owned by the state, their managers are appointed by senior officers and workers are paid their wages irrespective of the result of operation, etc. According to the notion used by me, the production organization subordinated to economic control organs or to other business organizations with respect to organizational and business activities can not be considered enterprises or only inasmuch as their given status of dependence allows business activities "on basis of market opportunities and accounts" (M. Weber), i.e., the option of acting as indicated by expectable profitability.

Non-enterprises are the affiliates (which are actually the parent enterprise's "enterprise" as the parent enterprise controls the affiliate's equipment and profit, exercises employer's rights over managers and workers etc.); the relations of lease or contracting (since although the tenant and the contractor are entrepreneurs in their person, yet do not dispose of the equipment of the proprietor organization, from the organizational point of view the unit is not autonomous, the investment of the tenant is of the nature of guaranty and not of capital, etc.); the VGMK, the specialized team of industrial/service cooperative (organizationally, it is not autonomous but can be formed from active and retired workers of the enterprise and its formation requires enterprise approval; their equipment is owned by the parent enterprise; members do not risk either their investments—as there are none—or their personal incomes but only the amount of income for which they work in leisure time).

Further significant differences are occasionally exhibited by the sphere of business activity depending on the *social* affiliation or standing of members. Intellectual service, for instance, has found frameworks under the influence of many local, occasional circumstances; it is a less relevant point whether its form happens to be PJT, GMK, small cooperative or VGMK than the social standing of the persons engaged in the given activity, as determined by their qualification as well as by the business relations that have been and can be formed through the general employer (designing, organizing, or research institute). Similarly marked differences are shown by VGMKs formed in the state-owned large-scale industry, in the building industry, and in other sectors.

Social and economic features of the different forms

Before a review of the most common form of private enterprise the GMK, I should like to make a short reference to PJT (Civil Law Partnership), the other form of private enterprise association. The PJTs are typically communities in which intellectuals of the capital city are doing intellectual work—many kinds of designing, organization and computer services. (There are very few rural ones.) The membership is recruited from a rather definite stratum, usually of graduates. This form used to be originally attractive because, amidst measures of several institutes banning small enterprise, the formation of a PJT did not require approval of the employer, furthermore because, unlike in the case of GMK, membership is not limited. It also seemed that to form a small cooperative the investing of capital and the buying of shares was needed. For this reason the PJTs only needing the cost of association and then relying on knowledge as intellectual capital were

the quickest to come into existence. The speed of their increase was only surpassed by the spreading of their name and the general public first identified small enterprise with this three-letter abbreviation. And although PJT has become a household word, this form lost much of its initial popularity especially because of the high tax on the partnership and many of them were transformed as early as in the first year into GMKs or small cooperatives with much more advantageous taxes (often with formal shares of small denomination.).

GMK (Business Partnership)

The most popular form of private enterprise. With its 4200 organizational units and a more than 24.000 strong membership, it represents the second biggest share in small enterprises after VGMK.

However, the figures showing its spreading will at once shrink in the mirror of comparisons; for example in the same period five times more, that is, 120.000 private artisans were working in the country (even if part of them only at a fraction of capacity as pensioners or part-timers) and the blank areas of unprovided regions indicate that this number is not enough.

Also the majority of GMK members usually keep their original jobs as the PJT members do. In the first half of 1983, 25 percent of the membership i.e., less than 4000 persons) worked as full-timers for the GMK; this percentage amounted to 23 in the case of the 2000 employees.

According to activities the GMKs can be classified in three groups of approximately the same size. Those providing *intellectual* services are, by their major socio-economic parameters, obviously akin to PJTs. Also the GMKs organized for the purpose of *miscellaneous* services of a baffling multitude of colours (matchmaking, teaching of sports, organizing of parties etc.) are in many respects similar to the above.

The most promising ones are those engaged in industrial activities: these about 1300 small organizations are the hoped-for units of the "background industry" of the economy and they enlarge the number of the so badly missed small organizations. There are also other aspects from which this category is the most noteworthy one. For example this is where a trend of economic importance has unfolded, even if in modest dimensions: the investing of money into production instead of using it for saving or personal consumption. These small organizations namely need capital to function: workshops, machines and money to buy materials.

It is understood from different sources—for example from data of a narrow survey by means of questionnaires, among the members of the small-enterprise section just formed within the Chamber of Commerce, from conferences held with GMK managers and experiences of personal interviews—that though capital required for starting had been collected, it was far less than what would have been required for "the assets that are expected by the given activity" and either money or confidence or both were not sufficient to acquire the necessary assets. However, thanks to regulation issued in due course and permitting to form an untaxed development fund, most of these new enterprises are willing to spend part of last year's profit on technological development and especially on buying machines. If they were available.

As I have found, the line of industrial activity a GMK selects depends not only on the starting members' professional record but also on their social standing. It is too early to construe types, still the characteristics of several typical groups are taking shape and precisely according to social strata.

One and perhaps the most important category is that of highly qualified experts belonging to the top of the profession and also aware of the international development trends. They are entrepreneurs in the best sense: they wish to enter into the market with top quality products, and devotion is as typical of them as are talent and the desire to let hard work be acknowledged in terms of money. Some, not too many, of them already gave up their previous jobs in the socialist industry. Sometimes because they were harassed. ("Originally all the seventeen of us started in the GMK as part-timers and now eight work for it full-time. This has happened so in part by necessity because we were molested a lot at the company. I had worked as a recognized chief of a section for 29 years and had always been treated as a perfectly dependable and competent expert. Now I was forced to choose and I had to leave the enterprise." —*Engineer.*) Others happened to quit from state industry years earlier because they got fed up with the clumsiness of the inert big organization. I met a GMK formed of promotion engineers whose members first "founded" a complementary industrial section of a cooperative farm to subsequently replace this relationship born by emergency by going independent and forming the GMK. (By the way, already three products of theirs won grand prix and golden medals at fairs.) The head of another GMK, another promotion engineer, had worked for many years as chairman of an industrial cooperative. He first obtained a license to manufacture his own patent in the capacity of artisan then formed a GMK with a few of his best skilled workers and his successful product is now being manufactured in this form.

Probably the quitting of such individuals is the reason of anxiety expressed by some authors for the state-owned large-scale industry. I nevertheless feel it is unfair to blame the small enterprises as trouble-makers. It is namely shown by data that in the past two years not more than one hundred or two of the several tens of thousands of the technical brainworkers at big organizations have resigned because of the GMK. The leaving of experts certainly causes difficulties for the given enterprise. I still do not fear for the "braindraining" of the state industry but much rather for its continued inability to make the most of the talents of people employed in it. Moreover: the loss suffered by one company or two is probably more than compensated by the benefit of the national economy which the activity, unleashed from strictures of big organizations, is willing and able to give in products, quality and terms of delivery.

Today it seems that small communities of top experts bestowed with high engineering knowledge, with their fewer restrictions, more daring risk-taking and quicker responsivity to internal and external demand than the big organizations, might be pioneering in the development of a more demanding, advanced and up-to-date commodity pattern in several fields.

GMKs formed by, or with the participation of, artisans represent another characteristic type of GMKs engaged in industrial production. Although in 1982 numerically not many were formed (at most 500 of the 75.000 private artisans joined a GMK) in the first months I had thought this to be one of the most promising forms. It seemed that such teams would be able of instantly answering the demands of the large-scale industry since the workshops of artisans were, at least partly, fitted with the

necessary technical equipment and also the willingness and practice of organizing business activities were present. Today I find that the GMK has still not become popular among artisans. Perhaps partly because the artisans themselves have been granted better opportunities, for example the staff of a private workshop may come up to 13 persons including members of the family and employees, and many GMKs work with less people than that. On the other hand they have been geared through the past 30 years to be cautious: they do not trust either the collective forms or the durability of present-day opportunities. (For instance it is typical that about no one joining a GMK gave up his trade, artisan's activity and business circle though this is only partly attributable to precaution, the other reason being the chance of increased income.) Moreover: the great majority of artisans adopt the mentality of the craftsman and not that of the entrepreneur, they prefer safe orders assuring solid living and would rather do commission work requiring high technical standards for the large-scale industry. The latter, however, still keep on the safe side in placing orders: they maintain the old relations established with an artisan but are reluctant to extend relations to GMKs.

A further characteristic type is the GMK consisting of two, three or five persons of some specialized knowledge, recruited from qualified skilled workers. Most of them are doing industrial service: maintenance and repair of the many kinds of special equipment of the large-scale industry, ranging from boilers to geodetical instruments. Such teams have been called into being mostly by the clumsiness of the national service networks. Occasionally the GMK members work in the same service company. The basis of enterprising is the specialized professional knowledge and leisure time which they are willing to translate into money, satisfying at the same time urgent needs of clients.

Engineers, artisans, skilled workers. It is already apparent how different the meaning of enterprising for them is and how different services they offer to the economy according to their respective social standing. It may be of relevance for social self-recognition if we can, as it is planned at our institute, get to know more about the social differences whereby also economic acts are determined.

Thus the intent to maintain the employee status is typical of the two forms of private enterprise, i.e., most of the PJT and GMK forms: to keep belonging to the state and cooperative sector (for the sake of either the security of existence or because of the business relations that can be formed through it). The majority of private enterprises apparently do not want more than that at the moment: they want to become neither really "private" nor really "enterprise" which includes both the freedom and the hazard of self-employment. Especially as long as the socio-economic consequences of going independent are so uncertain. They have become part of the myth anyway: offices and the colloquial language already talk about them with a touch of thrill or appreciation as of the "small entrepreneurs" of the socialist establishment.

As noted above, beyond the special "enterprises" of this special "private sphere" every other form has been organized in the frameworks of the state and cooperative sectors. The most numerous, the VGMK, the working team that active and retired workers of the enterprise (business organization) may form, has been exposed to vexation from inside and outside ever since its creation.

VGMK (*Enterprise Business Partnership*)

According to the most widespread belief the enterprise teams are supposed to have formed in industrial enterprises. This misbelief that often influences administrative standpoints is probably fed by the name.

The majority of VGMKs, however, were not created in state industrial enterprises but in organizations belonging to other sectors of the national economy (research laboratories, state farms, design institutes, service companies and even cooperative farms).

More than 7000 economic organizations are functioning in the country and VGMKs were formed in 1250 of them (it even happens that there are 100 at one single place!) but this is only 17 percent of all the economic organizations. It could also be said that in 83 percent there are no VGMKs. More closely, from the about 1600 business organizations of the state and cooperative industry, VGMKs formed in 439 (27 percent) but none in the others, more than 70 percent.

The order of magnitude of staffs also belongs here: the majority of active earners, not less than 4 million from the total of 5 million, work for economic organizations. The membership of VGMKs is less than 2 percent of them. Their share is not big in the parent organizations either: it is about 5 to 10 percent of the total staff.

Numerous hopes and doubts have been formulated about the VGMKs, within the industrial enterprises in the first place. The hopes were laid down first of all by those participating in codification and preparation. As it had been presumed at that time, VGMKs would form within enterprises where idle capacities and insufficiently engaged workers existed. There, through the VGMK, that is, the joint venture of workers and the company, good use could be made of both to the benefit of the general public and other clients. Moreover, even greater changes were imagined: "the massive forming of VGMKs might affect the structure and conditions in the establishments. They would develop large-scale production organized from below upwards, transform the typical big enterprise layout of 'manufactures within the same fence' and would by necessity call forth *cooperation*, the basis of large-scale production." In the internal conditions thus transformed, "from the point of view of control not only the company but also the community in it will be the partner", that is, the VGMKs would produce pluralistic conditions.*

The doubts and arguments, also meaning the large-scale industry, came from all directions: worrying for the health, leisure time and culture of VGMK workers; worries for the consequences of the unplanned outflow of wages: suspecting that VGMKs might use "stolen" worktime and labour power for production and that "might" be missing somewhere else; worrying for wage tension in the enterprise, and so forth.

The sharpest objections have remained hidden from publicity till now. However, as I have found it, there are two camps within about every organisation and although till now the opinion supporting the teams (i.e., the one representing the official economic policy) could assert itself, there do exist stubborn disagreements and polemic papers are circulated confidentially.

*This opinion is represented by I. Csillag [8].

Although the crossfire of objections is focussed on the VGMK, it is quite obvious that, as a matter of fact, the real object of the discussion is no longer the VGMK but the interests of the business organizations, their staff requirements and the possibility of engaging supplementary staff while avoiding wage regulations, the practice of paying wages for full-time work vs. other working times, that is, one of the toughest problems of the whole economy. This is indeed the one where a solution must be found.

Several facts questioning both the hopes and the doubts are still worth knowing about the VGMK.

1. However, permissive we are about the criteria of "enterprise", it is clear that, except for those engaged in the building industry proper, the VGMKs do not possess any of the criteria of enterprise. Their organizational dependence is obvious: their formation requires approval of the manager and normally they may only work for their own company. Their formation does not need capital (the amount of about 1000 forints pooled to cover the costs of formation is not supposed to be considered a "capital investment"), they have no choice of client nor of orders, and their autonomy is limited to accepting or refusing to perform an activity for a fixed sum which the company accepted. Nor can they invest their income into the "enterprise" and they risk nothing but, at worst, the loss of income that can be earned in leisure time. In the present form the VGMK is not an enterprise but merely a contractual relationship between a company and its workers for carrying out some given task and the names "enterprise business partnership" or "business team" are only substitutes for "work brigade".

2. It follows also from the above that it is hardly reasonable to attach ideas to VGMKs working with industrial enterprises like the following: "small-scale and large-scale activities coexist and cooperate" or "the VGMK is a collective enterprise inside the enterprise"*. It is also evident from regional data that the enterprises that took the move are *not* the ones with excess capacity or workforce but big enterprises claiming to suffer labour *shortage* mainly in Budapest and in bigger industrial centres have availed themselves, to their own advantage, of the opportunities offered by the VGMK; they want to profit from the extra working time their workers have to sell. Their workers are quite frequently forbidden to accept external commission. (In a good part of the cases this is unrealistic anyway, as the knowhow of the workers cannot be used without the technical equipment, special materials and the given technological process of the industrial enterprise.)

3. Instead of the predicted and hoped-for internal structural transformation there has not happened more than assimilation of the VGMK to the large-scale plant and its moulding into the pyramid of division of labour controlled from the top. I could quote a large number of examples from forbidding to form a VGMK which the enterprise did not consider necessary for its own purposes up to the compulsory keeping of records indicating even the working hours of members and revised by the enterprise. The given structures of organization are preserved rather than transformed by the VGMK in its present-day form.

It has also become quite obvious that the trend of the anticipated pluralism could

*See on this subject the recently published book by I. Kalász-Gy. Szepesi [9].

not assert itself in the frameworks of the given economic system and, at least within the narrow bounds of business, the VGMK cannot become a suitable agent of change.

What were then still the achievements through the VGMKs?

1. In the light of data of activities, the majority of VGMKs (55 percent) are engaged in industrial activities; another 20 percent do intellectual work and 19 percent work in construction.

The VGMKs engaged in building deserve to lead the list especially as they have met the expectations attached to VGMK the best. Many, though not all, of them represent a joint venture of the enterprise and its workers: the workers work on buildings with machines and equipment lent by the enterprise—for a rent!—mostly on Saturdays and Sundays, contributing to the satisfaction of the invariably great demand for building and maintenance. It is part of the many kinds of benefits of their work that they satisfy real public demand and mostly drain the purchasing power of the population.

The majority of the intellectual VGMKs were formed in research, development and planning institutes, and they, too, work on outside commission. Although the interests of their "parent organizations", the institutes, might give rise to a variety of doubts (e.g. it is possible that one of the arguments in favour of the activities of VGMKs originates from the wish to preserve the present large sizes), but without the VGMKs, many tasks that are important elsewhere would undoubtedly be refused.

The VGMKs engaged in industrial activities are active in every field of the national economy, ranging from the processing plants of state farms through bus garages and hospitals to hairdressers, and perform a big variety of work, in which mechanical engineering is dominating. It seems that the chronic shortage of qualified workers in several trades and the shortage of parts that are relatively easy to manufacture could be quite easily solved by the additional employment of a few dozens of workers in this way instead of doing that in overtime which is more rigorously regulated.

According to estimated data about 40 percent of the VGMKs in industrial enterprises work in the main line of production to accomplish the planned, sometimes export, tasks and make up for the missing workforce. About 50 percent perform services related to production (from maintenance to cleaning), often replacing external cooperation that would cost the double. About 10 percent perform intellectual work.

VGMKs have been sporadically formed for tasks so far not attended to at the enterprise (recovery of wastes), and even more sporadically for working on outside commission, not for their own enterprise.

VGMKs performing industrial activity, with all the inconsistencies of this form, and the occasional and ostensible violations of rules governing working time or wages, considerably alleviate the disturbances of the economy, decrease shortages as well as the secondary tensions. (Unfortunately, the benefit of smoother running and of damage prevented can at best be felt but cannot be measured, as against the outflow of purchasing power which can be calculated with high accuracy and which, owing to its *measurability*, may become a stronger argument.)

2. It has been revealed by our scrutiny that the VGMKs in industrial enterprises are usually formed from the most competent and reliable workers. If I want to give a portrayal of the most general type I could give the following list of the main characteristics in brief: skilled worker, about 40, working at the enterprise for 17 or 18 years, who already belonged to a higher wage bracket than the average because, by virtue of his age and

experience, he *ab ovo* had higher basic wages and earned at least one and a half time the average in his own enterprise inclusive of overtime, special task premia and by contracting for a second job. There is a greater variety but this type has been found to be the most common.

The typical membership of VGMKs of industrial enterprises consists of *top workers* of the enterprise on whom the quantity and quality of production always strongly depended.*

The performance of this staff is acknowledged as excellent and offers marvellous examples for rational work organization. Over and above the excellent performances based on the knowhow, experience and readiness of selected men, perhaps one of the most important lessons of their work is the importance of being ready for and capable of organizing the work independently. It is absolutely sure that the same ought to be given more freedom to assert itself also in full-time work.

In my opinion one of the anxieties is justified in the present economic situation of the country, namely, the outflow of more purchasing power than planned. However, its extent—and the trends of many other symptoms—cannot be safely predicted from available data. Although the outflow of money can be controlled by restrictive measures against VGMKs, we would very likely lose more than gain owing to the reproduction of economic disturbances and shortages.

The dominating form and the typical behaviour

Up to now two conclusions derive from the data and the socio-economic parameters: 1. Of all forms the most widespread one is the VGMK which was expected to be a joint venture of the enterprise and its workers but which actually functions as a mere work brigade. When the specialized teams of industrial and service cooperatives showing very similar traits are also included (this similarity was first noted by Gy. Varga [11]) then the two of them represent 63 percent of the new business organizations and 79 percent of the membership. 2. Instead of the entrepreneur attitude, the employee attitude has remained to be typical: *a few tens of thousands of people, mostly brain workers and skilled workers, offer their labour power, knowledge and leisure time for sale in a legally institutionalized manner.*

Except the small enterprise, the affiliates and the small cooperative which are full-time jobs in this respect, the above is characteristic of nearly the whole membership of the new small organizations.

One cannot but try to guess the reasons why just that and so much has come true of the changes the green light was expected to bring about. Beyond apparently simple reasons some guidance may be also given by a few circumstances indicated by the research work done by ourselves and others.

I am alluding to three mutually amplifying circumstances, namely, the employee

*G. Kertesi and Gy. Sziráczki [10] use the term "elite worker" for the circle I name top workers. I find this an important distinction because those I would consider as "elite" according to their key status at the enterprise and their income, are not VGMK members.

attitude, the public repercussions to small enterprises and the economic conditions under which they function.

The employee attitude

It is a well-known and traditional employee strategy of life trying to sell one's labour power without affecting the individual's social status. Income originating from extra work done at the detriment of leisure has always played a big role in improving individual living circumstances and the case is the same today. At a conference held in Spring 1983, György Szepesi, showing a laudable sense for sociology, gave an analysis of the forms of extra work the different strata and groups of workers traditionally perform as well as of the circumstances that keep this ambition—or sometimes exigency—alive. Mainly young people are forced to undertake extra work, if there is any, to earn the costs of buying a home and furniture and of founding a family.[12]

Although there is no exact information about the standard of living and goals of people participating in small enterprise, a few data are already available. Two sample surveys covering the whole country [13, 14] dealt with incomes earned after full-time work. From the point of view of this subject only one aspect, namely, the ratio of people undertaking extra work, will be stressed. The data of the two studies are in agreement. According to data of a sample survey of 1500 persons covering the population in working age, 55 percent of qualified workers, 50 percent of semi-skilled workers and 47 percent of unskilled workers do some amount of extra work inside or outside their work place or sometimes in both ways.

According to the other one covering the working young people, the rates are as follows: extra work is done for additional income by 30 percent inside and by 26 percent outside the work place. The dominating forms are overtime inside and, for 55 percent of the interviewed people, some job corresponding to professional knowhow and qualification outside. (Neither of the surveys inquired about the time input of extra work, whether it was 10 or 100 hours a month, nor about the amounts of money made.)

We cannot assess as yet how much the circle of people translating leisure time into profitable working time increased as a result of small enterprises, and especially not for those belonging to other social strata. Our until now scattered findings which hold mainly for the VGMKs show that those joining the teams come mainly from the same circle: from those who have always been ready to work more. This is indicated by on-the-job case studies* as well as by the data recorded for the whole country by the National Office for Wages and Labour.** On the other hand: many people who found that their secondary

*Since its formation, our team set up in the Munkaügyi Kutatóintézet (Research Institute for Labour) has dealt with small enterprises with special respect to relations between the new forms and the socio-economic environment. In two years a number of studies and case studies were prepared analyzing especially the GMKs and VGMKs in minute detail.

**In Spring 1983, the Regional Department of the Állami Bér- és Munkaügyi Hivatal (National Office for Wages and Labour) collected with the help of the labour administration of counties data about at least three parent organizations a county having VGMKs. On the same spot they interviewed at least 3 VGMK members and 3 non-members each, asking them to answer particular questions. [15]

incomes were sufficient (mainly owners of household-plot farms) did not take the chance of becoming a VGMK member. (15 percent from the 41 percent who voluntarily did not join a VGMK said to have already had an other secondary income.)

A good many of those wishing to benefit from their working capacity have not and probably will not ask for more than additional earnings. The same is indicated by their financial goals. 35 of the about 160 VGMK members who personally answered the questionnaires of the Office worked for a home and the majority simply for maintaining a standard of living which the family was accustomed to. (This naturally covers a big variety of individual situations and objectives from single mothers raising children to keeping up a comfortable way of life.) Buying or keeping cars was mentioned as a goal only in three answers showing that the majority would do more work for quite basic necessities.

Our samples only cover VGMK members and, by strict statistical standards, neither of them would be found representative. I suppose, however, that the answers given by VGMK members in every county and formed in the most different organizations as well as the uniformity and plausibility of their financial goals are sufficiently verified by our daily experience.

The fact that the employee strategy of life is a fairly general one is indicated also by the income strategy. Although some are addicted to work day and night for more money, much more people would be satisfied to make as much money in the VGMK as they had earned earlier in secondary jobs outside the enterprise. There are also people who do not mind to earn even less than their earlier income outside the enterprise had been, given the advantages of doing the extra work at the enterprise. In other words: it is a reasonable probability that most of the persons participating in small enterprise and especially in VGMKs are interested merely in the chance of extra income which they can earn without a change in their social status and which they consider to be sufficient.

Among those working in the other forms, usually only those changed status whom circumstances and in particular the pressure of their immediate environment at the place of work forced to make a move. Very few people turned from employee into self-employed entrepreneur just because they found it attractive. However, the ambiguous repercussions of society did not make it easy in their case to leave the job held in the state or cooperative sector.

The repercussions of society

The response of the general public to small enterprises was studied by two surveys.* Both of them were recorded in the first months of 1982, moreover, the one conducted among the youth was started already in December 1981 at a time when public opinion could hardly sense anything. It was typical of both that the majority of interviewed persons, relying on the knowledge they had, identified the small enterprise mainly with private artisanship, having a private taxi cab or keeping retail or catering shops under

*The result of the poll made among young people is contained in the work of I. Szabó, (op. cit.) [14]. The study prepared in April 1982 by the Section for Public Opinion Polls of the Research Institute for Mass Media is reviewed by K. Farkas in her paper [16].

contract, that is, the advent of private ventures was postulated. It is all the more remarkable that 52 percent of the interviewed young people said they would like to venture some kind of small enterprise and another 24 percent supposed that "many people must be inclined to do it." 58 percent of those interviewed thought that small enterprise was compatible with socialism. Most of them were of the opinion that small enterprises (as they meant them) would promote the solving of economic problems, furthermore, that the standard of services and supply could be thus improved.

Four months later in a questioning of adults 92 percent of the interviewed supposed that small enterprises would be beneficiary. Most persons expected better supply and services, a wider range of choice and better satisfaction of demands. (Only a few of them, however, expected any substantial improvement in the situation, ie., a palpable decrease of shortages, competition for buyers and diminishing service prices.)

Thus, according to these data, public opinion did not take a negative stand but was looking forward to the small enterprises, assuming that their activities would improve the living conditions.

However, the members of the small enterprises that were set up had to face the response of their immediate environment and not the general view or the "public opinion". This response depended on the form of their organization in the first place. I have found that the new forms like small enterprises, affiliates and small cooperatives set up in the frameworks of the socialist system of organizations did not provoke any special curiosity. Practically only members of forms considered private enterprise, namely, PJT and GMK, as well as VGMK (although this latter one can hardly be regarded as private enterprise) experienced unwelcoming attitudes of the closer and broader social environment, many kinds of small offices, bosses and colleagues.

During the last nearly two years I got acquainted with numerous PJTs and GMKs working in different fields. I found that about all of them had *had* a story. Many had tried to find legitimate ways by obtaining licences as artisans, the sponsorship of an ÁFÉSZ (General Consumption and Sales Cooperative), or a cooperative farm ready to accept their activities as auxiliary line. Other groups or individuals had been, let us use the common term, simply "privateering". As soon as the opportunity was given they changed from the earlier emergency ways to carry on their activities in some convenient legal form.

It follows that all who formed a PJT or a GMK represent at the same time the group willing to observe law and order, as against all others who have continued to keep out of the bounds of legality offered to them and have continued to do moonlighting work and make untaxed income. Still, those persons who were willing to work legally (I could quote numerous conversations showing their strong preference for legitimate ways) and who strengthen authority relations in society with their declared voluntary obedience, were frequently exposed to rebuff they had never met in "privateering".

While several high authorities granted them maximum individual support, they had frequent conflicts at their work place with the immediate environment or potential clients and similarly often they felt the aversion of officers working with higher organs. Prejudices nurtured for many decades (though lately subdued) against "privateering" persons surfaced from open or hidden repugnance. The passion of stubbornly persisting stereotypes is fed from their assumed quick accumulation of wealth and unscrupulous profiteering. Aversive feelings occasionally precipitated as conflicts of no solution and in

such cases the regular job was abandoned. They are also still quite frequently repelled by potential clients, eg. industrial companies, saying that "no order is placed with privates"

In addition to the usually personal experience of conflicts they also meet the dislike of those supposing that they only add to the variety of functional troubles of the economy. Differences between small enterprise forms are typical also with respect to public repercussions. Let us continue with the private enterprises. The stereotypical prejudices often having dogmatic ideological background have, namely, become the harshest against these small autonomous communities seeking buyers for their products, services and capacities, thus trying to find their place in the functioning of the economy. No wonder these stereotypes practically lack any postulation of a solid existence and way of life established through honest work as well as any acceptance of the financial and moral acknowledgement deserved by special knowledge or by undertaking special hardships (worktime till night, stepped-up rate, sacrificing of weekends, etc.). Perhaps it is not surprising either that the prejudices and worries became fixed in the reasoning of members of definite groups of society much rather than in that of the "general public". According to the said research, young people were of the opinion: "he who works hard deserves good earnings". Many young people argued with grown-up sound reasoning that "anyway, the tax system will not let people grow too rich".

From the point of view of those concerned, who must be more susceptible to the aversion of the immediate environment, negative opinions would at worst dishearten them if their chances of functioning and the circle of customers were not affected. In this way, however, their vital interests as well as their postulated role in the functioning of the economy are blocked. Very little has been done to settle the *social status* of participants in enterprises, for changing value judgments following from a given dogmatic approach which has become obsolete from the point of view of social and economic development, and for the elimination of opinions of inherent inconsistency which accept moonlighting and refuse the licensed activity. Jenő Andics correctly states that politics have given only pragmatic treatment to the issue of small enterprises (I think is much more than nothing) and that cannot substitute for a "careful analysis of the ideological challenge" [17]. Otherwise only the number of unanswered questions will multiply, and exactly in the minds of strata with the strongest influence upon the thinking of others, while the old answers, also advocating the socialist interests, are flowing freely through informal channels. The building of confidence naturally requires honest work from the new organizations and a way of life up to the socialist values and standards from members. I have found that the big majority of persons choosing legitimate activity consider the same to be their natural goal. The lack of confidence itself may work in favour of the hasty exploitation of supposedly temporary chances and this in turn strengthens suspicion against the ventures. Mistrust inevitably ends up in a deadlock unless it is eliminated.

Initially and at some places up to now, VGMK members, like PJT or GMK members, were blamed for making money by 'finesse'. But as their activities are performed under the eye of enterprise opinion and the colleagues themselves can see that they work usually with stern discipline, great intensity and often in all their leisure time, malice and assaults were gradually tamed. (By the way, VGMK members personally contribute to relieving tensions at some places, for example by the voluntary limitation of their incomes. It was observed in the case of the best earning VGMK members that they, *restricting themselves*, set a ceiling (of about 10 to 13 thousand forints a month) on their

total income at the enterprise, so as to include the full-time and part-time earnings they thought to be fair and tolerated by the public opinion of the enterprise. It would be useful to know income strategies more thoroughly especially as these are at the same time indications of the acceptance of assumed or real public values, and of observing social standards by instinct or by voluntary will, and thus much could be revealed about the tendency of the prevailing social consensus.

The VGMKs and especially the parent enterprises are apparently no longer worried by the opinion of the immediate enterprise environment. They are haunted rather by the recurring danger of conditions being changed from outside. (For instance by a directive to the effect to pay the VGMKs from the wage fund of the enterprise.)

Economic conditions of operation

According to one of the widely quoted expectations, the small organizations could, by virtue of their flexibility and adaptivity, prompt the big ones to compete. This may happen some time but, for the time being, the small ones are battered by the daily problems of functioning.

Relations between the private sphere, whereto from the new organizations the PJT and the GMK belong, and the economic administration are—from the point of view of obtaining the resources necessary for operation (money, means of production, materials, labour)—obviously of a different quality than the relations of small and big organizations belonging to and dependent on the pyramid of economic control both organizationally and through the persons of appointed managers.

As a matter of fact, it was an objective that the small enterprises should be free to determine their respective spheres autonomously and without subordination; they should find out where their products or services are needed and make their own decision between finding another sphere of activity or winding-up when that demand has ceased out. This way their activities are located in a zone uncovered by state control — although that zone is quite severely limited by a number of environmental conditions.

The starting capital for the ventures is not provided by the state (except for small enterprises and affiliates) but it must be contributed mainly from the assets of members. (The exceptions being that banks or innovative funds become partners through the contribution of capital for the purpose of manufacturing products, generally inventions or patent goods, which require substantial input but are also expected to sell very well.)

The experiences of two years, however, indicate that mainly such PJTs and GMKs, postulating actual personal contribution, have been set up which required no or little starting capital.

The *activities* suggest that funds must be invested only in organizations engaged in industrial (27 percent) and building industrial (14 percent) activities while in case of intellectual and other activities representing about 60 percent, human capital usually substitutes for funds.

Whenever the start would need money, even if only for a while, the formal way of raising credits has been till now a hopeless case. Except a few special cases like the joint manufacturing and marketing of products based on inventions, there was actually no

credit available to assist the majority of the private ventures working in routine "background" industrial lines—as funds specially allocated for that purpose are missing.

In many countries big enterprises help the setting-up of small establishments by transferring equipment and technology, sometimes also the state helps in direct ways, through the allocation of starting capital and tax facilities. In Hungary, even lending is a problem.

It is a considerable advantage from the point of view of establishing the conditions of operation that the small enterprises may separate an untaxed development fund. They have been found to make good use of this opportunity, especially those engaged in industrial activities. But even if there will be a will to invest and buy machines, it will come up against the nearly unsurmountable obstacle of the underdeveloped market and insufficient supply of equipment. A new venture simply cannot afford the price of a new machine — while the availability of second-hand machines is poor because the potential sellers, the big enterprises, cling to their machines even if not used for years and written off to zero value in their books. (An analysis of the fixed assets of the industry shows that in the period between 1976 and 1982, when despite the containment of investment the volume of fixed assets was steadily growing, the low, already 0.6 percent scrapping rate kept on decreasing to 0.2 percent and the rate of scrapped *machines* was even smaller.) [18]

It might be a solution to rent machines. Many small enterprises would much prefer to pay rent for the occasional use of machines to buying expensive machines. In spite of some sporadic initiatives, however, a renting system is not likely to be soon established.

Amidst the lasting or *ad hoc* shortage of different materials required for production, which is a problem also for big enterprises, the small ones suffer multiple disadvantages owing to their position and size.

The field where the small ventures are in undoubtedly better position than the big ones is the availability of one of the resources required for functioning, namely, labour. Especially as the small organizations, disinterested in increasing the staff for love, only want the leisure time of their actual or to-be members whenever this is possible. And this is quite a plentiful resource.

Relations existing between the small organizations and the environment receiving their "outputs" is apparently more harmonic than in the case of resources. Although one dozen small organizations or two are wound up every month, the products and services of the majority are generally bought all the more as the number of small organizations is still too small compared to the insatiable demand of the people and of production.

Owing to two circumstances, however, the market is confined to a size smaller than it could be. The first one is the tax system whereby production is discouraged. The old way which artisans have used for a long time, i.e., to suspend their activities in a given part of the year so that their incomes should not exceed the limit of heavy progressive taxation, is now also applied by the small organizations turning out the most successful products. The tax of about 82 percent on an annual income over the sum of 200.000 forints, which restricted personal incomes, simultaneously set limits to production. The wider limits of the new tax system will open the way for greater output.

The second circumstance narrowing the market is the receptivity of public organizations and especially of state enterprises. In the course of our scrutiny many cases of mutually satisfactory and strengthening relations were heard of—but firm refusals as

well. I feel that fear from the appearance of corruption is the most important one of the various reasons for the reluctance of state enterprises and institutions. Not only because some persons would try to tempt an official in the interest of an advantageous contract, but also because this temptation might grow along with the strengthening relations between the two spheres. Especially as the market is inevitably created through personal contacts. The "invisible hand" of Adam Smith, concerning demand and offer, means the real well-known hand one can hold—this hand and the like help in establishing relations. Indeed, where is a guarantee of integrity? As it is shown by the big international bribing scandals, it is hard to provide protection against corruption all over the world. And still, it is supposed to be the more promising way to consider rather as many offers as possible, i.e., to expand relations instead of knocking them down.

The relationship between small and big organizations is dominated by the attitudes of the big enterprises. Their receptivity is the precondition to the establishment of the so badly missing "background" industry and at the same time it can encourage the formation of new small organizations.

Two important characteristics are shown by the summary of conditions of operation:

On the one hand: the social and economic environment has given little incentive for the functioning of the existing small organizations and for the formation of new ones; the opportunities opened up by statutes have been strongly curtailed by environmental conditions. The value of the status of these ventures is judged with uncertainty and society watches their work with more suspicion than encouragement. Conditions are not yet given for their integration into the economy.

On the other hand: partly for the afore-said reasons, the new business organizations are cautious and distrustful. Distrust must be in the background of the caution in the investing of capital and in the keeping of jobs. This is a natural behaviour, and it is also due to past experiences. Generations are still alive in Hungary who saw how masses of people lost their limited means produced in a life's work or perhaps by the work of older generations, how small workshops were wound up and how professional competence and experience became unwanted. The present experience is not sufficient as yet to relieve this distrust. The measures taken so far for the promotion of small ventures do not yet transmit any safe guarantee for the security of existence.

People would like to trust but the building of trust needs undisturbed experience through some longer period of time. Any step making the material conditions of operation better would automatically contribute to greater trust.

The economic role

It would be easy to go enthusiastic and praise the marvellous economic adaptivity of the Hungarian society with reference to ten thousand small enterprises—as well as to give a sympathetic nod to any pathetic lament referring to the same small enterprises. But I do not think that either way is right. Something has started but we are still far away from the results hoped for.

Although there is some change in the field of services in the broad sense yet the

contribution of new organizations is not too much. The lasting deterioration of the situation was brought to an at least temporary halt by forms of *individual* enterprise, that is, the lease and contracting introduced earlier in the retail and catering trade. It was due chiefly to the increasing number of artisans that the demand for transportation of goods and passengers could be better met, at least in Budapest. The number of artisans began to increase also in other branches, although nearly 40 percent of the active ones work part-time or as a second job. But the areas of shortage in commodity supply and services only attracted a small fraction of persons associated in the new forms of enterprise.

If enterprising spirit and incentive fail to grow then the new organizations may for long not be expected to contribute substantially to the alleviation of shortages and especially not in spheres affecting living standards.

There has not been any appreciable change in the activities and organizational system of industrial production either—nor is it likely to happen for the time being. Although the two-way process (making independent units from factories of big enterprises and trusts by higher decision and creation of small enterprises) caused some change in the internal proportions of the notoriously overcentralized system of organizations, the ventures developing in the environment of large-scale industry are too sporadic as yet to speak about any satellite enterprises serving the large-scale industry or about the emerging “background” industrial activities. Nobody reckons with rapid change, nor does the rate experienced so far justify any hope for profound improvement.*

Nor have the problems of employment alleviated. The acute shortage of labour, the fear from the migration of workers are problems especially of the large-scale industry and, from the regional point of view, of the organizations functioning in the capital city and major rural industrial centres. On the other pole stand the lasting unemployment problems and the lack of employment opportunities in several counties [20]. The big industrial companies have considerably improved their labour conditions by organizing VGMKs. According to our own studies, they successfully satisfy their labour requirements from various sources like overtime, secondary employment, foreign workers, cooperation by subcontracting and the VGMK. (And all that while being *interested* in decreasing the staff by 3 percent a year because the wages of those leaving could be thus used to increase the wages of those staying.) The VGMK, however, means that the *given* workers are additionally employed and as such, it does not create new jobs. This is the very reason why VGMKs were not encouraged in counties facing durable employment problems (and even prohibited at a place). The aim was to prevent some people to have access to extra work and extra income while others have absolutely no opportunity to work. It is known that neither migration of labour was induced nor new jobs were created by the others forms of organization either. In the very areas where small enterprises would be necessary, like in Szabolcs, Vas and Zala counties, their scarcity shows the missing of a vivid business life that could produce demand.

*The distance between the current rate and the necessary degree of changes in the restructuring of the industry by size of enterprises is illustrated by the international comparisons made by I. Schweitzer [19] and P. Pozsonyi [20]: The Hungarian economy would need several tens of thousands of small organizations to tilt the pyramid, now standing upside down, back to its foot.

Economic difficulties are not favourable anywhere for making the existing small enterprises viable and evoking new ones. However, the domestic conditions can be made much better. It is due not only to the short time but also to social and economic conditions that the present-day small organizations have no or little capital and are basically “part-timers”. For the time being the same is true about their economic role as well.

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МЕЛКОЕ ПРЕДПРИНИМАТЕЛЬСТВО В ВЕНГРИИ МИФЫ И РЕАЛЬНОСТЬ

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Наряду с индивидуальными частными предприятиями в области производства и услуг (например, кустарной промышленности, приусадебных хозяйств в сельском хозяйстве, арендой и эксплуатацией на договорных началах предприятий торговли и общественного питания) в Венгрии с 1-го января 1982 г. мелкие хозяйственные единицы могут образовываться и в форме *товариществ*. В статье рассматриваются общие черты и особенности этих т. н. «мелких предпринимательств», количество этих организаций, численность и состав их членов, а также их роль в экономике.

Общественное мнение в Венгрии с большим интересом следит за ростом числа и деятельностью этих организаций, создаваемых в интересах лучшего удовлетворения потребностей населения в сфере потребления и услуг, а также создания мелких, производящих комплектующую продукцию хозяйственных единиц, отсутствие которых так ощутимо в организационной структуре народного хозяйства и, особенно, промышленности. Со времени их образования было высказано много, в отдельных случаях крайне отрицательных или положительных мнений и предположений.

Автор на фактах развеивает эти различные мифы. Она показывает, что большинство новых организаций возникло в социалистическом секторе народного хозяйства: мелкие и дочерные предприятия были и остаются в государственной собственности; часть мелких кооперативов выделилась из крупных, то есть изменились лишь размеры предприятия, что обеспечивает возможность более гибкой деятельности. 65 процентов новых организационных единиц возникло в рамках организаций социалистического сектора: создаваемые с учетом своих работников и пенсионеров хозяйственные товарищества на предприятиях, а в кооперативах — специальные группы. В них занято почти 80% членов новых организаций. Первоначально предполагалось создание совместного предпринимательства предприятия и его работников по использованию свободных мощностей, недостаточно занятой рабочей силы для производства дефицитных товаров, использования отходов производства и т. д. Вместо этого хозяйственные товарищества и спецгруппы, можно сказать, работают исключительно для своих собственных предприятий, кооперативов, восполняя недостаток рабочей силы для производства, технического обслуживания и ремонта оборудования.

Создаваемые частными лицами товарищества на основе гражданского права (188 организаций, объединяющие около 1000 членов) и хозяйственные товарищества (около 4200 организаций, объединяющие 24 тысячи членов) организовывались в первую очередь для оказания интеллектуальных услуг, не требующих вложения капитала. Из их числа 1200 организаций заняты промышленным производством, и, примерно, столько же ведут строительную деятельность. (Образование с целью промышленного производства организаций составляют один процент от общего числа частно-

кустарных заведений.) Пока экономические и общественные условия открыли лишь узкие возможности для развертывания промышленной деятельности.

В целом в мелких предпринимательствах принимает участие около 2 процентов самодеятельного населения страны; и, можно сказать, почти все они сохранили свое основное место работы и используют в рамках мелкого предпринимательства только часть своего свободного времени. Сложившееся положение не обещает значительного улучшения ни в условиях жизни населения, ни в развитии мелкого комплектующего и смежного производства.