4. The universal validity of the entrepreneurial system is questioned by the fact that in some rather secondary areas, which nevertheless figure in the concept, performance cannot be defined adequately, especially not its quality. Such are especially the cultural, welfare and health services (education at school, medical treatment). Consequently, the solution of these through market entrepreneurship presents a problem. (It is not by coincidence that exactly these have become public social services; in these areas, entrepreneurship would also be hardly likely to put an end to monopolies and privileges, it would only increase publicity.)

5. Beyond the problems of principle mentioned, we must voice our doubt about the historic chances of Liska's model of socialism, about the possibility of realizing it in the near future.

First of all, the described mechanism preconditions of this model are lacking and will presumably be lacking for some time: the commodity- and money relations, the fitting into the international market relations, the assertion of democratic competition. And without these the efficiency stimulating role of economic transparency, costing, and control by the market are not ensured. And without a convertible currency, realistic price formation, the elimination of monopolistic situations, the existence of a commodity- and capital market, and free enterprise, much of the vitalizing atmosphere of this system is lacking.

The introduction of genuine commodity and money relations, of universal democratic competition, of the new method of socialist ownership would fundamentally alter the present system of planned economy and would in fact represent a "revolution against bureaucracy". And he would have to win over for this reform — because Liska is unequivocally of a reformer attitude —, following the example of the Utopians, those whose leading role is rooted exactly in these conditions, and who identify the given system of planned economy with socialism itself. Liska himself is pessimistic in this regard: "The gentlemen who operate the economy in an official capacity and are not forced to shoulder personal financial responsibility are many and are much stronger than we are."

There are also many who doubt whether society is sufficiently mature for the degree of autonomy and responsibility which is assumed by the entrepreneurial system. They believe that the paternalistic tutelage of the authorities is "still" necessary, as well as the social handling and allocation of goods, because people would not be able to make proper use of their social inheritance. Democracy, competitive spirit, entrepreneurial reliability, culture, a broad outlook and business flair are not yet ensured to a sufficient extent either. Liska expects too much from people: as an entrepreneur, everybody would have to become a homo oeconomicus, beyond skill in the trade or profession he would have to be versed extensively in the affairs of business life too. (It should be noted that in the second economy such aptitude can often be found and in a wide range!)

A considerable part of people do not long for the risk of entrepreneurship either. The present conditions have become accustomed, and for the time being they offer a certain comfortable security and acceptable circumstances.

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But Liska looks at history in a longer perspective, and trusts in the rightness and future of the entrepreneurial system. He counts on the clarification of the still open questions of principle when the time becomes ripe for them.

The tactics of small steps:
the socialist entrepreneurial experiments

To the opposing views being raised Liska also answers that room must be provided for the socialist entrepreneurial experiments, and in the course of these practice will create its forms. He expects that the tendencies of entrepreneurship will break their way in the course of practice, widening the circle of the persons who are interested and the camp of those who have the ambition of becoming socialist entrepreneurs. This is why, independently of the “big” perspective model concept it is worthwhile to pay attention to Liska’s “minimum programme” experiments. These today already noteworthy experiments are directed in Hungary at the area of the small ventures, for instance in agriculture, in retailing, in catering, in the management of dwellings and recreation homes, in the productive (designing-organizing) free professions. Their main aim is to lead them from the areas of private ventures based on accumulated small private capital or from the doubtfully lawful “second economy” to the path of entrepreneurship of a socialist nature. The entrepreneur may obtain the entrepreneurial opportunity on the basis of social ownership (the previous accumulation of private property is not a precondition), undertaking and achieving beyond the — more favourable than before — “rent” (tax) to the state, the highest possible profitability at an auction (in essence, for the benefit of society and himself). Entrepreneurship provides substantially more rights, and thereby may fetch more than the lease, because the entrepreneur can dispose of the entrepreneurial assets, may transform and modernize them, or may even alter the profile of his venture (e.g. transform the dairy shop into a confectionery shop, or a stable into a repair workshop). Liska endeavours to free such enterprises from the senseless bureaucratic restrictions.

In the course of the experiments certain successes can already be shown. This includes for instance the establishment of the self-managing small groups of the Baksa farming co-operative; in the case of the Igalauszta dairy farm, competition between socialist entrepreneurs has already been realized too. At the Felszabadulás agricultural cooperative of Szentes an entrepreneurial system based on bidding is being prepared. The contractual operation of catering establishments through a “bidding competition” undertaking additional payment exists already on a broad scale, where Liska and his associates have succeeded in winning over the official apparatus to help the letting into entrepreneurship — although at the expense of some concessions of principle (some bureaucratic

*This of course does not exempt from the scientific responsibility of clarifying the still open question of the theory.
barriers to competition degrading it to a simple lease having remained). The entrepreneur-ial system may be especially beneficial, in addition to the catering industry, in agriculture, where the independent peasants turned into members of cooperatives may again become farmers having their own incentives and responsibilities. In these economic area the piece-rate is especially senseless and sometimes harmful, because it induces the doing of superfluous work. Opposed to this, the undertaking of a return in one sum mobilizes thoughtful management and brings forth the reserves. It is, however, question-able whether, owing to the uncertainties in farming, it does not devolve on the entrepreneur too high an individual risk. Farming being tied to the spot, competition is more limited too. The separation of some entrepreneurial groups may also violate the common responsibility of the co-operative.

It appears that the most recent framework statutes have given the green light to the small ventures, but a lot has certainly still to be done to overcome distrust. However, an even greater danger than the existing obstacles is represented for the entrepreneurs by the economic (mechanism) conditions constituting their vital element: the shortcomings of free market price formation, of money, of competition. In consequence the entrepre-neurs may meet with various “surprises” (price regulation, supply problems), they may be at the mercy of their suppliers or the official organs; on the other hand, due to the limitations on competition further privileges may arise, and abuses at the expense of the consumers may become possible.

Liska is clear about the *diversification of practice*, the variety of the concrete problems. He soberly seeks with his associates the *entrepreneurial opportunities* arising in the given circumstances and adjusting to them, counting also with the fact that the corresponding local demands, the *inclination* for entrepreneurship must also develop.

This is the terrain where Tibor Liska fulfills here and now an *historic role*, as the apostle of free (democratic) entrepreneurship of a socialist spirit, i.e. promoting through personal incentives the social interests, in an inventive way, tirelessly, and overcoming the senseless obstacles. In this he may count not only on an increasing social demand and interest, but also on winning the support of the “superiors”. And this is no little task or honour for a socialist entrepreneur of the Liska calibre and of his “team”, who are ready to shoulder personal responsibility for social ownership.

**References**


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COMMENTS AND CRITICISMS


J. KORNÁI

COMMENTS ON TIBOR LISKA’S CONCEPT OF ENTREPRENEURSHIP*

In my remarks I am not aiming at completeness, either in criticism, or in praise. I should like to concentrate my comments on a relatively few but — according to my opinion — important questions.

I do not adopt the terminology of Liska. Instead, I will use the standard expressions of common economic language.

I make no efforts to be original; in several points my remarks will resemble those of others; in some questions they may even coincide with statements made by others.

The merits of Tibor Liska: Some main points of accord

I appreciate the work of Tibor Liska very highly. The economic efficiency computations initiated in 1954, using the then new “Liska—Máriás” indicator,** the proposals stressing the role of world-market prices, the paper “Econostat”, the study on the housing market and now the conception of entrepreneurship are outstandingly important milestones in Hungarian economic thought. I cannot fully identify myself with the content of any of his works; I have some reservations and objections to all of them. Nevertheless, in all of them many important — often extremely significant — ideas can be found. Liska’s spiritual independence, his moral courage and perseverance, the depth of quite a few of these thoughts are worthy of respect.

Liska’s conception regarding socialist entrepreneurship constitutes a rich and multifarious system of thoughts, covering several aspects. These aspects are sometimes economic (market, auction, rate of interest, credit), sometimes political, sociological and

*The comments were orally made in a discussion held on the 28th of January 1982, at the Karl Marx University of Economics, Budapest.

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socio-psychological (the entrepreneurial function and behaviour, the forms of public property and the relationship of the citizen to public property) and socio-philosophical and ethical ones (the rights of citizens and their “shares” in public property). Exactly because we are facing a complete system of thoughts, it would be improper to classify it according to taste and say: I like this part of it but do not like that one . . . Notwithstanding, I feel obliged to tell what I sympathize with in it, — before commencing my critique.

— I agree with Liska in his critique of the old mechanism based on plan-instructions and in the criticism of the Hungarian economic mechanism as it developed since the 1968 reform. There are some differences in opinion between us regarding these questions but agreement or close likeness are dominant.

— Similarly to Liska, I approve of those endeavours which impart a great role to the market in allocation — a much greater one than has been so far the case. I agree with him also in that the market ought to play a significant part in the allocation not only of the material goods proper but also in that of services and infrastructural activities.

— I agree with giving prominence to the category of the “entrepreneur”, stressing that it is not synonymous with that of the “manager” who is appointed by the capitalist owner or the state. In my opinion Liska is right also in raising the question whether the entrepreneur in the true sense of the word is necessary in the socialist system. If so, how can this social role be “institutionalized”? To raise the question is in itself already fruitful.

*If the system of Liska were functioning — what would be its deficiency?*

I should like to expound my critique in two steps. First — in this passage — let us presume that Liska’s “rules of the game” are inaugurated on national level in the way he pictured them. The question then is: would they bring about the results their creator expects from them?

The next step of the analysis will be to put the question — and it will follow in the next passage —: is it possible for a real society to work according to the rules recommended by Liska?

a) In any society definite persons (individuals, smaller or larger groups) are in command of the means of production (meaning not the formal right of ownership but the real power of disposal). Socio-economic systems differ from one another, among other things, in how these persons are selected. How is this selection carried out — not according to declaration documents but in true life? What part is played in it by the property inherited or acquired by the individual during his own life, his political position taken in the system, or his capabilities and so on?

Liska wishes to link this selection to a single criterion, i.e., to the one-parameter bidding at the auction for the disposal of capital. He who bids higher can take away the right of disposal from the one who has hitherto exercised it. A bid is always only a promise. It will turn out only later if the applicant was able to keep it or not.

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This is a one-sided, narrow and improvident principle of selection. It attaches unrealistically great importance to the self-esteem of the individual: to the judgement of the bidding person in weighing up what he is able to undertake. This is an important virtue indeed, but not an exclusive one.

b) One of the basic conditions of enterprising is security. It needs a long time horizon. The individual entrepreneur must be allowed to suffer partial or transitory failures if he is subsequently able to cope with the difficulties. “You can take it away at any time by a higher bid” — this principle entirely undermines security. The entrepreneur under Liska’s rules of the game never knows whether the capital in his possession would not be taken away from him tomorrow because someone appears who is bidding higher. It is not when he will have finally failed or when he will be willing to give it away that he will lose command but he can be deprived of it at any time — even if he operates successfully — in the case a higher bid is declared.

Being aware that he personally would not suffer any material loss does not compensate for this permanent insecurity. A personality of really entrepreneurial character does not only want to make money but he is ambitious to enjoy the power of disposing of the means of production, the excitement, the prestige, etc. of enterprising and command. A genuine entrepreneur would not be comforted if he were asked to leave his general managerial office, receiving at the same time a letter of guarantee promising that his earnings will not diminish in the future.

c) A Walrasian equilibrium rate of interest (or the analogous indicator of Liska’s) cannot be the sole regulator of a properly functioning capital market. It might misdirect the decisions on allocation if they reacted solely to a single information, i.e., to the current rate of interest. Every real capital market is forced to act on the basis of a more complex control mechanism.

Is it possible for a real system to operate according to Liska’s conception?

The question is not the expected resistance to the implementation of the concept in the given Hungarian society; or, whether there is any chance for it to be adopted. Let us assume, for the sake of discussion, that all the competent organs have accepted the suggestion of Tibor Liska, they are prepared to codify and enact the necessary laws, statutes, etc. What would then happen?

The rules of a game may be freely invented. The rules of playing chess are codified. Still somebody invented the so-called “French chess” where the winner is the party whose pieces are first taken. The rules of the game of real societies can, however, not be contrived at will. Here Liska shares the fault of those whom he usually severely rebukes, i.e., who contrive new “regulators” for the Hungarian economy every second year, believing that the economy will work in accordance with the rules they invented.

A real economic system consists of living people whose positive and negative characteristics have to be equally reckoned with in the ideas regarding society.
a) The information basis of the “auction” will be inevitably distorted. It is easy to make a decision for somebody who wants to undertake the running of a filling station. He will observe the turnover for a few days and, in knowledge of the expenses born by the filling station and the returns from the sales he will decide whether or not to undertake it. But what should a man do who is planning to take over an export firm? He is completely exposed to the information he is able to get from the person who managed the enterprise prior to him. The latter will disclose or deny as much of information and distort it as his interests may require, depending on whether he wishes to keep or intends to give up the business.

b) The proposal considers the socio-economic system as consisting of independent entrepreneurs, competing with one another. In reality cooperation, the building of coalitions, cartellization, or concentration are inevitable.

c) The proposal reckons with the perfect self-limitation and self-restraint of the state institutions. They must confine themselves to play “neutral” parts, being the “auctioneer” of the public auctions, the cashier and book-keeper of the nation, the watch-keeper of the rules of the game (the “umpire” of the match). In my opinion a modern state is not satisfied with such neutral and “power-free” spheres of roles. The bureaucratic power will not cease to exist only because we reprimand the people exercising it and ask them to confine themselves in the future to fulfilling the above-mentioned neutral functions.

d) The proposal of Liska would prescribe a single homogeneous rule of the game for every field of the economy. In fact, it allows for experimentation but if the experiments were to bring to the fore another rule, it would prescribe this rule — again for the whole of the national economy. In reality every modern society creates simultaneously several various sectors which differ from one another from the viewpoint of ownership, control and, at the same time, in behaviour. One of the promising features of the present Hungarian situation is that it has become more diversified in this respect. A uniform and universal form of ownership that is valid for every section of the economy is undesirable — and it cannot even be realized.

Methodological remarks

Liska’s conception is such a normative theory that is not sufficiently founded by descriptive and explanatory examinations. It is not enough to expound what kind of social structure would be desired. We must be profoundly in knowledge of the particularities of the formations which are — in some features — similar to those we are aiming at.

The economic rules of Liska resemble in many of their features the laws of a capitalist market of commodities and of capital. I know that Liska is striving after a formation which differs in its basic characteristics from capitalism. It is, however, impossible to formulate scientifically founded statements about the system he imagines without making profound, objective and unprejudiced comparisons with the functioning
of the capitalist economy. How are there the capital market, the credit system, the rate of interest, the stock exchange, the foundation of enterprises, the transfer of enterprise ownership, auction and bankruptcy, etc. functioning? What is the position of the small, the medium and the big enterprises? Which are the types of ownership, the roles of proprietors, managers and entrepreneurs, and so on. Liska does not convince us that the system conceived by him will be in possession of those advantages which are exhibited by the capitalist economy — in spite of the fact that he intends to eliminate “normal” capitalist ownership. At the same time, he also cannot convince us that his system is free from those socio-economic disadvantages which reveal themselves in a capitalist economy — solely as the result of his endeavour to eliminate “normal” capitalist private ownership.

Again much more experience would be needed regarding the knowledge of how the various “forms of entrepreneurship” are working in the socialist countries. It is true that none of them is exactly what Liska proposes, but there are also some formations not quite unfamiliar to his ideas, what is more, some of them are even akin to them, being various combinations of social ownership and personal possession and command. What are the experiences regarding the functioning of these forms?

This empirical research — i.e., a thorough survey of the analogous phenomena in capitalism and socialism — is indispensable. It cannot be replaced by “inventing” some rules of the game. It is relatively not too difficult to plan an ideal system on paper. It is especially easy to “prescribe” for a hypothetical system that it should be free from those faults, troubles and vices which characterize the various actual systems. I do not like bureaucracy: thus, let our society be free from bureaucracy. But I also do not like monopoly, private ownership and inheritance of property. Thus, let us have a society where all these will not appear. Unfortunately, in actual societies all these phenomena appear, maybe, in a cumulative form. A normative theory can be considered scientifically well-founded if it takes soberly into account the tendencies which give birth to these kinds of phenomena and does not simply “eliminate” them from the invented rules of the game.

Social usefulness of Tibor Liska’s research

As a scientific researcher I have a number of substantial objections to the ideas of Tibor Liska. However, it is not a contradiction that I consider his activities, his research works and experiments in enterprising to be useful in many respects. Now I am going to stress two of these.

a) A form similar to the ideas of Liska may take shape as one of the sectors of the economy, i.e., that real capital is and remains in public ownership but for the purpose of operation it is given on a rental basis to a private person or a group of private persons. If there are several aspirants, a competitive bidding may take place to decide which of them will be granted the right of operation.

I presume that — beside some essential similarities — in practice this model will be in many details at variance from the actual rules drawn up by Liska.

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It is my conviction that this form will not become exclusive, nor will it be a dominant sector embracing the larger part of the economy. It is imaginable, however, that it will grow considerably wider relative to the present situation. Whether it has any advantages over other existing forms can be proven (or disproven) solely in the course of competition with the latter.

b) I attach greater importance to the effect in mental fermentation of the proposal than to the concrete forms of public ownership connected with personal command and enterprising recommended by Liska. In Hungarian economic science and especially in practical economic life the idea has become widespread which expects solutions to the problems from repeated revisions of the "regulators", saying that wage preferences granted to the enterprises must depend on this or that; the rate of profitability must be adjusted to one or to another factor, and so on. Liska directed our attention to issues lying deeper, i.e., to the interdependencies between ownership, selection and economic control. I think that this call for attention is beneficial even if the concrete answers he gave to the questions raised by himself do not seem convincing to me. Despite its limitations Liska's conception helps create a public spirit which is hostile to bureaucratic solutions and sympathizes with initiative and personal responsibility.

The Liska proposal, in my opinion, does not stand the test of being scientifically founded. Social changes are, however, prepared usually not by "scientific" thoughts but by ideas of mobilizing power. The conception of Liska has a stimulating effect — and I think it is mobilizing in a basically right direction.

GY. VARGA

THE EXPERIMENT OF SZENTES

A noteworthy debate is in progress among economists about Tibor Liska's concept of socialist entrepreneurship. The basis of the concept is a particular interpretation of social ownership. This ownership is social in the sense that nobody can appropriate it, but always that person can dispose of it who uses it most profitably for society. The property which forms in essence the object of the entrepreneurship is called by Liska "personal social property". The foundation for the operation of the system is the "plan-market of the entrepreneurs".

The organ representing society lets the property unit into personal entrepreneurship at an auction. At the end of the auction the bid of the highest bidder is valid as long as somebody does not overbid later. In the case of later overbidding, the operating entrepreneur — in order to be able to continue his business — must accept this valuation or must cede the business to the overbidder. The entrepreneur — if the profitability of his business improves — can overbid himself too. This fictitious capital market would ensure that all units of social property should always be in the hands of those who pledge the highest return.

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This market of values ensures at the same time also the self-selection of the entrepreneurs. According to Liska’s concept, for the socialist entrepreneur the primary funds (resources) for business are his own “human assets”. These are made up of two sources: first, his personal assets received at birth, i.e. the “social inheritance”, and second, the “goodwill capital” acquired in the course of his life. The first is the per capita share in the national wealth, part of which would provide an initial risk fund for starting a business. The second, the so-called “goodwill capital”, is the difference between the initial value and the value increased by overbidding. Out of this differential amount a Goodwill Capital Account is “opened” for the entrepreneur. If the sum of interests on the pledged increment — the goodwill capital reaches the capital value, the increment pledged has been realized, and then the entrepreneur can collect the interests accumulated until then on a closed account.

Out of the surplus the entrepreneur pays in the interest on the “plan-market” (fictitious capital) value at the effective rate of interest, i.e. the set return of the entrepreneurship. The residual, as interest on the “goodwill capital”, belongs to the entrepreneur.

A model of Liska’s concept — with some differences, partly due to the small size of the experiments — is being tested at some agricultural cooperatives in Hungary, one of which — the most spoken about — has been introduced at the “Felszabadulás” Cooperative in the country town of Szentes.

It would be too early to evaluate the results of the experiment of Szentes. So far eight out of the twelve ventures have been operating successfully.

The entrepreneur exercises the rights of a manager of foreman who has considerable powers. For instance, some of the entrepreneur lorry drivers and the poultry breeders, too, work together with an employee each. A certain amount of wages is fixed for the business, and within this the entrepreneur decides about his own and the employees’ wage. If the entrepreneur wants to pay a wage exceeding the basic amount of wages, he can do so out of his entrepreneurial profit.

If the entrepreneur wishes, the management of the cooperative may transfer the employee somewhere else, but this does not mean his firing from the cooperative. There is an assumption according to which the relationship between the entrepreneur who has come from outside and the cooperative member employee gives rise to a conflict situation, since the co-owner of the cooperative can become the employee of an entrepreneur who is an employee of the cooperative. According to the chairman of the cooperative, this cannot give rise to any problem, because two different situations are concerned: the position of ownership and the position occupied in the work organization.

In the forwarding business the experiment is successful. The entrepreneurs who have come “from outside” claim that at their previous work places they “were under-employed”; their working capacity was not used fully. As entrepreneurs they now try to make use of every opportunity. (For instance, the carriers perform 250–300 working hours monthly.)
It is possible in principle for the interest of the cooperative (its demand for transportation) to clash with the interests of the entrepreneurs, especially at harvest time. They wish to exclude this possibility by stimulating the entrepreneurs through an adequate freight policy to carry first of all for the cooperative. Calculated at the internal interest rate it is a great advantage that while the cooperative immediately credits the entrepreneur's account for performing the carriage, the payment for services rendered to other economic organizations is received only after 3–4 weeks. Further, carriage for the own cooperative is not burdened by the 13 percent production tax. Incidentally, the accounts of the entrepreneurs are kept by the office of the cooperative. Cycles are closed every quarter and then the interests of the goodwill capital are transferred to the Realized Goodwill Capital Closed Account. But from then on not the internal rate of interest of the cooperative (in the given case 20 percent) is applied, but the effective Savings Bank rate of interest.

The entrepreneurs do not reason in monthly incomes. They are interested in fulfilling the pledged profitability requirements and in maintaining the profit bearing capacity of the business. They subordinate their economic decisions to these requirements, including the decision on how much to devote out of the entrepreneurial profit to the various costs, their personal consumption, and the formation of a reserve. For instance, the entrepreneurs ponder carefully where to have their lorries repaired, how much the standstill time can be, etc.

Some entrepreneurs have the ambition to expand the range of their services later, put supplementary equipment into operation, work with several employees permitting them or one of their employees to engage only in the organization of the business.

Out of the twelve ventures, four poultry breeders have not fulfilled so far their pledge. The reason for this is that the breeding stock had been contaminated, and that the bidding went too high, while the market price of chickens fell. Let it be noted that the poultry breeding businesses had not been won by expert entrepreneurs. I am unable to tell what role the various circumstances played in the unfavourable results of the poultry entrepreneurship so far. It is a fact that all are part of the risks of economic entrepreneurship.

The ventures in question do not operate in the most important areas of large-scale farming. But in the opinion of the chairman, entrepreneurship is possible also in the ploughland cultures and in animal breeding, if expertise is set as a condition.

The chairman sees no obstacle to the cooperative's transferring the state subsidies etc. to those ventures where the activities in question are being carried out.

The question has arisen how in the case entrepreneurship were extended the cooperative would participate in the various production systems. The entrepreneur will certainly ponder what he gets from the system manager and at what price: whether the service increases the value of his goodwill capital or does not. Incidentally, the entrepreneur decides — in general — freely on where he obtains the necessary specialized knowledge from.

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Would the entrepreneur operating on the ploughland cultures be interested in maintaining and improving the fertility of the soil? The experimenters are of the opinion, that since the entrepreneurs are not tenants with whom a contract for the use of land is made for a definite time but they have an entrepreneurial contract for an indefinite time, and are interested in increasing the requirements for returns even by voluntary bidding, the maintenance and improvement of the fertility of the soil would also be in their interest.

Their opinion about the assertion of the effect of price fluctuations and changes in the economic regulators is that first, they are part of the entrepreneurial risk, and second, the entrepreneur is able to follow the deterioration of the market situation to a certain extent by reduced bidding or by paying off.

How would the extension of the entrepreneurial system influence the future of the household plots and of the auxiliary farms? According to the experts, entrepreneurship is a more advanced and efficient system of farming than the household plot. Consequently, in principle, the "household plot" would be replaced in time by the socialist entrepreneurship. This change would occur, of course, according to the rules of the game of economic competition. It is likely that the household plot and entrepreneurship would operate — through a shorter or longer period — side by side and complement each other.

The entrepreneurial system applied in the "Felszabadulás" Cooperative of Szentes differs from the original concept of Liska at some important points. Thus for instance:

1. From the point in time when the interests on the goodwill capital are transferred to the realized goodwill capital account, the effective Savings Bank rate of interest is applied as against the earlier 20 percent interest rate.

2. If too many closed accounts were "released" simultaneously, in order to protect the liquidity of the cooperative, the drawing of the amounts accumulated on the realized goodwill capital accounts would be made possible only after having given notice. This is how the cooperative takes care of maintaining the liquidity of the cooperative farm even in the case of broader entrepreneurship.

3. In order to increase the responsibility of the overbidders and to strengthen the feeling of security of the entrepreneurs, the cooperative stipulates that in case of a bidding accepted at an auction or in the course of overbidding, the new entrepreneur is not permitted to reduce the bidding within one year.

4. The entrepreneur plans freely: he draws up his operational and development plans, which are built by the management into the plan of the cooperative and submitted to the general assembly of members. The general assembly has a right to modify the plan, which may either be accepted or not by the entrepreneur, and in the latter case he may withdraw from the venture. But the entrepreneur maintains in this case, too, his right to his goodwill capital, and in this case either the new entrepreneur of the cooperative farm must produce its interests.

5. Before the auction the cooperative may make various stipulations to the entrepreneur for performing certain services, carrying out certain actions, or applying professional skill.

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The results of the experiment so far can be summed up as follows:

a) The entrepreneurs have increased their performance vigorously;
b) The return on the invested capital (its efficiency) has increased;
c) The services adjust to the market demand and have broken through the forced paths of sales which existed earlier;
d) The cooperative farm has been freed from carrying out some tasks of work organization;
e) The entrepreneurs have developed a cash-flow oriented attitude: a way of complex thinking and approach pondering the long-term inputs and returns. The perspective, consideration of the real risk and preparation for some alternative situations play a greater role in their decisions. Definite manifestations of the feeling of ownership and consciousness can be experienced;
f) Since the entrepreneur does not enter into an obligation concerning some performance in physical terms, but for a capital return, it may happen that his priority differs from the priority of the national economy. This problem may in principle occur anywhere in the entrepreneurial sphere. If the is such a difference, it can be an indication to the economic control that in order to assert the objectives of the national economy it may be necessary for instance to modify prices or taxes, etc.

I can claim all this at present only about such ventures as trucking, where the object of entrepreneurship is rather simple, the volume of the business is small and the qualification for work is low.

In connection with the experiment certain question can also be formulated:

The experiment causes a division in the cooperative. According to the entrepreneurs, some cooperative members and employees disapprove of the entrepreneurship. It is questionable whether a backwardness in consciousness is only involved here, or the members feel instinctively, perhaps they have even recognized that the entrepreneurs become the actual owners of the common assets, and the ownership position of those who cannot or do not want to become entrepreneurs may become nominal. It is a question how in the case if elementary ventures become preponderant the forums and specialized management of the cooperative self-government could fulfill their task?

According to the original model, the head of the work place selects himself in the course of the bidding by pledging a higher performance than anybody else. But the example of Szentes also directs attention to the circumstance that the entrepreneurial system can be viable if, in addition to the "self-selection", the function of the owner of the means of production is exercised by managers who are in a real power position — i.e. are not "self-selected" and coordinated by the market mechanism.

The entrepreneur risks the assets of the cooperative farm. An entrepreneur who has come "from outside" is obliged to deposit three percent of the put-up price as a surety. It is a question whether in the case of failure this would cover the loss, i.e. the difference between the value pledged by the entrepreneur who failed and the highest return capacity pledged at the auction repeated after the failure.

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The final ambition of the individual entrepreneur is to realize his goodwill capital, to repeat this process, i.e. the accumulation of capital. Some small entrepreneurs may become sooner or later big entrepreneurs, and this can hardly be hindered by the possibility of overbidding by the employee, since the entrepreneur disposing already of a substantial goodwill capital and experience can feel safer in undertaking the risk of voluntary bidding (raising of return) per unit of capital. Whoever has won an entrepreneurship once, will be very difficult to force to hand over the entrepreneurship by overbidding, if only because the new entrepreneur will also have to work “for the benefit of the pocket“ of his predecessor (will have to produce the interests or his goodwill capital), and this supposes already the pledging of very hard requirements as regards returns. If not in principle, in practice the entrepreneurial monopoly may develop in this model too. (On the other hand, if this process does not exist, the uncertainty of being overbid would probably have a stifling effect on the perspective incentives of the entrepreneurs.)

It is a question how on large farms and in industrial enterprises of a vertical setup, linked to the domestic and international markets by many ties, where temporary sacrifices and investment demanding a reduction in income and reconstructions must also be undertaken, the elementary ventures or entrepreneurial mosaics can be organized. The question is the more justified since so far the experiment of Szentes cannot be considered a complex system, and no such operating system has so far been described.

The profit-maximizing orientation of economic entrepreneurship is linked by many ties to the social, environmental and cultural conditions of their own operation, to the formation and development of these conditions. It is not clear how these external factors of efficient management are built into the operation of the entrepreneurial model; how economic action is linked to its social aspect and processes.

The experimenters of Szentes endeavour to adapt the “model of socialist entrepreneurship”, taking the realities into consideration. However, at the present stage of the experiment there are many doubts in connection with the feasibility of the model on a factory or enterprise level, let alone the feasibility of the concept as a national economic model.

It is possible that some of these doubts could be dispelled if the Szentes cooperative applied the entrepreneurial system successfully in the sphere of production too. Let practice decide: where and within what scope can in reality this form of letting into entrepreneurship or some modified variant of it be applied.