

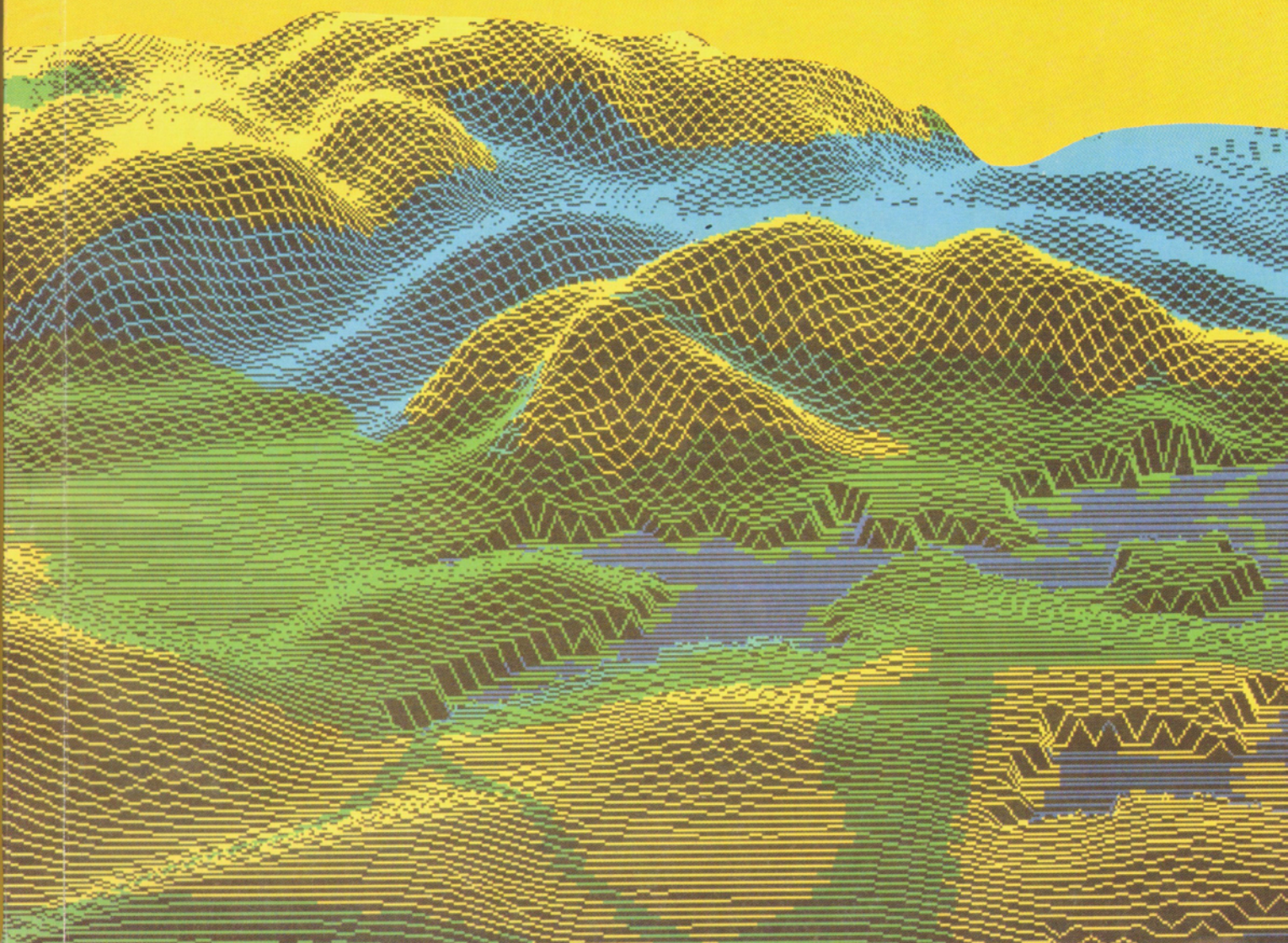
MORAVIAN GEOGRAPHICAL REPORTS



VOLUME 3

NUMBER 1,2 1995

ISSN 1210 - 8812



MORAVIAN GEOGRAPHICAL REPORTS

EDITORIAL BOARD

Antonín IVAN, Institute of Geonics Brno
 Jaromír KARÁSEK, Masaryk University Brno
 Alois MATOUŠEK, Masaryk University Brno
 Oldřich MIKULÍK, Institute of Geonics Brno
 Jan MUNZAR (editor-in chief), Institute of Geonics Brno
 Vítězslav NOVÁČEK, Institute of Geonics Brno
 Antonín VAISHAR, Institute of Geonics Brno
 Arnošt WAHLA, University of Ostrava
 Kateřina WOLFOVÁ, Palacký University Olomouc

EDITORIAL STAFF

Kateřina ČUZOVÁ, executive editor
 Martina Z. SVOBODOVÁ, linguistic editor

PRICE

Czech Republic, Slovakia 135 CZK
 mailing costs are invoiced separately

MAILING ADDRESS

MGR, Institute of Geonics, ASCR
 P.O.Box 23, CZ-613 00 Brno,
 Czech Republic
 (fax) 42 5 578031
 (e-mail) ugn@isibrno.cz

PRINT

PC - DIR, Ltd., Brno, Technická 2

© INSTITUTE OF GEONICS 1995

ISSN 1210-8812

Contents

Articles

Antonín VAISHAR

THE CULTURAL AND ECONOMIC CONDITIONS OF DECISION - MAKING FOR SUSTAINABLE CITY (International research project funded by CEC Contract No.EV5V-CT92-0150)

Introduction 2
 (Kulturní a ekonomické podmínky rozhodovacího procesu pro trvale udržitelný rozvoj města. Úvod)

CASE STUDY: BRNO 4
 (Kulturní a ekonomické podmínky rozhodovacího procesu pro trvale udržitelný rozvoj Brna)

Antonín VAISHAR - Oldřich MIKULÍK - Jana ZAPLETALOVÁ - Roman BARTÁK
 - Martin DOKOUPIL

CASE STUDY: BUDAPEST 30
 (Kulturní a ekonomické podmínky rozhodovacího procesu pro trvale udržitelný rozvoj Budapešti)

Tibor TINER

Traffic policy and urban sustainability in Budapest 30
 (Dopravní politika a trvale udržitelný rozvoj Budapešti)

Michael J. DOUGLAS

Privatization, growth and sustainability of the retail sector in Budapest 44
 (Privatizace, růst a trvale udržitelný rozvoj maloobchodního sektoru Budapešti)

István TÓZSA

Green spaces and urban sustainability in Budapest 53
 (Zeleň a trvale udržitelný rozvoj Budapešti)

CASE STUDY: LJUBLJANA 66
 (Kulturní a ekonomické podmínky rozhodovacího procesu pro trvale udržitelný rozvoj Lublaně)

Metka ŠPES - Barbara LAMPIČ - Aleš SMREKAR

Reports

Karel KIRCHNER

To the research of pseudokarst 86
 (5th Pseudokarst Symposium with international participation)

Pavel VICHEREK

International Conference "Geography of Towns" 88
 (Mezinárodní konference "Geografie měst")

Chronicle

Professor Miroslav Havrlant (70) 90

Professor Jaromír Demek (65) 90

Editorial

PRIVATISATION, GROWTH AND SUSTAINABILITY OF THE RETAIL SECTOR IN BUDAPEST

Michael J. DOUGLAS

Abstract

In contrast to other socialist countries, private sector in Hungary has always been accepted with certain respect to its role in national economy. Therefore, retail trade policy is compared for 1951-1990 and from 1990 onwards. On the example of Gödöllő - a part of Budapest agglomeration situated some 30 km from the historical centre - present situation of privatized and self-started grocery stores has been subjected to a detailed analysis.

Shrnutí

Na rozdíl od ostatních socialistických zemí byl privátní sektor v Maďarsku akceptován do určité míry vždy s ohledem na jeho úlohu v hospodářství. Je proto srovnávána maloobchodní politika v letech 1951-1990 a po roce 1990. Na příkladu Gödöllő, části budapeštské aglomerace cca 30 km od historického centra, je detailněji analyzován současný stav privatizovaných a soukromých obchodů se smíšeným zbožím.

Key words: retail trade, privatization, Budapest

Introduction

As one segment (the other two being traffic and green space policies) of the Budapest report that deals with sustainable development, this paper specifically looks at the various policies that are impacting (or have impacted) the development of the retail sector. The retail sector is usually one of the most dynamic sectors of the economy, with its ability to respond to the demands of society in a relatively rapid manner if allowed to. In this transitional period in Central and Eastern Europe, it has been the retail sector that has recorded the fastest growth, perhaps as so much pent-up consumer demand was finally allowed to be met in a rational manner. The dominance of the state retail sector has been reduced in most areas although there are bound to be negatives that arise from this demise.

In what follows, various aspects of this change are analysed. Firstly, the retail policies up to 1990 or, in other words, during the previous regime, are examined. Secondly, retail privatisation strategies are evaluated and, after this, the lack of retail policies (on both a local and central level) since 1990 is discussed. In a case study of Gödöllő, a residential area on the periphery of Budapest, the growth of the retail sector since 1990 is highlighted and one can see how the (lack of) retail policies come into play. We conclude with presenting general findings. It is hoped the facts presented in this analysis will assist in the development of retail policies that promote sustainable development, although this concept is new in Hungary (and other transitional economies).

Retail Policies up to 1990

In Hungary, in contrast to other socialist countries, the private sector was always accepted as having a role to play in the economy, although sometimes this was but a grudging acceptance (Swain 1990). This "second economy", as defined by Hann (1990) includes not only full-time entrepreneurs and artisans in the private sector, but also many kinds of 'informal work' performed by persons who also have 'formal work' in the state sector. This informal sector was estimated to account for one-third of personal income and one-quarter of all hours worked (Pickvance 1992, 15). Besides those with regular employment in the state sector, many individuals classified as 'inactive' or as 'housewives' in the first economy are also significant earners in the second (Hann 1990). In this private retail sector, many small inner-city shops were allowed to operate in areas that the state could not effectively organise, such as watchmakers, tailors, as well as vegetable markets and small food stores (see Table 1). This private retail sector, however, was strictly controlled, heavily taxed, not profitable for most, and never produced more than five per cent of retail turnover. The first major economic reform, the New Economic Mechanism in 1968, was a slight shift towards a system of indirect regulation in which new structures of incentives were supposed to stimulate efficiency and innovation, although competition and entrepreneurship were not emphasised. Opening hours, prices, selection of goods, et cetera of retail outlets were still centrally controlled. In the late 1970s, retail co-operatives started to develop, although central policy dictated that there should be no difference in price, selection, et cetera between different stores. Planners

determined the size and location of most state-owned retail outlets based on population figures (e.g. one store for 4,000 residents); supply and demand functions did not enter the equation.

Table 1. Private retail in Budapest 1951-1990

Year	Private	State	% Private
1951	17 733	na	na
Feb. 1952	12 514	na	na
Dec. 1952*	1 371	na	na
1960	4 496	7 003	39.10
1969	3 720	6 820	35.29
1985	6 174	5 794	51.59
1989	7 934	5 313	59.89

* after nationalisation

In 1982, the establishment of small private enterprises was further liberalised in Hungary and the number of people working in small businesses increased from 68,000 in 1982 to 530,000 in 1987 (Lengyel 1993; see also Swain 1990 and Vékás 1989 regarding ownership reforms). This expansion of private entrepreneurs accounted for perhaps 20 per cent of GNP, but only 8 per cent of employment by 1989 (see Table 2). Most of the expansion was in the areas of retail trade and consumer services (Young 1994). Co-operatives also started to experiment with quasi-private retail outlets. Managers of such outlets paid a "rent" to the co-operative based on the store's turnover and the store was still required to obtain all products from a central distribution centre, with set prices. The co-operative still owned the store and paid the employees, but the manager received any profit. This was not private ownership because of the controls set, but the easing of regulations and the development of small businesses kept the economy going, paved the way for private businesses, and trained masses of small businessmen (Lengyel 1993). And the experiences of these semi-market solutions facilitated in the transition of the market economy in Hungary. The Individual Entrepreneur Act of 1990 terminated most restrictions concerning the retail sector, although it still may be necessary to have a specialist qualification to open certain types of businesses, such as pharmacies (Horváth 1993). With the relaxation of regulation, there has been a virtual explosion in the retail sector; the number of private retail and catering outlets doubled between 1990 and 1992. One current problem in the development of a new retail system is that there is not a developed private distribution system and retail outlets (and their customers) might be forced to pay higher prices based on their location and turnover. In contrast to the previous system of set, equal prices, inequalities have the potential for growth.

Table 2. The increase of private traders in the 80s

Year	Shops and catering units	Per cent Private	Per cent private turnover
1983	19 293	na	6.2
1984	22 360	na	7.5
1985	25 455	31.5	8.3
1986	28 965	34.4	9.4
1987	31 827	36.6	10.0
1988	34 541	38.8	11.5

Source: Earle et al. 1994

Privatisation of the Retail Sector

In evaluating the growth of the retail sector in Budapest since 1990, it is imperative to look at the privatisation policies that help to free up the majority of retail outlets in the city. Before these policies were put into place, most of the prime retail locations in the city were controlled by state organisations and private entrepreneurs were forced to locate in (often informal) sub-standard locations. The privatisation policies allowed for market forces to determine the retail mix, although state organisations still control many retail locations, especially in suburban and peripheral areas.

The State Property Agency (SPA) started operation in March of 1990, after many complaints about irregularities in the earlier privatisation process concerning larger companies. Many came to see privatisation sales as mainly benefiting foreign companies acquiring the most attractive businesses and locations. Suspicion also grew that much of the "spontaneous privatisation" either excessively favoured managers or practically allowed them to appropriate state assets outright. The State Property Agency is assigned certain tasks such as the protection and management of state property during transformation, valuation of assets, implementation and monitoring of privatisation programmes, gathering and distributing information, et cetera (Frydman et al. 1993, 125).

The Pre-privatisation Programme was initiated in September of 1990. This programme was specifically aimed at privatising small shops in the retail, catering, and consumer service industries, employing less than 10 persons, 15 in the case of restaurants (Mihályi 1993). Certain types of shops were not included; these include pharmacies, travel agencies, pawn shops (the above three due to the need for specialist qualifications), factory outlets, shops operating in hotels, shops selling goods for foreign currency, and chain outlets. The reasoning behind the programme was simply to eliminate the middleman - state-owned enterprises. All state

entities were to report such units to the State Property Agency, although only 10,674 units were reported by 421 companies; this represented approximately one-third of the 1990 total. One-half of the units were retail shops, one-third restaurants, and twenty per cent in services. Most state-owned enterprises were against the programme as it would have decreased their power, and deliberately hid or tried to reduce the number of units, or only offered those that were the least valuable - loss-making or in less-desirable locations. Local governments were for the programme as they usually owned the business premises and could lease them out to the privatiser. Another anti-privatisation measure was to reduce the number of units under contractual or rental agreement, as these were given preferential treatment in the programme. In the period 1989-90, the number of such agreements declined by 27 per cent (Earle et al. 1994).

Only Hungarian citizens or legal entities could participate in auctions, with priority given to shop managers, employees, or those paying in cash. Starting prices were set by outside consulting firms, although due to political pressure not to sell the units too cheaply, high prices resulted in 50 per cent of the auctions being unsuccessful. Also, legal delays regarding ownership of the units affected around 3,000 of the units. Eighty per cent of the units were privatised through open auction, although half of these units were auctioned at the starting price, indicating only one bidder. After June 1992, those who had a contractual agreement for the shop did not have to participate in auctions; they could choose to buy the units at the starting price. The successful bidder usually did not purchase the real estate; in 70 per cent of the cases, the real estate remained in the hands of the local government, with just the business, equipment, brand name, et cetera. The lease is usually for ten years, and in 23 per cent of the cases, rent was increased over 100 per cent after the privatisation. Between the initiation of the programme and August 1993, 8,723 units out of the 10,674 changed hands, although 1,707 were transferred to other state entities. Thus, a total of 7,016 units were successfully transferred to private entities.

Table 3. The affiliation of retail and catering units from 1988 to 1992

Affiliation	1988	1990	1992
State enterprises	26 366	17 410	14 000
Incorporated companies *	671	6 240	30 000
Co-operatives	27 349	22 323	18 000
Private entrepreneurs	34 541	60 114	102 755
Total	88 927	106 114	164 755

* Incorporated companies include limited partnerships, limited liability companies, and joint stock companies. They may be either privately or state owned. Source: Earle et al. 1994

In privatising an existing store or opening a new one, the main problem for the entrepreneur is access to capital (Savitt 1992). In Hungary, there is not yet a developed banking system that will lend to small-scale ventures and, even if there were such facilities available, the high interest rates, approximately 30 per cent, would be prohibitive. What business aid programmes do exist might be geared towards individuals who already have experience in the retail sector and have an appropriate amount of capital to invest. As outlined in Schlehel (1994) regarding a joint programme of the Deutsche Ausgleichsbank and the Hungarian National Bank, 79.8 per cent of loan recipients were self-employed before their business start-up and only 6.9 per cent were unemployed. The average amount borrowed was around 2 million Ft (USD 20,000), and the programme required at least 10 per cent to be financed by the recipient. Thus, much of the privatisation process has served to centralise rather than diversify the retail sector. Over 40 per cent of those who privatised a retail outlet are the owners of another store and managers of the retail outlets were the buyers in nearly half of the cases.

Whilst, in general, retail privatisation has been considered successful by most, some problems remain. The state still operates approximately 10,000 units, with around 1,000 of these being pharmacies. Of the remaining units, some will be grouped together and privatised as "chains", although the fate of those units that cannot be sold is still unclear. It is clear, however, that state companies have had a detrimental effect on the retail privatisation process, as they have kept the best units for themselves and their co-operation was not always forthcoming. It is still hard to evaluate the price and selection impact of the process, except through anecdotal evidence; it would seem that selection has increased although prices have increased. Without bulk buying power, many smaller retail outlets cannot compete against the (Hungarian and foreign) chain stores that are developed in Budapest, such as Kaiser, Julius Meinl, Centrum and Plus.

Retail policies and development since 1990

In 1990, the 22 (since 1994, 23) districts of Budapest gained the power to develop their own retail policies and it is important to note that there are now no Budapest city or national policies that directly impact the operation of the retail sector. For example, zoning regulations, with the physical separation of uses and the prohibition of so-called negative externalities, are not well established; there are few if any restrictions on the location,

size, operating hours, product mix, et cetera of a retail business. (See Baar and Zsomboki 1992 for further elaboration into Hungarian land-use policy.) For example, establishments selling alcohol are allowed in residential areas, something that is often prohibited or at least greatly regulated in other countries. These newly-independent districts have encouraged growth in the retail sector as they derive a fair portion of their revenue from these outlets. All businesses pay a tax of 1-1.5 per cent of income (not profit!) to the district, thus the districts have very pro-business policies and try to offer the best business climate to investors. Although the districts may now implement policies on taxation, more stringent licensing requirements, opening hours, size, et cetera, no district has yet taken serious action. It seems that creating such "negative business" policies would persuade retail outlets to re-locate to districts that did not have such restrictive policies. Another factor to look at is the product mix in many retail outlets. The older government retail policies had strict limitations on what an outlet could sell. Now, most retail outlets are extremely diversified and offer a wide variety of selection.

Generally, the main concentrations of retail outlets are to be found at public transport intersections (especially metro end stations and train stations) in newer areas and in the historical centres of older neighbourhoods, along the thoroughfares. This is partly because of previous (no defunct) retail location policies, although now there are no policies that either encourage or dissuade retailers from these locations. One can say that for the retail sector, the pattern of setting up businesses has not (yet) taken into account (or been tailored to) the automobile consumer. Parking facilities are limited or non-existent at many locations (Duna-Park...1994). This situation is changing in the wholesale sector, with large warehouse-type stores locating on the periphery of the town. These stores, however, are usually serving small business owners rather than individual consumers and are not located near to public transport.

Besides the ubiquitous proliferation of (especially smaller) retail outlets throughout the city, certain special retail areas have become more popular and therefore, expensive (Fig.1). The centre of Budapest contains a developed retail area within the older inner-city. Váci utca (street) and adjoining streets form the prime retail area accommodating pedestrians and serves mainly the flourishing (Western) tourist trade. Most of the older low-order-goods-oriented stores in the area have been replaced with restaurants, gift shops, international retailers and fast-food outlets. Retail rents in this area range from DM 5,000-10,000/m² per year, although higher rates can be found for the best locations right on Váci utca.

The second ring road from the city centre, the Nagykörút (Grand Boulevard), is another major retail venue, although there are fewer international retail out-

lets, more local-oriented stores, and more local consumers on the streets. Public transport is evident all along the boulevard; there is one major train station, three metro stops, various tram and bus stops, and a tram that runs the whole length of this ring road. Thus, any location along the boulevard is within easy reach of most Budapest residents.

Case Study: Gödöllő

To highlight some of the changes that are occurring in the retail sector, the following case-study focuses on grocery stores as they are usually one of the most dynamic segments in the retail sector. This case study uses the grocery stores of Gödöllő, part of the Budapest agglomeration, as an example, with privatised and "self-start" grocery stores analysed in more detail.

Located approximately 30 kilometres from the centre of Budapest, Gödöllő is connected to the urban core by train, bus, light-rail, and highway and thus it is relatively easy to commute on a daily basis. The majority of the population works in Budapest and thus are able to command a higher than average salary; this might explain the relative success of retail outlets in Gödöllő as compared to other areas farther away from the capital. The majority of the retail outlets in Gödöllő are low-goods oriented, such as grocery stores, vegetable markets, coffee shops, et cetera, although there are also a fair number of clothing stores. Most higher-order goods are obtained in retail outlets in Budapest.

Until the mid 1980's, the retail sector of Gödöllő was largely controlled by ÁFÉSZ (Állami Fogyasztási és Értékesítési Szövetezet - "State Consumer's and Sales Co-operative") which held geographic retail "monopolies" of varying intensities throughout Hungary. ÁFÉSZ controlled nearly all retail establishments in the area, although one could theoretically open a (presumably small) private retail outlet as long as it did not interfere with the ÁFÉSZ operations. Under this system, ÁFÉSZ set prices for the stores and supplied all merchandise. As one moved up the urban hierarchy, the intensity of control decreased. In villages, especially those away from large urban centres, the majority of the retail market was controlled by ÁFÉSZ, in urban peripheral areas such as Gödöllő, more private entrepreneurs operated, and in the core urban areas, ÁFÉSZ controlled only a small portion of the retail market. On a national scale, the number of such co-operative retail units decreased from approximately 27,000 in 1988 to around 18,000 by 1992 (Earle 1994, 170, see also Table 3).

Private entities now operate the majority (87 per cent) of grocery stores in Gödöllő, although there are large differences between the private and state (ÁFÉSZ) retail sectors. Private stores are very small (approximately 30 m²) compared to their state counterparts (235 m²). The vast majority of private grocery stores in Gödöllő opened in or after 1989 and all the

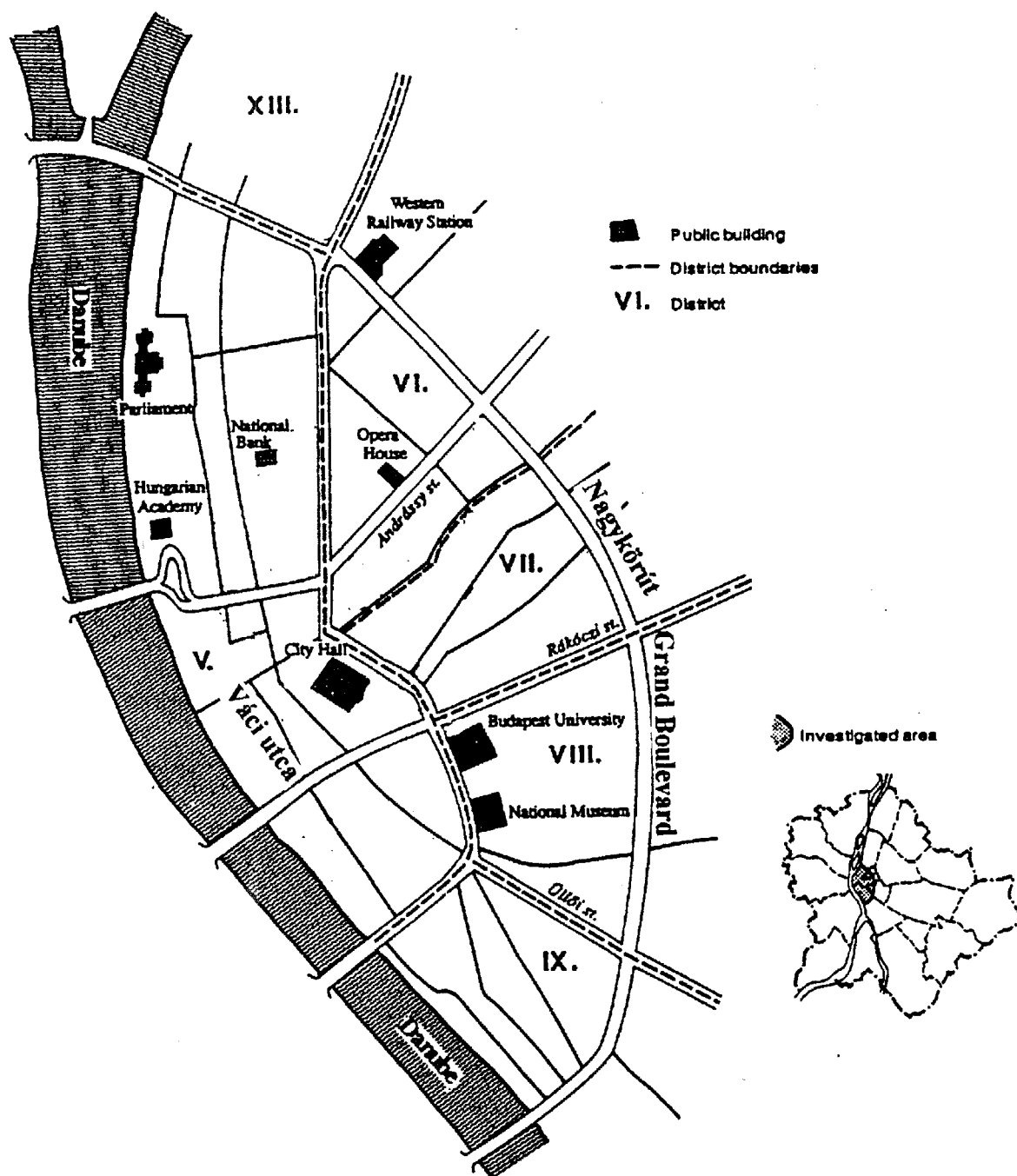


Fig. 1. The major retail streets of inner Budapest

stores that have been open for less than one year are self-start stores, opened by one individual or family (Table 4). This is in line with what Horváth (1993) calls the "Great Establishing Fever...that 42 per cent of the companies functioning (in Hungary) in 1990 were formed in 1989-1990, 32.1 per cent of them were 2-5 years old, and only 25.9 per cent of them were older than 5 years". The difference between the number of employees in the state and non-state stores is shown in Table 5. This brings into mind the question of efficiency and a hidden labour force. The employment policies of

the individual stores, turn-over, opening hours, number of family members "helping", et cetera, could have an influence on these statistics. The opening hours of private stores vary drastically as compared to state stores (Table 6) as one can observe that there are certain "time niches" (Sunday mornings for example) that private stores take advantage of by being open. Some private stores, called 'non-stops', are open 24 hours a day, although in urban core areas, the number/ratio of such 'non-stops' is much higher, indicating a higher level of competition and consumption.

Table 4. Date Opened

	Frequency	Per cent
< 1 year	12	33
In or after 1989	17	47
In or after 1985	1	3
Before 1985	6	17
Total	36	100

Data not available: 3 stores

Table 5. Number of Employees

	Frequency
State-owned store	1.6
Private stores	2.9
Total	4.5

Table 6. Opening Hours of Non-State (Private) Stores

	frequency	Per cent*
Open later on weekdays**	10	30.3
Open later on Saturday afternoons	10	30.3
Open Sunday mornings	24	72.7
Open Sunday afternoons	4	12.1

n=33

* of private stores

** than state-owned stores

Privatised Stores

Privatised grocery stores are those that were once owned by the state, but have gone into private hands since 1989. No stores have been privatised within the last year; it seems that the best stores (in terms of operation, location, et cetera) were privatised early on, while the state still operates those that it cannot privatise. One would assume that these are in less advantageous locations, have operation difficulties, et cetera. The majority of privatised stores are in the 31-40 m² range (Table 7) and have a low number of employees per store (average 4.25), although this number does not show that a large number of family members "help" out at the stores, but would not be considered real employees. In line with retail privatisation as a whole, the majority of owners had previous retail experience before buying their store. The majority of store owners are females, although this might not indicate who really "runs" the store.

Table 7. Size of Privatised Stores

	Frequency	Per cent
< 20 square metres	1	14
21-30 square metres	0	0
31-40 square metres	4	57
41-50 square metres	0	0
> 51 square metres	2	29
Total	7	100

Data not available: 1 store

Self-start Stores

Self-start grocery stores are non-privatised (i.e. built from scratch), are operated by one person/family and family members are the primary, if not only, employees. Often a self-start store is located in the same building or plot of land as the family dwelling. These stores are characterised by their relative short life span as compared to other categories of stores; new stores are constantly opening and others closing. The majority of the stores (12 out of 22) have been open for less than one year and, if we break down the category "In or after 1989", over 75 per cent of the stores have been open for less than two years. With an average size of only 18 m² (Table 8), these stores are comparatively small and, as such, usually only provide the basics for their customers. A high number of owners (9 out of the 15 respondents) stated that they held retail or retail-like occupations prior to opening their store.

Table 8. Size of Self-Start Stores

	Frequency	Per cent
< 20 square metres	18	82
21-30 square metres	3	14
31-40 square metres	0	0
41-50 square metres	0	0
> 51 square metres	1	4
Total	22	100

Besides the original survey that was conducted in Gödöllő, a follow-up survey was conducted approximately a year later to determine which stores closed or new stores that had opened. All the activity occurred within the self-start classification (Table 9). Five stores (out of 22) closed while additional thirteen opened. All the stores that closed were under 30 m² (average 21.8 m²) while the average size of the stores that opened was 24.62 m², with four stores being over 30 m². And while it is hard to determine much from such a small

sample, one might conclude that the smaller stores are having a harder time surviving than larger stores.

The local government in Gödöllő has no real policies that would either encourage or discourage retailers from opening or operating stores. Growth in the retail sector is considered positive as it provides employment possibilities and governmental income. As long as the retail location meets minimum health requirements, permission to operate will be granted. Potential negative factors such as increased traffic, noise, et cetera are rarely looked at. It is possible for residents to complain about negative externalities and, if they are considered a major nuisance, the retail outlet can be forced to either curtail certain activities or close down. Cases such as this, however, are rarely if ever brought up.

General Findings

There is, at present, much variation in the Hungarian retail sector, as this retail system is changing as the previous (state) retail structure under-served many areas and consumers and was not flexible enough to respond to changes in demand. There has been a rapid expansion of the retail sector since the changes of 1989/1990 although, in line with the flexibility of the Hungarian version of a planned economy, a good deal of private retail activity existed before this turning point. Size and location constraints are important to look at as many stores are probably not at their "optimum location", the location being determined by what the owner has (a section of a dwelling, a garage) and where it is or what he can afford. These sub-optimum locations are

most likely a distortion in the retail market. Size constraints are also limiting as stores cannot easily expand (unless one converts more of the dwelling or builds on an addition) and it is hard to move to a better suited location. There might not be one available or the cost is prohibitive. Price competition does not seem to be extremely prevalent. This could change as the distribution system is altered (developed). Product competition is also difficult to determine as the selection of goods available at most small stores is not constant and smaller stores try to diversify their inventory, not wanting to put all of their risk in a small range of goods.

Even with the rapid expansion of the retail sector, it is still unclear why those with higher education levels are not starting small retail businesses in most areas when it seems that financial incentives are available. The majority

of retail owners are not university educated and many have only a primary or lower secondary education. Many of the new owners, especially of privatised stores, do have previous retail experience. This reluctance to

Table 9. Characteristics of grocery stores that closed in Gödöllő

Store	Size (m ²)	Location	Area
1.	18	Commercial building	High-density residential
2.	16	Small building in front of house	Older single-family
3.	20	Commercial building	Older single-family
4.	25	Garage of house	Older single-family
5.	30	Commercial building	Commercial
Average	21.8		
Characteristics of new grocery stores			
Store	Size (m ²)	Location	Area
1.	22	Basement garage of house	Older single-family
2.	30	Commercial building	Older single-family
3.	15	Commercial-residential building	High-density residential
4.	25	Section of house	Older single-family
5.	18	Section of house	Never single-family
6.	35	Basement garage of house	Older single-family
7.	25	Section of house	Older single-family
8.	30	Basement garage of house	Older single-family
9.	16	Garage of house	Older single-family
10.	40	Commercial building	Older single-family
11.	24	Commercial building	High-density residential
12.	25	Section of house	Older single-family
13.	15	Section of house	Never single-family
Average	24.62		

this sector could have to do with the attitude towards owning a small business and that this might not be seen as prestigious as other forms of employment. Böhm (1993) does state that under the previous regime, so-called private producers held a discriminated status, but this group is gaining more importance, being promoted to "businessmen".

It is, at present, hard to determine what path the retail sector in Budapest (and Hungary) is taking. Stores are opening up to take advantage of new opportunities, but this sector is full of distortions and constraints that have an impact on its growth. How the (potential) entry of new entrepreneurs would affect this sector is unknown, but most likely it would alter the growth, especially if the new entrepreneurs are more educated or have different work experience than current owners. In giving his analysis of the transformation, Böhm (1993) states that "...it is quite obvious that the values, mentality or skills of the so-called 'Hungarian Entrepreneur' are very far from those of real businessmen...we can say that the Hun-

garian businessmen constitute only a quasi-middle class in the Hungarian society". It appears, however, that these 'Hungarian Entrepreneurs' are able to open successful businesses. As it is now, the present retail sector is considered successful as it offers customers more selection of goods (both in quality and quantity term) than previously and provides economic opportunities as well. Future growth will have to follow along these lines if it is also to be considered successful.

Governmental policies are irrelevant in Budapest, unless one considers the lack of policies that impact the retail sector. Although it might be hard for those in western European countries with a highly regulated retail system to appreciate this, in Budapest the lack of policies allows for the growth of the retail sector. How the negative aspects of this unplanned and unregulated growth will play themselves out in the future is unknown. But, we are at present in a quandary. Regulations, which might bode well for the sustainable development of the urban environment, are non-existent and not desired.

References

- BAAR, K.K. - ZSAMBOKI, K. (1992): Hungarian land use policy in the transition to a market economy with democratic controls, Washington DC: The Urban Institute.
- BÖHM, A. (1993): The Hungarian Society at the Start of its Transformation into a Market Economy, In: Hajdú, Z (ed.) Hungary: Society, State, Economy and Regional Structure in Transformation: 25-37. Pécs: Center for Regional Studies.
- DOUGLAS, M. (1993): The privatization and growth of grocery stores in Gödöllő, Hungary, paper presented at the ENHR conference in Budapest, Hungary, August 1993.
- DOUGLAS, M. (1994a): The Retail Sector in a Transitional Economy: the Example of Dány, Hungary, paper presented at the International Geographic Union conference, Prague, Czech Republic, August, 1994.
- DOUGLAS, M. (1994b): Az Átalakuló Kiskereskedelem sajátossági Dány és Gödöllő példáján (The characteristics of the transforming retail trade using the examples of Dány and Gödöllő), Műhely, Budapest: MTA Földrajztudományi Kutató Intézet.
- DunaPark Budapest Summary Report. 1994. Utrecht: Redema Consultants.
- EARLE, J.S., et al. (1994): Small Privatization: The transformation of retail trade and consumer services in the Czech Republic, Hungary, and Poland. Budapest: Central European University Press.
- EARLE, J.S. - FRYDMAN, R. - RAPACZYNSKI, A. (eds.) (1993): Privatization in the Transition to a Market Economy, Pinter Publishers and St. Martin's Press.
- FRYDMAN, R. - RAPACZYNSKI, A. (1993): Markets by Design: Privatizing Privatization in Eastern Europe, Basic Books.
- FRYDMAN, R. et al. (1993): The Privatization Process in Central Europe, Budapest: Central European University Press.
- HANN, C.M. (1990): Second Economy and Civil Society, In: Hann, C.M (ed.) Market Economy and Civil Society in Hungary: 21-44, London: Frank Cass.
- HORVÁTH, G. (1993): Entrepreneurship and Regional Policy in Hungary, In: Hajdú, Z (ed.) Hungary: Society, State, Economy and Regional Structure in Transformation: 117-138, Pécs: Center for Regional Studies.

- LENGYEL, I. (1993): The Hungarian Banking System in Transition, In: Hajdú, Z (ed.) Hungary: Society, State, Economy and Regional Structure in Transformation: 277-295, Pécs: Center for Regional Studies.
- MIHÁLYI, P. (1993): Hungary: A Unique Approach to Privatisation - Past, Present and Future, Budapest: Institute of Economics.
- PICKVANCE, C. (1992): The Transition from State Socialism: Towards New Local Power Structures?, In: Enyedi, G. (ed.) Social Transition and Urban Restructuring in Central Europe, Budapest: European Science Foundation.
- SAVITT, R. (1992): Privatization and the Consumer, New Hungarian Quarterly 128 (33): 373-379.
- SCHLEGEL, B. (1994): Business Start-Up Promotional Aid in Hungary, GeoJournal 32 (4): 363-368.
- SWAIN, N. (1990): Small Cooperatives and Economic Work Partnerships in the Computing Industries: Exceptions that Prove the Rule, In: Hann, C.M (ed.) Market Economy and Civil Society in Hungary: 85-109, London: Frank Cass.
- ULI Market Profiles. 1994. Budapest, Hungary, Metropolitan Area, Budapest: Healey & Baker.
- VÉKÁS, L. (1989): Changes in Ownership and in Ownership Theory, New Hungarian Quarterly 113 (30): 57-65.
- YOUNG, J.W. (1994): From Command to Market Economy: Producer Services and Hungarian Manufacture, paper presented at the annual meeting of the Association of American Geographers, March 1994.

Author's address

Michael J. Douglas
Geographical Research Institute
Hungarian Academy of Sciences
Andrássy út 62
1388 Budapest
Hungary

Reviewer:

Alois Matoušek



A state-owned grocery store in Gödölő (see M.J.Douglas)



**One of the main shopping streets in Budapest,
The Nagy körút (Grand Boulevard) - see M.J.Douglas**