COMMENTS AND CRITICISMS

Development of various forms of so-called small entrepreneurship has strongly engaged public opinion in Hungary in recent years. Beside the initial practical steps in this direction (various forms of small cooperatives, associations, leaseholds, private entrepreneurship also the much debated activity of Tibor Liska, who has elaborated a radically new theory of socialist entrepreneurship, arouses great attention. Tibor Liska (born 1925) has brought about, with separate government support, and is heading the Research Group of Entrepreneurship at the Karl Marx University of Economics. This Group initiated and is monitoring a few experiments which intend to test T. Liska’s proposals in practice. It also carries on a propaganda activity enjoying great publicity in order to make people acquainted with and understand Liska’s ideas. At the centre of this activity are open and public debates organized by the group where the participants – invited experts and other interested people – confront their opinion and ideas with the theoretical conception and practical proposals elaborated by Liska.

Hereunder three authors discuss T. Liska’s ideas and proposals. The study by Jenő Bársny gives a summary review and analysis of Liska’s views. (Since up to now Liska has not expounded his views in a comprehensive form in writing – apart from some sketchy and partial internal materials not intended for publication – the study by Bársny may be considered the up-to-now fullest and correct summary of Liska’s theory. (Liska himself considers it as such.) The critique of János Kornai was delivered as an introduction to one of the public debates with Liska. György Varga examines the experiences of a practical experiment relying on his impressions obtained on the spot.

The ideas of Liska are quite novel and he developed quite a few new economic terms. Thus we were forced to coin some new English terms as well. Since the terms are all explained within their context, we hope our readers will have no difficulty in interpreting them.

The Editor
J. BÁRSONY

TIBOR Liska's CONCEPT OF SOCIALIST ENTREPRENEURSHIP

In recent years, numerous interested experts gathered, week after week, at the perhaps most interesting "debating society" of Hungarian economists, at the "research debates" of the Entrepreneurial Research Group of the Karl Marx University of Economics (Budapest), to witness the mental exercises in the course of which, on the one hand, the head of the Research Group, Tibor Liska explained or confronted his views concerning socialist entrepreneurship, and on the other, prominent representatives of Hungarian economic science took a stand concerning the questions being discussed. Some people may have considered these meetings a creative scientific workshop, others a "sect" in the process of being born, but it is undeniable that problems of decisive importance were being discussed, aiming in the last resort at finding the authentic model of socialism. In the meantime, more or less in accordance with the theoretical ideas, "experimental" socialist small enterprises were being born in Hungary in a growing circle, especially in agriculture. Later, operation under contract, and the "biddings" connected with it, unfolding in the retail and the catering industries aroused great interest and rendered the new entrepreneurial possibilities a daily topic of conversation also beyond the professional circles. The legal regulation of the matter of small enterprises began. The new statutes which entered into force in 1982, for instance, made the establishment of small cooperatives, industrial or farming trade groups as well as of economic partnerships (working parties) possible [1].

Tibor Liska is undoubtedly a peculiar personality of Hungarian economic science, who searches passionately for the uncommonly new. He is a fanatic in his intentions to improve and in his agility; due to the extremeness stemming from his convictions and his agitative zest he may be called a prophet and a daredevil at the same time, who is often — groundlessly — not being taken seriously. Even if his proposals seem to be utopistic, his opinion always gives rise to thoughts and points to the essence.*

*According to one of his interpreters, Maria Petsching, "he is being considered today the 'miraculous healer curing all ills' of Hungarian economics because he is able to diagnose wonderfully, is able to write out wonderful prescriptions, and can believe in that miracles can be made to come true". We may add that he is inclined to reject summarily all "achievements" which have so far been made by economic theory. In his polemical treatise entitled "Ökonoszatrát" (Econostat) Liska accepted himself earlier his being called a "miraculous healer", commenting that "as a miraculous healer I may still achieve more than as a graduate physician who considers the patients only treatable but not curable".

Acta Oeconomica 28, 1982
If we search for the source and theoretical "kinship" of Liska's views, we must find first of all that he is unequivocally a Marxist, especially in respect of the essence of Marxism, which is the critique, relying on reality of society, the rejection of private property and exploitation, the humanistic objective of the many-sided development of human personality. In some respects his views are nevertheless close — even if Liska perhaps ignores this — to those of some representatives of neo-Liberalism which is gaining ground in the Western world.*

With incisive criticism he unequivocally rejects the system of directive planning and demands open market conditions, and in this he meets with the foundation of the self-management system, but opposed to the latter he rejects the limitations of group ownership. Although — in spite of the ruling general etatistic view — he is in some respects in harmony with new endeavours in Hungarian economic science, he does not pay for the time being much attention to the theoretical antecedents and the search for new ways in Hungary, and proclaims an entirely new socialist economic principle. Although he cannot count on the rapid realization of his concept, he nevertheless expects, on the basis of "rationality", the gaining ground of his ideas from today's leaders. At the same time he does everything for the "learning" effect of the broadening practice.

Tibor Liska was among the first in Hungary to voice — opposed to the then ruling dogmatic views — the opinion that socialism was basically a commodity-producing economic system; that the aim was not the repression of commodity (market) relations but their freer development on a socialist basis, because, where at the given state of the forces of production the market and competition cease, there inevitably a monopolistic situation arises, bureaucracy, privilege, arbitrariness, parasitism gain ground. All of which — as features alien to socialism — have a regressive, ruinous effect on society and on the economy.

The "Critique and concept"

Already in his article published in 1963 and entitled Kritika és koncepció (Critique and concept) [1] Liska made some fundamental statements which appeared to be shocking and theoretically unacceptable to the then ruling dogmatic socialist economic public opinion.** Referring to the historical antecedents, we may point out that in the course of examining the role of the law of supply and demand in socialism, recognition of the neces-

*Similar to F. A. Hayek, also Liska opts for the market against the system of commands, rejects in principle the social allowances based on the paternalistic principles of the "provident state", and finds the root of economic troubles in the redistribution by the state. He too has recognized that in a game of hazard — and the free economy is such one — only the behaviour of the players can be fair, but certainly not the result. Liska sees the assertion of the social interest in that "the ball should always be passed to the player who is in the best position".

**The critics who condemned him — characteristically — later exercised self-criticism in one way or another. The debate with Liska also obviously contributed to the development of their views which later played an important role in the reform of the Hungarian mechanism.
Socialism is not communism, "socialist society does not produce directly for needs but for the market". Socialism is a society with commodity production and, in addition, it may conduct more advanced commodity production exactly on the basis of social ownership and, consequently, of the greater opportunities offered by the social division of labour". 

Socialism cannot exist without advanced commodity production, without a market and without real money. More advanced commodity and monetary relations than those existing in capitalism can be created only "on the basis of social ownership relations which are more adequate to the societal nature of production". (This is one of the important starting points for Liska's later views) "Planning . . . is contradicted by the reduction of the commodity and monetary relations to a primitive stage. The ulterior market control of the price mechanism is not the opposite of proper planning but its condition."

"The endeavours at turning the price mechanism and money into formal ones, at restricting the law of supply and demand wrested out of the hands of the socialist state the most powerful instrument for organizing the economy, and replaced it by much less efficient, formal plan instructions. Without information and valuation supplied by the market, with soft budgetary constraints losses and the wasting of social labour cannot be avoided."

The source of numerous troubles is that interpretation of socialism which, due to the hypothesis of labour taking on a directly social character — on the basis of public ownership — considers the social division of labour apt to be planned centrally, essentially in physical terms, submitting the forms of value to the arbitrariness of this planning, isolating the national economy from the world economy in an autarkic way, and delivering planning into the hands of a bureaucracy.

He summed up the negative features caused by prices planned on the basis of inputs, i.e. by the application of construed prices, by the elimination of the market conditions and of real (convertible) money in 25 points. Out of these, the following are the

*This problem was exposed profoundly in the work by János Kornai, published in 1980 [3].

Acta Oeconomica 28. 1982
most important; a) Recognition of the domestic cost of production “finances technical backwardness”, impedes technical progress, because the costlier the product is, the higher the price that can be asked for it, b) The possibility of clear sight in economic questions ceases. In a price system built on the domestic cost of production benefit is not suitable for either demonstrating efficiency or stimulation, because “it is primarily a function of subjective decisions and chance”. c) The arbitrary fixing of prices without the control of the market, especially of the world market, creates values of a fictitious magnitude and has therefore necessarily an inflationary effect. d) Due to the false relative prices which are without economic foundation, the efficiency of production and of the division of labour cannot be judged, e) The forint of one sector is worth more than that of another. f) The “let it cost what it costs” practice of price formation is not interested in what the product is worth on the world market. Poor work is also recognized: the enterprises live in the safety of a glasshouse.

Local and individual interests and tendencies, opposed to the interests of the national economy, gather strength. Without an objective (market) control, subjective judgements, the making of exceptions, privileges, through these the formation of power groups, the abuse of power, corruption proliferate. The deflection of farm prices and of consumer prices create conflicts of interest and troubles in the judgement of economic efficiency.

An unlimited demand and struggle arise on the part of enterprises for gratuitous state investment funds. The “milking cow system” and the struggle for the exploration of hidden reserves are the main impediments to the flexible re-grouping of resources and their better exploitation. It was with this recognition that one of the main starting points of the concept emerged: “In our autarkic price system, when allocating resources, the question cannot be put unequivocally (i.e. in a way which can be determined in forint increments that can be realized and are to be paid in): “how much do you pledge for it?” Consequently, on the plan-market of the socialist monopolies, the resources are not allocated among (socialist) entrepreneurs”. (It should be noted that here Liska still meant by the notion of the “plan-market” that all enterprises and sectors “bargained” as monopolists for investment funds, promising everything, and manipulating with figures, arguments, patrons, etc.). A spurious stimulation arises in the course of planning, because it makes enterprises interested in “plan fulfilment”, in the fulfilment of the various prescribed indices, and not in economic efficiency.

5. The more and more complicated planning creates an increasing and costly administration, a parasitic bureaucracy which uses its power to interfere with everything and wants to determine everything.

6. Liska’s main proposal was: “The planning of the new, up-to-date mechanism of economic control and management must set out from the reform of the price system.” He took a definite stand for a domestic price system based on world market prices, i.e. for domestic prices adjusting to prices which can be achieved in foreign trade, as a main orienting factor. In this “the price centre for every product that is the object of foreign trade may be its (alternative) object would be the world market price which has in the

Acta Oeconomica 28, 1982
average been achieved or may be achieved by Hungarian foreign trade, ... converted at a uniform exchange rate”. It should be noted that 17 years had to pass until the realization of this idea of Liska was at all put on the agenda.

In the formulation of prices elasticity is the main thing. “The bureaucratic idea of centrally normalized prices is increasingly being breached by the practice according to which prices are established in agreements between sellers and buyers, and the Price Office only prescribes the principles of the agreements and puts on record the results of the price agreements”. The important thing is not that the producer should in every case have his way but that he should adjust to the economic reality.

In connection with the changes in prices incomes must be modified too. Already then the idea of his appeared that, instead of social allowances and as an indemnity for the increase in the basic costs of living, it would be preferable “for every citizen to obtain from the socialist state a monetary rent assuring his or her subsistence, which could be withheld only, through due process of law, from criminals and notorious work-shirkers”. As may be seen, he proposed to substitute for the free or cheap social allowances a monetary rent at real prices (fees), which would be a better stimulant for the more rational utilization of services (for instance housing).

He expected from the economic clear sight achievable through the reform of the price system that a genuine substance could be given to the category of profitability, which would render the planning of investment projects more reliable too.

In respect of the taxation of enterprises, he took a stand — as opposed to the “tax office mentality” siphoning everything progressively off from everybody — a fixed tax set in advance for at least ten years. He already then looked for the solution of long-term incentives.

The “Econostat”

Liska exposed his maturing views in more detail and in a more advanced form in his longer unpublished polemic treatise, which he wrote in the mid-sixties, the Ökonostát (Econostat), as a sort of critique of the then ruling views in the science of political economy of socialism. (By “econostat” he meant the self-regulating mechanism of socialist commodity production.) At that time he was expected to further efficiency calculations through world market “re-pricing”. Instead, he pointed out that in the given circumstances it was not at all possible to calculate economic efficiency (which made planning fumble in the dark), and it must not be “calculated” at all, but market conditions had to be created where economic efficiency would assert itself automatically through the interestedness of the enterprises. He also recognized at the time of the preparation of the reform of economic control and management that it was not bureaucratic tinkering that was needed but a radical change affecting the conditions of production, the bringing about of the historically justified more societal social ownership. He tried to prove that socialism — as opposed to war communism and later to Stalin’s “feudal socialism” (which liquidated the Leninist self-criticism of the NEP) — was in fact a higher stage of commodity

*Acta Oeconomica* 28, 1982
production than capitalism, because, eliminating the constraints of private ownership and liberating the labour force it created, on the basis of social ownership a much broader possibility for democratic, free entrepreneurship. The communistic traits must not be asserted through an economy managed through physical indicators relying on a moralistic foundation but in the replacement of the wages(salary) which were increasingly degenerating into a “fee for presence”, by a “fee for not even being present” (a social rent similar to the sick-pay, old age pension, or unemployment benefit) which would ensure for everybody the financial conditions of subsistence, (This was with Liska the source for his later idea or concept of the “social inheritance”.) In this case the toilers must not receive wages but an additional income corresponding to their entrepreneurial performance. If social property universally becomes credit capital, anybody may have access to it, anybody may become an entrepreneur. According to Liska’s proposal, the social property must be entrusted to a special banking system which lets it for use to the highest bidder through a tender in the framework of a “plan-market competition”. Democracy is the condition of free entrepreneurship. The economy is formed by voluntary collective enterprises. The ideas of the acceptance of the “put-up leasing fee”, of perspective sharing, of entrepreneurial responsibility arose already then. In the “Econostat” Liska tried to draw an unequivocal line between his ideas and both free market or state monopoly capitalism and directive planning or self-management socialism.

Attempts to solve the burning problems of society

Since Liska felt that in the Econostat he had found the key to the questions of the economic theory of socialism, he turned towards some burning economic problems of social interest to propose solutions applying his theoretical conviction in practice and confirming at the same time his theory in the course of the solution of the problem. He dealt with the housing problem [4], the critique of human ecology [5], and later in the mid-seventies he searched already for the possibilities of complex entrepreneurship (e.g. in connection with the exploitation of thermal waters in Hungary) [6].

His analysis of the housing question also confirmed that behind the measures of welfare policy meant to have a socialist nature, in fact features unworthy of socialism were hidden. The dwelling (the real estate) creates inequalities among people, which are inherited and essentially determine the way of living and livelihood. The housing shortage vitiates human lots, the larger dwelling may become a source of economic rent. The cheap rent for the dwelling, its mostly “benefit” nature does not create an incentive for a more intensive utilization of the existing dwellings, for the possible moderation of demand for dwellings. Since the rent paid does not even cover the maintenance costs, no adequate stimulation exists for the building of dwellings. In the state construction of dwellings the lack of direct interestedness contributes also to the deterioration of the quality of work. Most alien from the principles of socialism is however the system of the state distribution of dwellings. By receiving a dwelling the “fortunate” new owner gets a private asset which
is worth the income of many years, a "benevolent gift" at the cost of others who do not receive such gift. This situation is a hotbed of personal selection, privileges, and abuse.

For Liska, this question reflects — as the sea does in a drop of water — beyond the sphere of production of goods too that the "running ahead" towards the communist principle of "to everybody according to his needs" is at the given state of the development of production forces much rather a step back towards feudalistic conditions; it makes even more universal the monopolist position, the drawing off (centralization) of resources and their distribution selecting among persons, which Liska calls today the system of lawful "sharing in plunder". At the same time this "welfare distribution" attitude is far from being efficient; by its bureaucratic methods it impedes the mobilization of resources for the solution.

Liska's proposal seeks the way out through the only adequate language of the conditions of shortage and conflicting interests, i.e. prices. There should be a free and real price for the dwelling, as well as a real rent (and estate tax); and the raising of the rent to an equilibrium level should be compensated for in the wages. In this case the demand for dwellings is adjusted to the ability to pay, and this sets dwelling space free. Demand creates supply, housing construction becomes lucrative and gets under way, and under entrepreneurial (competitive) conditions certainly becomes economically more efficient. On this basis clearer and more efficient conditions would be created also for large-scale housing construction and genuine welfare policy measures. (It may be noted that, however shocking and utopian Liska's proposals should have sounded in 1969, today's housing policy measures in Hungary point gradually into this direction — even if far from consistently doing so — but rather strengthening private ownership and consequently less efficiently.)

Problems of the economic reform as a historic background

Although Liska's concept refers in the last resort to the economic system of socialism itself, his views nevertheless belong to the range of ideas of the reform of the mechanism. These were developed in the course of the reform endeavours of the sixties, and took on a more mature shape at the time of the new wave of "perfecting" in the late seventies.

In the meantime a lot happened concerning our topic in the world around us and in Hungary: on the basis of historic experience several experimental models of socialism were born. In accordance with Liska's perceptions, these are connected on the one hand with the interpretation of socialist ownership, and on the other with the acceptance or merely formal recognition of the commodity-producing nature of socialism, or the restriction of the commodity conditions, respectively. The once (in 1921) already overtaken concept of war communism — as a system advancing the communististic traits and relying in its control on great arbitrary actions and the "revolutionary" spontaneous activity of the communes, as well as a strictly egalitarian system of distribution — were transitorily again tried out, for instance in China and in Cuba. In China the views about the historic situation and the nature of socialism have since then been revised and they have

Acta Oeconomica 28, 1982