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«Childhood diseases» of privatization
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Exasperation of political in-fighting enforces to postpone large-scale reforms without mentioning that they are diluting. With collapse of consumer market, inflation, cards etc, public attention is focused on crisis occurrences in relations among republics. Privatization stills appears distant and academic. But only appears – nomenclative privatization (in favour of old structures) and spontaneous privatization (property stripping) have already begun. Simultaneously, we are mired into large-scale discussions about the “right” and the “fair” privatization. “Childhood diseases” inherent to early stages of discussions of this crucially important problem in all countries are most dangerous. This problem compounds fair dividing of property and passing it over to labour collectives, and nomenclative privatization and denationalization. If we let us luxury of searching for a unique system of privatization featuring justice, then we can calm down – we’ll never privatize property and get effective and competitive (which is the same) market economy.

Creation of effective market economy implies privatization of the major mass of state property. It’s an axiom for the most part of Eastern Europe. SEV countries one by one adopt privatization laws. Having begun their “perestroikas” later, they are at least a year ahead us in laws development, organizational structures forming-up and privatization practices. Instead, we are gaining a chance to learn something, trying not to repeat neighbours’ mistakes. To be true, the course of events in our country leaves little hope for that. I’m afraid we’ll try not only to repeat all the mistakes of our western neighbours but to make a number of our own so that we could strive to overcome and be proud of our sufferings induced by pride and unwillingness to learn.

Discussions in press shift towards the issues of speed, ways and subjects of privatization. Thus, perspective or the main goal of the privatization is faded. One can solve the problem of defining ways and means by formulating the minimum of requirements for the result of the process. After that one can argue about compromising in methods for carrying-out. Criterion of acceptability should proceed from the final result and not the ideas, however good it is and strongly possesses masses of journalists’ and scientists’ minds. And it’s necessary to count reform costs – in money and time. Social costs of privatization are difficult to measure since they reflect anti-market inertness of public majority thinking. It’s time to realize clearly that even in “happy times of stagnation” this current system would supply 5-7 time less to a middle (middle!) soviet person than to a neighbour at the western or eastern border. Privatization is one of the painful element of market reform but the society can reduce its social costs if one realizes that it’s the payment for entering the mainstream of economy development that will bring uplift of living standard and recovery of a working person dignity. If we fail privatization, there will be no hope for market reforms to succeed!

The key moment of privatization is forming of the owner who carries responsibility and risks. Consequently, this is an appearance of a householder (later – an apartment owner), a landlord, who is interested in long-term exploitation, and a shop owner who risks his savings. As for the large

industry it implies separation of property from management, especially for state institutions, selection of a major shareholder (for the owner part) interested in financial results of the enterprises at rigid budget restrictions and competitive market environment. The latter means that the owners of the enterprise necessarily risk their resources (capitals). That is why in transition to the market economy it's so significant to divide owned capital from the loan one. In countries with developed market economy it's especially important for determination of financial responsibility. It will be clear who owns property and in which part while processing the bankrupt. However bitter this comparison might be, for the moment we are processing the bankrupt of the bureaucrats' planning. What is left - that is to find out what and in which hands will function in financial sphere.

What "childhood diseases" of privatization are threatening us with? The answer is simple: either with the fact that privatization will never take place as a result of arguments about divisions, either it will gain formal character – populist (Yugoslavian) or nomenclative (feudal).

Lets go through them in turn and start with potentially the gravest threat – overall division of property. It's at this point that fantasies of many scientists and even more of journalists have come to a wide spread. A new genre of "reformatory" article has even appeared – a sort of "economical splint". It features tough critics of the authorities, fine literary style and appeals to justice, then comes a "superb" theory and an absolute lack of connection between methods and consequences, or requirements for functioning market household, or calculations of time and costs for implementation – all is simple.

At first sight it is easy to distribute an equivalent to public welfare. Certainly, we – citizens – created all the state property ourselves. Unfortunately, we won't be able to get it back – our money is lost. We understand that subconsciously. If we (all!) are given certain bonds, then it will be possible to pay interests against them only at the condition of uplifting of taxes which – again - we pay. Practically, we aren't able to receive owners' rights, though we have them formally. And here's the most important point – there will be no system of independent control over enterprises activity with risks and responsibilities at one owner or a group of owners' hands. Then why is that all? It's easier to live like that!

According to the central press, it's more interesting to distribute special coupons (there's an experience) and then change them into pieces of property of preferably equal value in orderly manner. Respected authors of these schemes should have estimated consequences of the tries to apply them. First of all, lets find out whom to give out coupons to. To all the adults (those who are older than 18 at 31/12/1990)? Then it won't be fair to give equally 3 shares to the family of 3 members with one adult (single mother with 2 children) and to the family of 3 working adults. On the other hand, what is teenagers' fault? Some of them will turn 18 at 1/1/1991. And what about children? By saying – TO EVERYONE, we almost say – ALWAYS!

To share – equally? It can't be fair: what about the veterans' rights against the youth? And what about criminals, their number grows more slowly than in 1989 but still pretty fast? It won't be fair not to give them at all – they are the citizens of the country. And if to give, then when – while they are in prison or at the release, and how much?

If we execute the operation in the whole Soviet Union, it will lead us to a large-scale redistribution of property among republics. As if we lack this burning oil in Federation... If we divide it inside the republics then in this case it will be redistribution among the regions in big republics and among the village soviets – in the small. And what about republican citizens – they've been creating public welfare in one republic, but where will they get their part?

It's of crucial importance to determine the value of belongings for distribution. No foreign expert is able to determine the true value of 46 thousand of enterprises! Or else it will take 10 years... By the way, mistakes with enterprises value determination can be enormous. For example, at the close-up the value of industry assets of GDR turned out twice as small than before the uniting. And for certain enterprises in our country there might be confusion at the quick assessment: worn-out enterprises of light industry are profitable. Comparatively new enterprises of primary branches are unprofitable. One can't even think about the chance to have coupons for all forms of property – an apartment, or a shop, or shares. There's no way to adjust parts' value for the citizens of the country. "Black redistribution" in any form is needed only to those who want to paralyze privatization and transition to the market under the flag of justice. As a whole, arguments about fair divisions, battles of concepts, authorities and ambitions will take years and end up with nothing.

Finally, it's worth taking into account costs of fair division. To reveal "everyone" for property distribution is a serious business and might be compared with census of population (which is being prepared for years). To be true, distribution of fancy cut papers inscribing "Coupon for property" to the people living in the countryside where there's no post offices, neither elementary supplies, can induce "some dissatisfaction" from the testees. Personally, I would never risk going to the people with coupons of that kind. At last, property giving-out just leads to putting off revealing of maladjustments of its final distribution. A major part of the population will quickly sell or hand over it with delay of processing their rights for the property. Market processes development will reveal mistakes of preliminary assessments of enterprises value. Quasi-justice of distribution will only postpone discontent.

There can be no fast privatization by giving-out. In any case, instead of producing fine schemes on paper it's necessary to divide the process in two stages – corporization – privatization. One will have to come to this from the top to approach to privatization of the market type gradually. It would be better if the meeting process of privatization would develop from below. But realities are such that without serious state control these processes gain either nomenclative character, either control from the labour collectives.

Nomenclative way is a substitution of the first stage of privatization by denationalization as a final goal. Decentralization of the decisions appears as a reasonable goal, and eastern-european countries (and later us in 1988-1990) have come to it. In our case it's a formation of associations of various types one by one with a passing-over of the control to the existing ministry and subministry structures in the form of concerns and associations. They all are absolutely voluntarily organized. Lets leave out fight with bureaucracy for a while. In our super-bureaucratic country it's impossible to carry out a market reform with the simultaneous change of all elements of nomenclature. There's nobody to replace with, anyway. The misfortune of nomenclative privatizations of the type of transforming of management structures into quasi-stock companies (sometimes with 51% at the ministry hand) is such that they don't lead to rigid financial control, risk an competition. For

society it's more beneficial to lure a bureaucrat to the company level and to make him work on new conditions. IN CAPITALISTIC SYSTEM MANAGEMENT IS SEPARATED FROM PROPERTY OWNERSHIP, AND AT PRIVATIZATION PROCESS PROPERTY IS SEPARATED FROM MANAGEMENT.

Finally, it's quite surprising to see the spreading idea of handing-out of the property to the labour collectives. Why have the Yugoslavian version which has been the theme for dissertation works of the generations of real Marxists and which has been denied by the creators at the Balkans. Labour collectives participation is absolutely necessary, e.g. representation in Board of Directors (beside labour agreements). The precise variant of corporization and privatization of the enterprise must be somehow coordinated with personnel. It appears reasonable to hand-over 5-10% in a package (indivisible among other members of the collective) and organize a privileged sale of more 10-15% of shares. And it's impossible to make a decision on technology issues, choice of production program, prices, capital investments, loans, etc. by the voting at the local committee. Here the threat of legal paralysis of market systems lies. Imagine the voting on the launch of new technology at the enterprise with personnel reduction to one fifth. Who would say "yes"? We want effectiveness in western manner, don't we?

Populist variant is not only unfair towards all the workers beyond a few highly profitable enterprises of several branches, but leads to blowing up the saving and techno-scientific progress. It's a monopoly of several professional groups for production means. It's also quite important that in this case the inflation is inevitable: all the requirements for salary increase will be automatically put on the price of their production by the owners of the factory. And one should not mix this situation with western programs of participation in workers' shares. Usually, they are small parts of shares or repurchase of the non-profitable companies to save their working places. Apart from that, it implies personal savings risk and full financial responsibility. Bankrupt of that kind of enterprise reveals full loss of personal belongings that is to show really high level of responsibility.

In our conditions a sudden new hybrid is being born: uniting of the nomenclature and labour collectives. The reason for that lies in unstable life and hope for defense from the director. Decree #1062 creates conditions for "self-control" of uniting enterprises. Moving in this direction is forced by the effort to survive in the terms of not-full citizen rights of the workers in several republics. And it's very dangerous for the market reforms.

In the privatization issue there are several problems referring to the category of theoretically unsolved, but practically trivial ones. To be precise, privatization is impossible in a socialistic country. Having realized that, one can get down to the unachievable particularities. The problem of the shares and other property sale against our savings is a classic issue of pool and flow (sea against the river). Certainly, everything can't be sold at once. One can cheaply sell or give out as a gift apartments, sell trade and service sphere – by installments. As for heavy industry one will have to fund very thoroughly (it's a very complicated procedure apart from catchpenny views). But one can privatize without haste and by pieces. Light industry can be privatized very fast, if possible – with participation of the foreign capital. The rest can't be sold at once, but it's possible to sell independent from ministries agents of stock capital gradually. And to sell by pieces.

The problem of the illegal money is absolutely unsolvable. On one hand, we are against speculation, on the other - we are for the market. But any kind of the trade irritates the certain part

of the population, it was being convinced that only coal and iron production is a worthy occupation. So now it's not clear what to do. To find all illegal money is impossible. Money reform blows up any privatization, besides, it will take at least 3 years only to prepare. During this time the market without privatization will drive us into hyperinflation that will destroy all workers' savings and bring the rest of the property to the hands of illegals. Public control over the income will cost great amounts money and time, but the papers will be fine only at mafia's hands. Honest people rarely collect excusable documents beforehand. Dozens of methods may weaken inflows of illegal money to the privatization process, and what is more important that is to dissolve them in great masses of illegal money and not to give them control over the economy. Technically, it's impossible.

Finally, another significant problem is where to put revenues of property privatization. From the point of view of financial stabilization, inflation fight, etc., it's all simple – get the money and freeze or destroy it. At cities' and regions' level (only they can be trusted with the control over privatization process) costs of employment of “privatizers”, expertise, etc. will be quite significant. If to take all revenues. There will be extra budget deficit. If to cover all the costs, then what will be the motive for local authorities to cope with this business.

The speed of the process of getting resources from privatization is a little lower, than the speed of implementation of anti-inflational events. One can't count upon much. Besides, in many cases small business needs circulating capital which is to be credited and to be given by installments (we start primary savings again!). As a matter of fact, one shouldn't forget that for repurchase one spends money of investment outline in economy – savings, revenues “amortization – capital investments”. As for heavy industry, annulment of sums, for example spent by banks or a private person (including foreigners), might lead to reduction of national norm of savings and deepening of capital. Obviously, the process of apartment privatization, small property should increase savings in long-term perspective (more than increase of rates for Sberbank deposits). With all the importance of fight against the surplus of liquidity at the consumer market, plan one will have to act very carefully in short-term.

In conclusion, we shall say that it's necessary to cure “slopes” from the mainstream of privatization that would provide the movement to the market (effective) economy while they come from “childhood”. Our society either has matured for transition to the market, either is so exhausted from everyday economical problems that it has decided to go for the market. But while it still hopes to transit smoothly and quickly, without great expenses. That is why beautiful and simple to the splint theories of transition, especially in privatization, are so dangerous. In our country it's so easy to get support of justice without depending on the reality of achieving it. It's high time for all of us to sorrowfully understand that this transition will be done in sweat and tears for progress and human life sakes. We cannot afford to involve ourselves into the search of one more unique economic system instead of the painful discovery of a unique way to NORMAL market economy.