Chapter 5

From Two to One (And Only)?

Theorizing Ownership in Communist Hungary

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With the wisdom of hindsight, and under the spell of Whig history, it is tempting to portray the basic pattern of the evolution of Hungarian economic thought under communism as a gradual victory of the concept of private ownership, a lengthy but unmistakable process, in the course of which the notion of private property rights gained legitimacy in Hungary's economic research community. Accordingly, studying ownership would be the most important research program of Hungarian economic theorists, which underwent a four-decade process of both intellectual refinement and ideological radicalization. It started out, goes the argument, in the first half of the 1950s from a soft critique of the powerful concept of *social ownership* (*társadalmi tulajdon*)[1] in the post-Stalinist political economy—that postulated a mild contrast between state property (*állami tulajdon*) and cooperative property (*szövetkezeti tulajdon*) and rejected private ownership (*magántulajdon*)—to end up accepting the basic tenets of *new institutional economics* in the West during the second half of the 1980s. More exactly, economists in Hungary finished their journey in the world of communism by importing or rediscovering standard neoclassical ideas, which they combined with Austrian, Ordo-liberal and/or new-institutionalist theories, particularly public choice and the property rights school. In their eyes, social ownership lost much of its significance over these decades, and ultimately turned into a single imperative of establishing private property rights under the aegis of far-reaching privatization programs.

With the help of an even more Whiggish assumption, one could also describe this evolutionary path as a process of diminishing the simulation of capitalism, resulting in an open recognition of one of its essential constituents, large-scale private ownership. This interpretation would consist of two parts:

1. By and large, Hungarian economists were discussing ownership issues even if they thought to argue about *commodity-money relations*, *economic mechanisms*, *indirect control*, or *small entrepreneurship*, just to mention four of their favorite research themes.
2. During preparations for the New Economic Mechanism in the second half of the 1960s, this—to use an oxymoron—*unintended simulation* of capitalism turned into a deliberate camouflage when a growing number of scholars were forced to accept the deal of *limited marketization without privatization* offered by the party-state but deep down they did not endorse the idea of the superiority of social ownership.

I am afraid that the economic research community in Hungary shares in common the core of the above narrative.[2] The farther we move away from the communist period, the less laborious becomes the birth of the idea of privatization in the memory of the economics profession.[3] Similarly, with time, even moderate reform economists seem to have evolved into liberal thinkers who had to hide their conviction out of a spirit of self-preservation but who, with the weakening of censorship, revealed their hand during the 1980s. Below, I will use the examples of a variety of research programs in ownership theory under communism to challenge (or nuance) this assumption as well as the twin hypotheses of gradual radicalization and improvement of academic quality. This can, in turn, help the historian revalue other major economic research programs in Hungary, such as the ones focusing on investment cycles, shortages, or the shadow economy. It may turn out in the end that in other fields (e.g., optimal planning) the scholarly performance of Hungarian economists deserves similar applause.[4]

Challenging the view of a gradual (unilinear) evolution in ownership theory may not only disturb Whig-style historians in the Hungarian economics community but also the staunchest critics of radical reformism in Hungary and beyond who have been accusing its representatives of hastily borrowing neoliberal ideas of private property from the West, opening up the country for global capitalism, and thereby derailing the process of postcommunist transformation.[5] I hope to be able to ascertain in this chapter that both camps overestimate the liberal leanings of Hungarian economists before 1989.

HYPOTHESES

In the next section, I will tell a concise story of theorizing ownership in communist Hungary. My aim is to collect a few facts and arguments in preparation for testing the following working hypotheses:

1. The evolution of the concept of property rights in Hungarian economic thought under communism seems unnecessarily, even painfully, lengthy given that the concept's major components were available from the very beginning in the works of leading *bourgeois professors* (not to speak of social-democratic and agrarian experts) right after the Second World War. Part of these components came to the fore and challenged the paradigm of social ownership from time to time, only to disappear in the background for longer periods. In a sense, what may appear as scholarly progress during 40 years of communist rule can also be interpreted as an exercise in reinventing the wheel, that is, as a forced detour bringing little scientific innovation in ownership theory. To put it bluntly, in 1989, the Hungarian economists rejoined, in many respects, the German mainstream of legal and economic scholarship of the late 1940s rather than the American (new institutionalist) mainstream of the day.
2. The pattern of evolution seems gradual in the long run but was often interrupted, showing signs of cyclical change if scrutinized from a shorter perspective. The idea of self-management (*önigazgatás*), for example, burst out from time to time. The attraction of social ownership did fade away in Hungary during four decades of communism; nevertheless, the concept provided a strong discursive frame that could not be loosened earlier than a few years before 1989.
3. Private property rights proved to be one of the strongest taboos of economic research under communism (probably equal to *the party's leading role in economic management*, the militarization of the economic system, and the status of the Soviet economy in the *socialist world system*). Because a full acknowledgment of these rights would have demanded not only the reconstruction of the rule of law but also capitalism in general, reformist discourse in Hungary handled the main ingredients of the concept of private ownership, such as the nature and size of the property owned as well as the scope and strength of rights, with special care. In cautiously compartmentalizing property rights, certain entitlements were officially acknowledged while others rejected or informally accepted. Until the last breath was taken by communism, private ownership was

normally linked in economic theory with some kind of collectivist principle (e.g., joint venture of rural households and agricultural cooperatives, intrapreneurship in state-owned firms, cross ownership between private and state companies, etc.); it was not suggested to become a large-scale phenomenon (particularly not in capital goods industries, another taboo of communist political economy); and the rights were regarded as informal/revocable and weak/partial entitlements rather than legally enforceable claims. As time passed, the arguments for private ownership became less shy whereas the legal and sociological reasoning in favor of privatization did not gain much in scholarly quality. In sum, the idea of *pluralization* (hybridization) of ownership dwarfed that of privatization, and the notion of ownership remained pale, that is, devoid of colorful contributions from other social sciences.

4. It is also hard to depict the evolution of ownership concepts in Hungary as a broadening acceptance of liberal principles because, from among the possible collectivist solutions, the idea of workers' self-management (either within the project of cooperative ownership or without) featured as a potential alternative from the very beginning. It flared up as an overarching societal model in 1956; tacitly coexisted in the countryside with that of personal ownership (e.g., links between cooperatives and household plots); was revived as a grand initiative to reform company law in the middle of the 1980s; and remained an important constituent of the program of the social-liberal dissidents and dissenters up until 1989. Perhaps the most (in)famous blend of quasi-Hayekian thoughts and collectivism was to be found in Tibor Liska's socialist and liberal model of *personal ownership of social capital*, which was promulgated by him incessantly from the middle of the 1960s onward.
5. Ownership concepts in Hungary exhibited a whole series of *national specifics*, ranging from the hybridization of property forms, through small entrepreneurship, to informal (creeping) privatization. These specifics were developed and/or studied by local economists with growing interest and expertise but in most cases they fell behind the theoretical/methodological skills and performance of their Western colleagues. The gap between them was perhaps the most spectacular in researching the widely recognized *managerial model* of the Hungarian reform project. This research program connected the pioneering but rudimentary diagnoses of *overcentralization* in the 1950s with the complex governance schemes invented for state-owned large enterprises during the 1980s. Hungarian economic theorists had the rare chance to accumulate empirical knowledge in a large laboratory experimenting with manager-oriented ownership reforms for about three decades following 1956. The outside world expected them to couple local empirical evidence with modern techniques of institutional analysis, similar to what Yugoslav economists did in modeling self-management, their primary differentia specifica in ownership matters. Hungarian scholars could have profited from a whole series of new research programs (theories of incentives, property rights, public choice, etc.) emerging in the West but they rather insisted on methods of quasi-anthropological description and verbal/qualitative analysis.

THE STORY

Theorizing ownership did not follow one single track and cannot be characterized in retrospect as a nonstop march toward the recognition of private property rights. Its twists and turns have an interesting timeline. In what follows, I will distinguish six phases of evolution. Let me stress upfront that they often overlap, and by evolution I do not necessarily mean scientific progress. True, leaving behind the crude and ideologically overloaded concepts of nationalization and collectivization, and accepting the idea of private property under mixed ownership after four decades was an important achievement in Eastern European comparison. However, this learning process (a) returned in many respects to its origins, namely, to a kind of economic knowledge characteristic of the time before the Sovietization of economic sciences in Hungary in the late 1940s, early 1950s; and (b) proved to be a protracted exercise in *learning by doing* rather than *learning by reading*. In 1989, economic theorists did not know much more about ownership than their predecessors in 1945, with the exception of the fact that they had the *privilege* of observing from close quarters the consecutive flops of their own theories of ownership which were based on the concept of non-private, partly private, artificially private, or other property in the real world of the Hungarian economy.

Life around the Soviet Textbook

By the time the first textbook of socialist political economy was published in the Soviet Union, following a quarter of a century break, in 1954,[6] Hungarian economists began to wake up from the shock of full nationalization supported by no economic theory to which they had originally subscribed.[7] Until 1948, even scholars of Marxist persuasion prepared for the reconstruction of a mixed economy with a sizable private or semi-private sector (especially in agriculture, trade and services), which would probably be less regulated than the war economy had been in the first half of the 1940s. Originally, most of the liberal and social-democratic thinkers as well as the agrarian economists who survived communist *Gleichschaltung* during the late 1940s could not reconcile themselves with blanket nationalization and collectivization. Many of them preferred socialization from below to nationalization (etatization) from above. Interestingly enough, however, they refrained, even during the revolution in 1956, from demanding more than partial decollectivization in agriculture and a limited degree of privatization and self-management in other sectors.

Shying away from Big Capitalism (especially its free-market version) was not only a consequence of the weakness of Austrian traditions in Hungarian economic thought or self-censorship rooted in pragmatic considerations. Regarding the lack of Ordo-liberal influence before the Second World War, what was called in Hungary a *managed economy* (even *managed planned economy* [*sic*]), *bounded economy* (*kötött gazdaság*), or *labor state* (*munkaállam*) lay much farther from the concept of *social market economy* as advocated by the Freiburg School than from the dominant statist-corporatist legacy of the German Historical School. For an overwhelming majority of Hungarian economists, the war economy was an exaggeration in practical terms rather than a failure in principle. To them planning in kind, central distribution of resources, price and wage controls, and so on, did not smell odious. It was the idea of state ownership in large, especially strategic, industries, of cooperative ownership, and small- and medium-sized private ownership in all other industries and agriculture, as well as of some trade union-based co-determination that—in harmony with the *Zeitgeist* influenced by fresh Keynesian thoughts—dominated their minds and souls before the communist takeover in 1948.[8] And almost the same scientific instruments were to be found in their toolbox when they worked out the first reform programs for the government of Imre Nagy between 1953 and 1955 (the "New Course"), and in the economic debates preceding and following the 1956 Revolution. In the first case the agenda of ownership reform was roughly limited to a cautious transition from forced collectivization in agriculture to a system of voluntary cooperation of small (provisionally) private owners whose economic transactions were to be strongly regulated. However, in the period between the economic discussions of the Petőfi Circle in 1956 and the sessions of the Varga Commission for economic reform in 1957, the iconoclastic objective of reestablishing small-scale private ownership also appeared on the horizon of the economics profession.[9]

In ownership theory, decollectivization prior to the 1956 Revolution, however half-hearted it was, meant a return to the notions of small-scale private property and *real* (non-state-led) cooperatives, marking, at the same time, the ideological constraints of such a return. Property rights were compartmentalized: early reformist thought in the 1950s revolved around the *usus* and *usus fructus* of the assets, demanding less state interference and stronger economic incentives, while their *abusus*, particularly, transfer (sale, rent, inheritance, etc.) and transformation, was cautiously put in a sealed compartment. The same precaution led to the ignoring of two crucial requirements: the exclusivist nature of property rights, and the stipulation that the dividing line between rival claims of ownership must not be blurred. Group ownership was preferred to individual ownership, and the protection of private and cooperative property rights were often left without legal sanctions. By and large, this separation (or *unbundling of property rights*, to use modern terminology) determined the basic approach to ownership theory in Hungarian economic thought up until the second half of the 1980s.[10] The ordinary private owner—who does not only operate (use) his/her assets of any size and in any sector, and appropriate their returns but is also entitled to buy, sell, bequeath and inherit, rent out, mortgage, and transform, them, and exclude others from doing the same, while all these transactions are safeguarded by the rule of law in the economy as a whole—did not become a hero, even in the eyes of radical reformers who, by the turn of the 1960s and 1970s, began to touch upon the taboo of capital markets. At best, the private owner was considered an individual, who happened to possess a small (family) firm employing just a few workers, preferably in the service sector, and was tolerated rather than supported and protected by the law. The ironic undertone of the Hungarian neologism *maszek* (combining and abbreviating the words *private* and *sector*) expressed the low esteem of that status adequately.

The 1954 Soviet textbook did not add much to the prevailing consensus in the economic profession. It only strengthened the conviction of what one could already trace from Stalin's (1951) pamphlet *The Economic Problems of Socialism in the Soviet Union*; namely, *socialist commodity production* was thought to be contingent on the existence of two—state and cooperative—forms of social ownership. Although the former was declared to be superior to the latter, *kolkhoz* property gained quite a high degree of legitimacy from the supreme leader, achieving further *scientific* reinforcement in the 1954 textbook. The emphasis on both commodity production and cooperatives, even if it exclusively concerned producers' cooperatives and only in agriculture, opened a window of opportunity for those, like the Hungarian prime minister Imre Nagy and his economic advisors, who wanted to bring back certain traits of private property into the notion of (voluntary) cooperative ownership in the future. The freedom of joining and leaving the cooperative by bringing in or taking out *personal property* (*személyi tulajdon*—see below) was a decisive issue in the rethinking of property rights.

Yet for Hungarian economists the partial re-legitimation of commodity production and the agricultural cooperatives did not sound like an invitation to launch extensive research programs on property rights. The textbook defined the discourse in that field in an unambiguous fashion. Accordingly, social ownership has nothing to do with law; and the abstract taxonomy consisting of two crucial forms of ownership (state and cooperative) and two negligible ones (private and personal) was not required to be filled with meaningful sociological content. I suggest to squeeze these features of ownership theory into the term *paleness*, or to put it more politely, lack of multidisciplinary analysis, and derive them from a strict prohibition implied by the definition of private property in the textbook. Separating, in an artificial manner, the notion of personal property relegated to the sphere of consumption from that of private property that (a) is used in production, (b) can serve as a means of exploitation, and (c) is therefore doomed to wither away, indicated the ideological boundaries of scientific reflection clearly. Small wonder that the early reformist texts of scholarly eminence, such as György Péter's essays on efficiency and profitability (1954, 1956–1957) or Kornai's *Overcentralization* (1957), do not contain any serious reference to private ownership, or more exactly, to any kind of ownership.

With the exception of agricultural cooperatives, in the concept of which the collectivization of formerly private assets could not be camouflaged completely, the issue of ownership was converted into a problem of economic management in the framework of the *plan-and-market discourse* of the early reform economists.[11] Such a discourse offered a comfortable way to study the *economic mechanism* of managing state property without saying anything politically relevant or scholarly rigorous in the fields of economics, law, or sociology about the relative virtues/vices of social ownership itself. As noted, the reformers did not go beyond examining certain aspects of *usus* and *usus fructus*, yet it seemed as if they had focused on the gist of ownership. This way of theorizing ownership by unbundling property rights and ignoring *abusus* with the help of a self-limiting discourse (simply put: advocating marketization without privatization) also became a lasting feature of Hungarian economic thought under communism. Was this a cover discourse for doing at least what was doable/permitted at that time? No, in my opinion. Deliberate simulation practiced by a growing segment of the economics profession began during the *Kádárist consolidation* after 1956 and remained ambiguous until 1989. The term "simulating capitalism" does not adequately describe the mindset of those scholars who disliked or even despised capitalism for one reason or another—a great majority of the research community by the way.

Initially, indulging in the discussion of *commodity-money relationships* and remaining silent about the problem of ownership were not discursive tricks but an expression of a sincere belief in gradually improving planning through the reorganization of some of its techniques and modest market reforms. Nonetheless, accepting the principle of limited marketization provided the opportunity to ask vital questions about capital markets later,[12] that is, after having gone through a series of failed reforms of the product and labor markets, and having realized the need for broadening the scope of the property rights concept to include *abusus* and the rule of law. Until then, the manager, not the owner, remained in the focus of analysis; the manager of a state or cooperative firm who did not have well-defined, irrevocable, and exclusive property rights but amorphous competences in decision-making within the party-state hierarchy. Whether this long detour starting in the early 1950s brought scientific enrichment with it is a question to be answered in the Conclusion.

Small Shocks of the 1956 Revolution: Workers' Councils and Household Plots

The detour was, however, more than obvious. Prestigious members of the old guard among Hungarian economists, Marxists and non-Marxists alike (such as Béla Csikós-Nagy, Farkas Heller, György Péter, and István Varga), must have read or heard about the Mises-Hayek arguments on the impossibility of rational economic calculation under collectivism, which stressed the advantages of private property. Most of them were well versed in legal thought, and some of them, like Péter and Varga, shared their views on certain virtues of private ownership with their younger colleagues (such as András Bródy, János Kornai, and Márton Tardos).[13] However, the fiasco of the 1956 Revolution prevented the research community from revisiting the model of mixed economy prevailing in the profession between 1945 and 1948. In the course of post-1956 *normalization*, there remained nothing else to borrow from the Socialist Calculation Debate than the varieties of the Lange model of market socialism, none of them openly tackling the intricacies of ownership. The same applied to the scientific supply of the Soviet mathematical school of optimal planning.

Nevertheless, at least two promising opportunities remained unexploited to think about the need of reestablishing at least a modicum of private ownership: the discussions of revisionist Marxist economists in the Petőfi Circle prior to the revolution, and the sessions of the economic reform commission led by István Varga in 1957.[14] In the former, the issue of private property was completely ignored, and even the problem of state versus cooperative, communal and self-managing ownership was packaged in the clumsy but neutral term of *separateness* (*elkülönültség*)[15] of companies within unitary social ownership, which had a long career in moderate reform thinking for at least two decades after 1956. The idea of self-management was in the air but eventually boiled down to the sporadic desire to *check what the Yugoslav comrades were doing*. As regards the Varga Commission, its members were a bit more explicit in matters of ownership. Most of them contented themselves with designing an economic mechanism that provides companies with more room to maneuver within the framework of social ownership. However, the question whether or not their growing independence should go *beyond* claiming a greater liberty in using assets and enjoying returns from those assets was left without an affirmative answer.

When it came to the project of profit sharing (a populist measure to appease a traumatized society), there was only one single person in the commission, Sándor Kopátsy, who connected the project with a possible transfer of companies (i.e., state property) to the possession of their employees who thus would become, as he said, *quasi-shareholders*. All others (including former *bourgeois professors*) were clearly, sometimes vehemently, against the extension of group property rights. Their resistance was not only due to self-censorship based on predictions that sooner or later the Kádár regime would smash the workers' councils emerging in the aftermath of the Revolution. The majority were really afraid of following the Yugoslav pattern that would lead, using their words, to *atomization*, *chaos*, *false egalitarianism* (*egyenlősdi*), and a decline in the professional quality of economic decision-making—allegedly demonstrated by the newborn workers' councils. Apparently, these several months of local experience of group ownership, at this time not only in agriculture, reinforced the skepticism among Hungarian economists toward self-management in Yugoslavia. This skepticism resulted, in addition to excluding self-management from institutional options while preparing for the New Economic Mechanism of 1968, in a lackadaisical interest in property rights theory during the communist period as a whole. Yet, Hungarian scholars could have learned a lot from their Yugoslav colleagues in this field from the 1960s onward.

The economics profession in Hungary turned a blind eye to important theoretical aspects of the *in vivo* experiment with the workers' councils. The leading experts were preoccupied with the danger of lay management in firms and lack of macro-coordination. From our perspective, it is more important that the councils' representatives did not call social ownership into question but rather insisted on replacing the hierarchy of the party-state by a horizontal network of self-managing institutions, that is, one kind of social ownership with another. The councils wanted to elect their chambers and employ a planning office, thereby uprooting the then prevailing system of property rights and considerably rearranging their mix. It was no wonder that these—originally Marxian—claims deeply irritated the *nomenklatura* by demonstrating the immense counterweight of horizontal collectivism, particularly in large industries. As a consequence, the ruling elite confined further attempts at conceiving of group property rights to the cooperative sector for almost three decades following the revolution.

Ironically, while fearing uncontrolled collectivism in 1956/57, the Kádár regime allowed for some liberalization of small-scale private property, above

all in services. This infringement of social ownership did not incite the fantasy of economic theorists at the time. They became much more interested in a dual component of re-collectivization in 1958–1961, which seemed insignificant in the beginning, namely, the authorization of market production on household plots in combination with the termination of requisitions.[16]

It was not the re-approval of personal property per se (as assumed, without exploitation) that aroused the interest of economic thinkers but its growing symbiosis in the countryside with cooperative ownership as well as the undeniable economic success of such a property mix. This gave an impulse to experimenting with other blends, ranging from sharecropping within the agricultural cooperatives, and renting out state-owned retail shops and restaurants (*gebin*), through the industrial and service units of agricultural cooperatives (*tsz melléküzemág*) in the wake of the New Economic Mechanism, all the way down to the intra-enterprise economic work associations (*vállalati gazdasági munkaközösség—vgmk*)[17] during the 1980s. Because the ownership relations within these hybrid institutions were informal to a large extent, and the property rights were fuzzy, these blends can be characterized in retrospect as stages in a sort of *creeping privatization* that fit in well with the Kádárist social contract widely known as goulash communism. This process gave rise to a broad research program that originated within a solid tradition of agrarian economics and sociology in Hungary, accepted the idea of both (small) private property and cooperative ownership, did not reject ab ovo informality (cf. studies of the so-called second economy from the 1970s onward), and confessed the principle of *small is beautiful*. At a certain point, however, the representatives of this program were ready to stretch beyond studying agriculture and join forces with those economists who focused on the ownership structures of industrial enterprises, both small and large. Actually, this research program came the closest to demanding privatization in the second half of the 1980s (see below). Although the program brought its best results in the 1970s and 1980s, a scholar of great imagination emerged on its edge already in the middle of the 1960s.

The First (and Last) of the Mohicans: Tibor Liska and his *Entrepreneurial Socialism*

A sharp-eyed analyst, a half-educated maverick, a utopian thinker, and an activist who swung between prohibition and toleration, Liska construed a unique Grand Design for individual property of social assets. What he called "personal ownership of social capital" in his *Econostat* (*Ökonosztát*), written in the middle of the 1960s but published only two decades later,[18] became one of the most carefully elaborated and empirically tested reform blueprints as time passed. While most of his colleagues were busy working on the details of the New Economic Mechanism and/or were under the spell of another Grand Design, optimal planning (*computopia*), he came up with an alternative utopia called *entrepreneurial socialism* that was also influenced by cybernetic illusions of the time. Without being aware of the intricacies of the economic and legal literature of property rights, and without reading Hayek, Liska suggested an ownership regime in which the state played no role whatsoever, the entire bundle of rights (not only *usus* and *usus fructus*) was taken into consideration, and sociological arguments were not ignored. In other words, he broke with the consensus in the research community, and instead of putting his faith in marketization and accepting some limited (informal) privatization, he violated the dominant ownership paradigm by propounding a master plan that was radically liberal (anti-statist) and radically socialist at the same time.

Following the dictum of "everybody's property is actually nobody's property," Liska built his model on a distribution of national wealth among citizens (he called this *social heritage*), which they can invest in bidding for assets managed by the Bank of Entrepreneurial Experiments that will replace the state administration. The assets were to become the personal property of citizens. They, or a group of them, may use this kind of property, profit from it as well as transform and/or transfer it under extremely competitive conditions (defending the assets against consecutive bids by rival entrepreneurs, and paying interest to the Bank) in the totally self-regulating system of the *Econostat*. They are shareholders of social capital but cannot bequeath the assets to their heirs; the assets revert to society once the owner terminates business activity or dies. That is why Liska spoke of personal ownership instead of private. In his *Volkskapitalismus* (a term he avoided using) the *capitalists* are not permitted to own the assets for good: their successors should restart business with the help of their own *social heritage*. The question of whether this kind of personal ownership would not breed *exploitation* was carefully ignored.

While in a certain sense Liska may be regarded a forerunner of the inventors of voucher privatization in Eastern Europe and of basic income schemes in the West, his model remained relatively unpopular in the Hungarian research community. Liska could not establish a scientific school (just a small sect of believers). In the eyes of moderate reform economists his liberalism was too pervasive, whereas the radical reformers considered him an unreconstructed socialist dreamer, and both camps called him a faith healer and an illusionist. They bombarded him with counter-arguments revealing the artificial/unfeasible nature of his design (e.g., Why would the party-state withdraw from the planned economy? Why would everybody want to become an entrepreneur?), instead of carrying his concept

of property rights a little further by asking why his successful socialist entrepreneurs would accept their ownership to be provisional and non-hereditary, that is, not genuinely private. Unfortunately, even in 1985, when leading Hungarian economists ranging from János Kornai to Márton Tardos or from Rezső Nyers to Iván T. Berend tried to interpret (more exactly, criticize) Liska's thoughts in a volume of essays (Síklaky 1985), the discussion only scratched the surface of property rights theory, public choice, law and economics as already suggested by new institutional economists in the West at the time.[19]

1968: Skipping Ownership Reform

In their own historiography of reform economics, reform-minded analysts used to blame the designers of the New Economic Mechanism (NEM) for failing to crown market liberalization with a major change in the ownership regime. Actually, the NEM considerably relaxed the grip of the state on the companies by abolishing mandatory planning targets and introducing a series of *material incentives* among the new *indirect regulators*. To put it differently, part of the managers' property rights was extended. True, this followed again the logic of compartmentalization. Apart from an aborted attempt at establishing capital markets (under the nickname of *asset transfer* (*eszközátcsoportosítás*) by one of the main architects of the 1968 reform, Tamás Nagy (1970), the economics profession did not pay much attention to reshaping the property rights of the state. For example, any serious thought given to the project of workers' self-management was excluded by a long research trip[20] made by leading Hungarian reformers to Yugoslavia in 1966 who came home frustrated by what they considered as adverse effects of group ownership such as large inter-firm income differentials, wage inflation, and unemployment. Nagy was an integral part of the *marketization without privatization* consensus in reform thinking but did not stop at the frontiers of the product and labor markets. He made a few cautious steps into the forbidden territory of the capital markets instead. In focusing on the problem of transferability of assets between state-owned companies, he helped launch an expanding research program of designing capital markets without flesh-and-blood capitalists. This was later recalled by János Kornai with condescension as an exercise of playing Monopoly on a "Wall Street—all made of plastic" (Kornai 1989–1990, 72).

In its initial form, asset transfer meant horizontal (direct) capital transactions between the companies but the delicate question of whether the government would be entitled to interfere (and if it would, to what degree) with their decisions on buying and selling, renting, and merging assets or supplying credit to each other, was obfuscated. Similarly, it was not clear in Nagy's project whether the companies ought to be permitted to initiate joint ventures, organize associations, or found a new firm freely. While contending that company bonds may be applied, he rejected the idea of shareholding advocated by Sándor Kopátsy again (1969).

Márton Tardos, who proposed to curb the property rights of the state through establishing independent holding companies, became the most influential representative of the research program on introducing capital markets.[21] He called the new institutions *asset owners* or *banks of production and trade*, even though he could have used a softer designation like *asset managers*. He put a great emphasis on the autonomy of these parastatal institutions, which in his view should only be subordinated to parliament. One of their main tasks would be the transfer of assets between their member companies. Part of the profits of the companies within the holding could be reinvested freely, and the companies would be permitted to invest in each other's business ventures as well as to charge interest for the credits they offer to each other. Tardos reflexively ruled out self-management as an alternative, and private property did not even occur in his first holding model. His sympathy lay with the company manager (as a quasi-private owner) who was to be protected from state intervention with the help of the holding/bank. It is predominantly the managers' property rights to transform and transfer assets that would have been increased if his suggestions had been accepted by the party-state. However, even these rights of the managers would have faced severe limitations, not to mention the still indisputable ban on leaving any part of state property to their heirs.

How to Avoid Thinking about Private Property Rights?: Pluralization versus Privatization

Between 1972 and 1989, Tardos devoted a series of studies to develop the idea of regulating the capital markets through state holdings into that of *cross ownership* of public (and, to a lesser extent, private) enterprises (Tardos 1972, 1986, 1992).[22] With time, his governance projects became more and more radical and also a bit more sophisticated but continued to focus on reshaping state ownership instead of urging a transition to any kind of capitalism. For him, like for an overwhelming majority of reform economists, former Marxists, moderates, and radicals alike, a switch from large-scale social ownership under communism to smaller-scale capitalist ownership would have been tantamount to taking a huge step back on the road to modernization. Also, institutional ownership (particularly, in the form of some kind of public-private partnership) appeared to most of them as not only ideologically more desirable but also as more up-to-date than individual ownership, no matter if practised

by small private entrepreneurs or capitalist tycoons. A property network of social security and pension funds, banks and insurance companies, investment funds, private and semi-private, for-profit and non-profit companies was the maximum the *crème de la crème* of Hungarian reform economists were willing to demand in terms of the privatization of large assets until 1989. They absorbed patterns of governance from Germany, Italy, and Japan, and combined them enthusiastically. In the course of the 1980s, *holdingology* became a special genre of institutional engineering with the participation of scholars such as László Antal, Tamás Bauer, Lajos Bokros, István Csillag, Sándor Kopátsy, László Lengyel, György Matolcsy, Tamás Sárközy, and Attila Károly Soós.[23] Their projects were invented for large state-owned enterprises with a view of releasing them from the strangulation of the state hierarchy (this was called the separation of management from ownership and ownership from state administration at the time) as well as empowering the enterprises and their managers to survive in the business world. Thus, rather than a huge but unorganized army of sovereign private owners, these conglomerates should have served as a counter-power to the omnipotent state. Remarkably, despite the promising experiences with foreign (private) owners in joint ventures, an institution permitted by law in Hungary since 1972, the idea of using the power of foreign capital to offset state intervention did not occur even in the wildest dreams of reformers until the second half of the 1980s.

Meanwhile, quite a few young researchers of a stronger liberal persuasion who were less constrained by self-censorship entered this research field and wanted to understand the functioning of the existing ownership regime rather than indulging in institution building with a normative fervor. As a consequence, the research program of the reformers was loosened up in at least three fundamental respects. First, the private owner as such (not only the small entrepreneur) emerged on their list of *kosher* legal subjects. At the same time, pluralism of property forms became a catchphrase of ownership discourse. Second, the large state enterprises began to be seen as *perpetrators* rather than *victims*, who, in close cooperation with the party-state, actively contributed to impeding marketization. Many of their top managers belonged to the highest stratum of the *nomenklatura* and successfully lobbied for maintaining the monopoly position of their organizations. Third, the state-company nexus was interpreted in the political context of deep interference in economic policy by the communist party. Accordingly, state ownership was increasingly regarded as party-state (*nomenklatura*) ownership at all levels of the hierarchy. For members of this community of scholars (such as Tamás Bauer, Mária Csanády, Mihály Laki, Erzsébet Szalai, Éva Voszka—supported by Márton Tardos (1980/1983)) it became crystal clear that the fact that certain group-based and private property rights were substantially constrained or unrecognized was due to a complex interplay of interlocking institutions: industrial and agricultural lobbies, the military, the government, the party, the trade unions, and so on. They would only have needed to make a simple logical step to realize that if once this multiple-actor network of ownership were destroyed, it would be very difficult, even pointless, to continue insisting on the idea of some kind of *non-private capitalism* any longer. However, even these scholars came to this subversive conclusion rather reluctantly (if at all).

But how did they begin to accept the comparative advantages of private ownership? In examining their works, one can hardly find references to Ludwig von Mises, Friedrich von Hayek, the Ordo-liberals, or to the various schools of new institutional economics striking roots in the United States at that time (Kornai 1992; Lányi 1996). Yet, for example, the balanced view of "markets *and* hierarchies" prevailing in transaction costs economics could have been to their liking. From among the *old guard* of Hungarian economists, perhaps Márton Tardos was the only one who read authors such as Armen Alchian, James Buchanan, Harold Demsetz, or Oliver Williamson at that time.[24] János Kornai was apparently not too interested in this kind of literature even though it could have improved one of the main concepts of his economics of shortage, paternalism, in terms of institutional precision.

As to other sources, the reform economists got a little help from sociology and law.[25] Thus, by the 1980s, the former paleness of economic theorizing of ownership issues was waning. As early as 1969, András Hegedüs, a prominent Hungarian sociologist, began to experiment with the concept of managerial property under communism, borrowing the logic of James Burnham's managerial capitalism (Hegedüs 1969). He did not apply the term "property rights" but, by making a distinction between formal state ownership of firms and the actual opportunities for company leaders to decide on the use of assets and the distribution of revenues, he started differentiating the various entitlements, too. In contrast to most of reform economists, Hegedüs did not put all his faith in the managers. Rather, loyal to the Lukács School of neo-Marxism, he preferred a combination of technocratic rule and industrial democracy.[26]

As regards legal sciences, a professor of civil law Tamás Sárközy became the most influential interlocutor of the reformers during the 1970s and he did not cease to warn them about the dangers of oversimplifying the notion of ownership. He challenged the inoperational character of high-sounding concepts such as *self-management* or *entrepreneurship*, and called for an accurate specification of the legal subjects and their entitlements (not rights) as well as of their actual legal behavior. Unfortunately, his accuracy was rather old-fashioned and oriented toward German scholarship. Hungarian economists could not really learn formalized new-institutional approaches to property rights analysis from him.[27] Nevertheless, Sárközy called their attention to a peculiar asymmetry between the cautious ownership reforms advocated by the majority of economists and the large opportunities, provided even by the communist legal system, for *smuggling in* a higher degree of managerial autonomy and informal private ownership in the official discourse.[28]

He introduced the term "shared ownership" (*osztott tulajdon*) in order to distinguish between power over the assets, entitlement to their use, and earning income from them. According to him, the state-owned enterprises turned, in many respects, from administrative units that only handle assets into tenants or quasi-owners of state property (Sárközy 1986). On an abstract level, he made the superiority of social ownership questionable, although he did not demand openly the extension of private property rights. At the same time, Sárközy claimed that the distinction between personal and private property should be abandoned, and that both ownership forms be put under the heading of *small entrepreneurship*.

Using this phrase, he expressed a consensus within the research community. Hiding some kind of private property behind the facade of entrepreneurship (an invention by Liska) and stressing the small size of individual (personal and/or private) ownership was, however, more than a pragmatic move to avoid provoking the official ideology. Until the very end of the communist regime, the pluralization of ownership on the basis of a symbiosis of large state enterprises and small cooperative, communal, and private firms was *sincerely* preferred to privatization by most economists in Hungary. Social ownership was planned to be reformed (i.e., restructured) rather than transformed (i.e., abolished) and replaced by private ownership. It was assumed that by the end of the reform process (a) small private properties would not, as a rule, develop into large ones, and (b) the share of social ownership would remain higher than that of private ownership and, equally importantly, than that of public ownership in the West.

Pluralism also meant (formal or informal) partnership between the various regimes of ownership, giving rise to a sort of *anything goes* approach. Quasi-private household plots, industrial and service units in agricultural cooperatives, intra-enterprise economic work associations in large industries, using personal property for business purposes (e.g., hotel or taxi services),[29] renting out part of public assets (shops, restaurants), not to mention a great variety of informal or even illegal economic activities. Many of these were originally designed or discovered by reform-minded economists, legal experts, and sociologists, including researchers of the shadow economy (Sik 1996). Economic experts on agricultural cooperatives,[30] Liska and his followers, rural sociologists and anthropologists, authors of industrial case studies, labor economists and sociologists developed a tightly interwoven empirical research program to study the processes of *creeping privatization*, more exactly *creeping small-scale privatization* ("*embourgeoisement*," to use Iván Szelényi's term), a success story of Kádár's Hungary.[31] A great majority of them applied descriptive rather than analytic methods, preferring verbal explanation to model building. Nevertheless, this was the field in theorizing ownership in which formalized models of neoclassical and new institutional economics were applied in Hungary for the first time (Galasi and Kertesi 1988, 1990, 1991).

Why conceal that the title of this section is slightly misleading? In fact, most of the authors named on its pages did want to avoid thinking about private property rights seriously. However, after a certain point they proved unable to do so. Unfortunately, they seldom proved able to ensure that their research programs could offer cutting-edge results in ownership theory.

Self-Management Forever?

A majority even of those few economists who—after having rid themselves of reformist illusions concerning indirect control, reshaping large-scale state property, entrepreneurship, and the like—suggested to liberalize at least small private ownership simultaneously rediscovered the idea of self-management. Some of the holding projects also contained elements of workers' self-management (cf. Soós's suggestions) or employee shareholding (cf. Matolcsy's and Bokros's schemes). Self-management was also proposed as an adequate form of ownership for the seceding units of large public firms or for the decentralized entities of these firms within the holdings. Even the politically most radical reform programs from 1986/87 (*Turnaround and Reform*, written by radical reformers (dissenters) and *Social Contract* formulated by the Democratic Opposition (dissidents)) emphasized the need of self-management. The authors of *Social Contract*, for instance, contended that "the concentration of power based on private property is not more acceptable than the monopoly of power of state bureaucracy" (Antal et al. 1987; Kis et al. 1987).

The reemergence of the idea of self-management could not be explained by any domestic success story, not even by that of the intra-enterprise economic work associations that functioned as informal semi-private institutions rather than official self-managing units. The fact that in 1984 the government established a system of so-called company councils whose power was immediately overridden by managers and/or the well-known structures of the party-state, did not justify the revival of the idea either.[32] Apart from self-censorship, and a sincere conviction of the advantages of group ownership, be it generated by syndicalist, anarchist, or general democratic beliefs, one cannot explain the cyclical return of self-management principles by anything other than the mounting disappointment with the weakness of market leanings of large enterprises. If we suggest to strengthen their position vis-à-vis the ministries, many reformers argued, we should also check them from below. Accordingly, self-management would serve as a guarantee for proper market behavior. Moreover, the former distrust of trade unions, and of syndicalist/corporatist versions of self-management in general, virtually disappeared in the literature. In this regard, the tradition of social reformism cherished by the German Historical School was reinforced after four decades by a foreign success story, the upcoming triumph of *Solidarność* in Poland.

At the same time, the excessively decentralized model of Yugoslav self-management introduced in the second half of the 1970s did not mobilize the imagination of Hungarian economists. They also failed to study the neoclassical and new-institutionalist models set up to understand self-management in Yugoslavia by scholars such as Saul Estrin, Branko Horvat, Svetozar Pejovich, Jaroslav Vaněk, and Benjamin Ward. Self-management theory in Hungary remained sadly verbal and speculative, ignoring almost all fresh analytical attempts at comprehending communal, municipal, non-profit (Duff Milenkovitch 1992) and other ownership schemes from the *share economy* (Martin Weitzman) to *common-pool resources* (Elinor Ostrom).

Conclusion

Returning to the five working hypotheses formulated at the beginning of this chapter, I have to admit that while working on the manuscript I was crossing my fingers to achieve a reduction, with the help of the historical overview, of the pessimism inherent in my own assumptions. Unfortunately, just the opposite happened: the sorrow felt upon the missed opportunities (including my own)[33] to innovate with scholarly rigor sank deeper and deeper. Nevertheless, the revisiting of the *oeuvre* of the main authors in ownership theory revealed quite a few authentic ideas that might be worthy of development. If that proved to be a dead-end street, the Hungarian story would still provide the analyst with a profound knowledge of a lengthy and complicated process of releasing the concept of private ownership from the prison of the social ownership doctrine—a lesson for those who are ready to experiment with nationalization/socialization lightheartedly. Moreover, some of those semi-liberal concepts such as various forms of entrepreneurship and cross (recombinant) ownership, which seemed like shabby half-way houses on the road leading to private ownership 30 to 40 years ago, may be considered today as useful correctives of property relations, in certain conditions, under modern capitalism.

Browsing through the above six phases of evolution between 1945 and 1989, one sees that during this period the initial canonization of dualism of state and cooperative ownership in communist political economy did not turn into a solemn declaration of the superiority of a single ownership regime: private property. To return to the title of this chapter, *two* did not become *one* and much less *one and only* until the very collapse of communism. The Hungarian reform economists of the late 1980s certainly would have been surprised to see themselves kettled in an extremely mixed crowd of some former professors of Marxist political economy, together with a growing number of neophyte mainstream economists, all celebrating privatization in one way or another in the early 1990s. True, despite sudden and wide recognition, private property came to be regarded as a dominant rather than an exclusive form of ownership even during those revolutionary years.

János Kornai's *passionate pamphlet* from 1989 demonstrates the ambivalence of even the most Westernized, liberal-minded Hungarian reformers when it came to their attitudes to private ownership. Here, he advocated the expansion of small- and medium-sized private ownership, cast doubts upon self-management, mocked the simulation of private property, and insisted on hardening the budget constraints of the large state-owned enterprises instead of suggesting their rapid (non-simulated) privatization (Kornai 1989–1990).[34] Sadly, he did not show interest in (shied away from) integrating the embryonic concepts of *nomenklatura* ownership with the aim of crowning his own transition scenario.

I have to confess in closing that it would cause me a serious headache if I were forced to tell which pattern of scientific evolution would best fit the story described above. True, I have applied the term "research program" in the text a few times. While writing this chapter, I felt justified in using the Lakatosian concept because, undoubtedly, there was a rivalry between the various approaches to theorizing ownership, and from time to time these approaches took the form of detailed research programs (even if these often lacked scientific coherence and were overpoliticized as far as they *hard cores* were concerned). Nevertheless, despite a certain degree of scholarly improvement, most of the programs remained deeply ambiguous and fragmented throughout the entire communist period as far as both the importance of private property rights, and the relationship between social and private ownership were concerned. Also, it would be difficult to explain with the help of the methodology offered by Imre Lakatos why and how the majority of the research community in Hungary switched to a new research program in ownership theory in just a few years.

A general acceptance of the primacy of private property rights in the first half of the 1990s came as a kind of *revelation*, a paradigm shift to cite Thomas Kuhn. This did not simply occur because censorship was abolished, and at a certain point Hungarian economists became free at last to express their love toward private ownership because, as demonstrated above, they rather cherished a love-hate attitude to it—even when they already had a chance to betray their admiration during the greater part of the 1980s. I would be reluctant to call what happened a veritable *scientific revolution*, even if the economic profession definitely *tipped over*. Following 1989, *two* suddenly (and without catharsis) became *one and only*, as if this switch would not have been preceded by a four-decade process of rejection, semi-adoption, and reinterpretation. Non-private ownership did not vanish completely but at a certain point, no plausible argument for the superiority of social property remained in the purview of economic theory.

One faces similar difficulties in assessing the originality and scholarly quality of theorizing ownership in Hungary during the communist era. If we start the narration after the Sovietization of economic sciences, the story will exhibit a learning process of expunging the Stalinist concept of property with more and more refined arguments over time. As Kenneth Boulding would say, the economists took off their blinders. If, however, we depart from the pre-1948 consensus in the economics profession, then the ownership concepts of the reform economists hardly managed to transcend the scientific quality of that consensus by 1989, as if there existed an unbreakable glass ceiling. Moreover, apart from certain ideas suggested by Tibor Liska, Tamás Sárközy, and Márton Tardos, as well as some other adherents of managerial ownership, small entrepreneurship, pluralization and *creeping privatization*, one cannot identify original discoveries, and even theirs seem a bit parochial. In principle, Hungarian economists could have achieved a similar level of scientific analysis and originality as their Yugoslav colleagues in their research programs on workers' self-management (Franičević 2012), provided that they would have developed their thoughts about *Pannonian-type*[35] managerial ownership by combining their empirical knowledge of the evolution of the NEM with new-institutionalist techniques of economic inquiry. While there were promising efforts to build formal models of NEM in the West,[36] in Hungary even János Kornai, who might have been the best-prepared in the research community to suggest a mathematical theory of the Pannonian regime of ownership, contented himself with criticizing the models of Oskar Lange as naïve attempts at comprehending market socialism as such (Kornai 1986).[37] Symptomatically, economic scholarship in Hungary did not even coin an eye-catching term to name the NEM model by referring to the specific property rights of the company managers.

Theorizing ownership in communist Hungary resulted in tens of thousands of pages being published in academic journals and books, not to speak of party brochures, newspapers, textbooks, and *samizdat* publications. In most cases, the theoretical arguments one reads on these pages were rather shallow and inconsistent. Nevertheless, they paved the way to filling only a few hundred pages with two laws from 1986–1988 (the Company Law and the

Transformation Law), which determined a large part of the institutional design of the Hungarian economy until today, by unleashing what was called *spontaneous privatization*. Although these legal documents—pioneering works of Hungarian economists and law experts in Eastern European comparison—did not set the goal of privatizing state assets, they specified, in an instrumental rhetoric, exactly those property rights related to *abusus* that had been disregarded or ignored before.

The question of whether or not this legal breakthrough patterned after German company law helped the economics profession in Hungary reach higher levels of theorizing ownership after 1989 hides a more exciting question: when exactly did the history of economic thought under communism end?

NOTES

1. As social ownership was the exemplary and predominant constituent of "social*ist* ownership," the former often was replaced by the latter in official rhetoric. Within social ownership state property was declared superior to cooperative and communal property, although in terms of hierarchical regulation there was no significant difference between them for a long time.

2. See, for example, Berend (1983), Kornai (1986, 1992, 2008), Lengyel (1989), Mihályi (2005), Sárközy (1986), Szamuely and Csaba (1998).

3. János Kornai's memoirs (2008) are a good example for turning a controversial history of economic thought into a linear *Entwicklungsroman*, a success story leading from Marx to the market and private ownership, disregarding or underestimating the significance of long digressions from this direction. In another paper Kornai (2000, 654) proudly admitted that "I did not use the term 'institution' in every second paragraph as it recently has become fashionable to do, but I think I understood what a system means, and what the difference is between socialism and capitalism."

4. Although the research program of optimal planning was often correctly labeled by the market reformers as utopian, their own program can hardly escape the same designation in retrospect. At the same time, in looking for scientific models of planning, the optimal planners not only made a few original discoveries (e.g., the Kornai-Lipták model of two-level planning) but also laid the foundations for a mathematical culture in Hungarian economic thought, which enabled the economists to rejoin the neoclassical mainstream during the late 1980s.

5. Cf. Bockman (2011), Bockman and Eyal (2002), Éber et al. (2014), and Szalai (2006). Interestingly enough, not only the crux of the arguments they put forward recently but also the wording and the ideological zeal of these remind the observer of the discourse of local anti-reformers in the 1970s and 1980s.

6. The Hungarian translation of the influential Soviet textbook (Osztrovityanov et al. 1955) was published two years after Stalin's death.

7. The communist Constitution of 1949 defines state property as "the wealth of the whole people," and promises to support the right of "working peasants" to the land and, in general, all "property acquired by work" but adds: "private ownership and private initiative may not infringe public interest" (Constitution 1949).

8. From this perspective, it would be very difficult to make distinctions between scholars of liberal, social-democratic, conservative, or even national-socialist persuasion. In terms of accepting a large dose of government intervention including nationalization, Károly Balás, Béla Csikós-Nagy, Farkas Heller, Mátyás Matolcsy, Ákos Navratil, Jenő Rácz, Tivadar Surányi-Unger, Ede Theiss, Imre Vajda, István Varga, that is, leading economists of the prewar period who were silenced, imprisoned, exiled, or co-opted by the communists, did not differ essentially from those émigrés like Tamás Balog, Vilmos Fellner, Miklós Káldor, Tibor Scitovsky, or the communist Jenő Varga who left Hungary before the war. Cf. Pető and Szakács (1985) and Szamuely (1986).

9. For more details on these fora, see Note 14. Cf. B. Hegedüs and Rainer (1989, 1994) and Szamuely (1986).

10. The first textbook of the political economy of socialism to apply the term "property entitlement" (*tulajdonosi jogosultság*) was published in 1985 (Hámori 1985).

11. See Kovács (1991, 1992, 1994).

12. György Péter began to write about trading with the means of production as early as in 1956 (Péter 1956–57).

13. Cf. Kornai (2008, Ch. 5). If one insisted on the infamous habit in Hungary of dividing the intelligentsia in two conflicting camps, the *populists* and the *urbans*, many young scholars of the same generation as Bródy, Kornai, or Tardos, such as Sándor Kopátsy and Tibor Liska, would represent the first camp. In their minds it was the agrarian traditions that kept the attraction of private (as well as cooperative) initiative and property alive. Cf. Bródy (1994).

14. The *Petőfi Circle* embraced a number of critical intellectuals between March 1955 and October 1956 who organized heated debates on key issues of history, philosophy, economics, education, and the media (B. Hegedüs and Rainer 1989–94). The official name of the *Varga Commission* was Economic Commission. It was established by the government, and worked from February to June 1957. It was headed by the prominent non-communist scholar István Varga (Szamuely 1986).

15. This was a favorite term of Kálmán Szabó (another economist with early agrarian leanings) who became an author of many textbooks of the political economy of socialism during the 1960s and 1970s. See, for example, Szabó (1964). It was imported from Soviet legal theory, more exactly, derived from the fiercely debated views of Anatoly Venediktov who introduced the concept of *operative management* and reconciled the dogma of the legal unity of state ownership with the civil law status of the individual state-owned enterprises as juridical persons in a book published in 1948 (see the Soviet chapter and the *Conclusion*).

16. The household plots could not be sold, were cultivated with the help of means in personal or cooperative property, and the bulk of incomes produced were appropriated by the farmers who were also members of the local cooperative. Another hybrid creature was state-owned housing. The tenants paid rent, did not have the right to sell or inherit the apartments but could profit from it through informal exchange transactions and subletting.

17. These work associations came into being in 1982, and included part of the workforce (a team or a workshop) that used the company equipment to produce similar goods as in the regular working time after it ended but received higher incomes as *intrapreneurs* than they did as workers. During the 1980s, a number of other business institutions (such as *economic work associations* outside the state firms (*gmk*) and *small cooperatives* (*kisszövetkezet*)) emerged along the border of private and public ownership. In the case of small cooperatives, the members had the right to re-appropriate part of the assets if the cooperative stopped functioning. Many of the constitutive ideas of these institutions came from Tibor Liska (see the next section).

18. The book came out in 1988 (Liska 1988) but he had not remained silent as a public intellectual during the years before. He organized regular semi-official discussions at the Karl Marx University of Economics, set up experimental firms to test his entrepreneurial models, published in *samizdat*, and even played the role of the creative but misunderstood reformer in films. Cf. Kovács (1996).

19. The only person who invoked the spirit of Friedrich von Hayek in the debate was Lajos Bokros.

20. See a conversation with Miklós Mandel (Ferber and Rejtő 1988).

21. He had already suggested this idea in a memo written to one of the government commissions evaluating the first experiences of the New Economic Mechanism in 1969 (Tardos 1972, 1983).

22. For similarities between the concepts of cross ownership and *recombinant property*, see Stark (1996).

23. Many of these studies were conducted in the framework of government-sponsored mega-programs such as the "Socialist Entreprise" or "The Organizational System of Our Economy" from the middle of the 1970s onward. For a detailed analysis of the holding proposals (with reprints of some of the original texts), see Mihályi (2005). See also Lengyel (1989) and Sárközy (1986).

24. For the attitude of the *young guard* to new institutionalism, see Kovács (2012).

25. Interestingly enough, the first impulse to rethink the concept of ownership came from the sinologist Ferenc Tőkei (1965) who, when presenting the complicated network of state, private, and communal property prevailing in China prior to capitalism, called for the reintroduction of Marx's notion of the *Asian mode of production* in the official canon of historical materialism.

26. György Lukács and his disciples attracted not only sociologists but also economists such as András Bródy, Ferenc Jánossy, and Márton Tardos, although during the 1970s the radical reformers started distancing themselves from Lukács's disdain for the market and private ownership. Furthermore, members of the school and the so-called Lukács Kindergarten published in *samizdat* a seminal work on Marxian economics in 1972, which, relying on the Mises-Hayek critique of collectivism, rejected the vision of the communist economy but retained the concept of some sort of social ownership (Bence, Kis, and Márkus [1972] 1992). About a decade later, prominent members of the Lukács School published a book in England (Fehér, Heller and Márkus 1983), which also retained the hope of a *true* socialist transformation of Eastern European societies but—in want of a better solution—admitted certain merits of liberal democracies under capitalism and provided a more accurate analysis of what they called the *corporate property* of the communist ruling elite than any of the Hungarian reform economists. In an attempt to formulate the objective function of the *nomenklatura* as a cohesive group of owners, they described the managers as trustees and specified the distribution of powers among them. Thereby, the three philosophers refused the then popular theory of the Hungarian dissident sociologists György Konrád and Iván Szelényi (1979), contending that the intellectuals as a class seized power in communist regimes.

27. In the middle of the 1980s, a collection of essays (Harmathy and Sajó 1984) was published on *law and economics*, which contained some of the seminal papers of the new discipline. However, this did not attenuate Sárközy's influence on the leading reformers at all.

28. Actually, it was as early as 1967 that the law on cooperatives opened a back door for semi-private business ventures, and thereby prevented cooperative ownership from approaching the allegedly superior form of state ownership as projected by the Stalinist canon. At the same time, the state-owned firms also left, in legal terms, part of the social property paradigm behind. From 1967 on, they were permitted to establish joint companies. In 1977, the new company law defined the state-owned firms as subjects of the *entrepreneurial activity* of the state, banned state intervention in many fields, permitted asset transfer between the companies, and took out the decisions on the legal disputes between the firms from the hands of the ministries. The legal possibilities to organize work associations in- and outside state enterprises were granted in 1981.

29. Here the boundaries between *personal* and *private* were tacitly blurred.

30. While cooperative ownership, particularly in agriculture, was a field of incessant interest among Hungarian economists (in 1968 a special research institute was founded to study the cooperatives), communal property remained a neglected topic throughout the communist period despite the fact that the local councils controlled huge territories of land and a vast number of small and medium-sized industrial firms as well as a whole lot of buildings and apartments. Regional and local communities were not venerated in a collectivist vein, and—with the exception of Gábor Vági (1991)—there were no reform-minded economists who would have tried to combine a radical program of marketization with the idea of local self-government.

31. See Szelényi (1988) and the works of Ferenc Donáth, András Hegedüs, Pál Juhász, István Márkus, and Kálmán Rupp.

32. Ironically, this move toward self-management made it easier to switch to privatization some years later because it required the introduction of the concept of company self-ownership (*öntulajdonlás*), to use Sárközy's term.

33. For my failed attempt to understand a bargaining game between a large state-owned enterprise and a branch ministry in Hungary, see the Conclusion.

34. As a symptom of the inertia of scientific discourse, Kornai (1990) was reluctant to switch to the language of *law and economics* and clung to the term of coordination mechanisms when actually talking about property rights even after the collapse of communism. Yet, he suggested inspiring hypotheses about *strong* and *weak* linkages between them and suggested a number of intermediary—largely collectivist—solutions of what he called *associative coordination* including self-governance,

reciprocity, altruism and the like, solutions, about which he did not elaborate in depth later.

35. The term was invented by Peter Wiles to contrast the Illyrian-type regime of the post-Stalinist communist economy (Wiles 1977).

36. Normally, these models (suggested by, among others, Avner Ben-Ner, John Bonin, David Granick, Michael Keren, John Montias, Egon Neuberger, Richard Portes, Stephen Sacks, and Peter Wiles) were not grounded in new institutional economics, did not necessarily focus on ownership relations, and did not portray the Hungarian economy exclusively. Regrettably, these research programs did not converge into a synthetic doctrine. Cf. Grosfeld (2012).

37. Tardos (1968) began to experiment with such a model following in the footsteps of Robert Dorfman, Paul Samuelson, and Robert Solow but shortly thereafter abandoned this research program for the verbal analysis of the reform process. Turning his back on linear programming was partly due to the strong impact exerted on Hungarian economic thought by Kornai who launched a vigorous attack on general equilibrium theory in his (in)famous book *Anti-equilibrium* in 1970.

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