

CONTENTS

Contributors	
About the CEU Privatization Project	x
Acknowledgements	xiv

PREFACE	xv
1. Definition of small privatization: the focus on retail trade and consumer services	xvi
2. Definition of small privatization: the focus on real estate	xviii
3. The importance of the economic development	xix
4. The politics of small privatization	xxiii
5. The elements of success of small privatization	xxvi
6. The plan of the volume	xxx

PART I: THE CZECH REPUBLIC	1
A. CZECH RETAIL TRADE AND CONSUMER SERVICES UNDER SOCIALISM	1
1. Introduction	1
2. Retail trade and consumer services in the centrally planned Czech economy	3
2.1. Socialist ideology regarding consumption	4
2.2. The size of the retail trade and consumer service sectors	5
2.3. "Global Equilibrium"	7
3. Formal ownership, organization, and composition of retail trade and consumer services before 1989	12
3.1. Ownership	13
3.2. Organization	16
3.3. Composition	18

4.	The economics of trade under Czech communism	21
4.1.	Planning, commands, and guidelines	23
4.2.	Supply and distribution of goods	29
4.3.	Determination of prices and consumer credit	33
4.4.	Adjustment to shortages and shocks	36
4.5.	Labor and wages	41
4.6.	Investment	42
5.	Legal private activity and perestroika in retail trade and consumer services	42
B.	PRIVATIZATION OF RETAIL TRADE AND CONSUMER SERVICES	46
1.	Introduction	46
2.	Restitution	53
2.1.	History of restitution debates	53
2.2.	Restitution laws	54
2.3.	Assets in reprivatization	54
2.4.	Restituents	56
2.5.	The process of privatization	56
2.6.	Results	57
3.	The small privatization program	59
3.1.	Objectives	59
3.2.	Legal and organizational framework	59
3.3.	Assets in small privatization	61
3.4.	New owners	67
3.5.	The allocation process	69
3.6.	Results	70
4.	Large privatization	74
4.1.	Introduction	74
4.2.	Assets	75
4.3.	The choice of method: privatization projects	78
4.4.	Submitted privatization projects	80
4.5.	Results: approved projects	83
4.6.	Results: new owners	87
4.7.	Conclusion	87
5.	Consumer cooperative transformation	89
5.1.	Introduction	89
5.2.	Cooperatives under socialism	89
5.3.	Cooperative transformation: after 1990	92
5.4.	Divestment of assets and operations	95

PART II: HUNGARY	99
1. Introduction	99
1.1. Quantitative evidence on the transformation of the retail, catering, and service sectors in Hungary	106
2. Reforms under socialism	110
2.1. History of reforms under socialism	110
2.2. Pre-1988 reforms	111
2.2.1. Reform of state enterprises	112
2.2.2. Creation of private business	117
2.3. Transformation in the period 1988 to 1990	118
2.3.1. The transformation process	121
2.3.2. The results of the transformation process	123
3. Preprivatization	128
3.1. Objectives	128
3.2. Legal framework	130
3.3. Assets in the Preprivatization Program	131
3.4. The allocation process	134
3.5. Results	135
4. The First Privatization Program	143
4.1. The objectives of the First Privatization Program	144
4.2. The results of the First Privatization Program	146
5. The Self-Privatization Program	148
5.1. Objectives	148
5.2. Organizational framework	151
5.3. Assets in Self-Privatization	152
5.4. The allocation process	154
5.5. The results	157
6. SPA plans for the remaining state units	162
7. The transformation of Hungarian consumer cooperatives	165
7.1. The history of Hungarian consumer cooperatives	165
7.2. Transfer of cooperative assets in the period 1988-1990	168
7.3. Developments in the cooperative sector after 1990	171
PART III: POLAND	175
1. Introduction	175
1.1. Quantitative evidence on the transformation of the retail, catering, and service sectors in Poland	181

2. Historical perspective	187
2.1. The ownership structure from 1945 to 1989	188
2.2. Administrative organization of the socialized sector	192
2.3. Between the socialized and the private sectors: the agency arrangements	195
2.4. The second economy	198
2.5. The Law on Economic Activity	200
3. The changes in the real estate market in 1990 and their role in small privatization	201
4. Gmina privatization	205
4.1. The process of communalization	206
4.2. The process of gmina privatization	207
4.3. The extent of gmina privatization	209
4.4. The nature of the privatized assets	210
4.5. The mode of transfer	213
4.6. The beneficiaries of gmina privatization	217
5. Privatization by housing cooperations	217
5.1. The extent of privatization by housing cooperatives	219
5.2. The type of interest conveyed and the process of allocation	220
6. Privatization of units owned by state enterprises	221
6.1. The liquidation process	222
6.2. The fate of state department stores	227
7. The restructuring and privatization of the Polish consumer cooperatives	228
7.1. The liquidation of cooperative associations	230
7.2. Privatization of and by local cooperatives	233
7.3. The results of cooperative privatization	235
 PART IV: THE SURVEY	 239
1. Introduction	239
2. Population and sample selection	241
2.1. Population selection	241
2.1.1. Initial conditions	241
2.1.2. Conditions concerning the line of business	243
2.1.3. Locational distribution	243
2.2. Sample selection	244
3. Participants and assets	245
3.1. Type of units	245

3.2. Interviewees	245
3.3. Nature of the conveyed assets	251
4. The transfer process	253
4.1. Lease vs. purchase	254
4.2. Features of the rental contract	254
4.3. Restrictions	255
4.4. The competitiveness of the transfer process	258
4.5. The publicity of the transfer	261
4.6. Prices	261
4.7. Financing of the acquisition	265
5. Posttransfer behavior and environment	267
5.1. The quality and choice of suppliers	267
5.2. Financing of operations	276
5.3. Employment patterns	277
5.4. Perceptions of the environment and the role of government	282
6. Behavioral implications of the transfer contract	284
6.1. Levels of investment and restructuring in the sample	284
6.2. Debt and its impact on investment	287
6.3. The impact of contract uncertainty and lease restrictions	287
7. Behavioral implications of the competitiveness of the mode of transfer	291
7.1. The effect of open vs. closed procedures	292
7.2. Auctions	293
8. Behavioral implications of postprivatization ownership structure	295
9. Conclusions: ownership structure and the mode of transfer	299