

Inevitable stage of the reform – denationalization.

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The issue of the goals of the reform is forced to be raised once more due to the chain of the recent laws in the economical sphere, not very closely connected, to the arguments about the property, land and local government in Supreme Soviet. Formation of the market economy, set up as a general goal at the 2d conference of people deputies, is not to be carried out by partly measures. Neither the government nor law-makers in Supreme Soviet haven't set up their minds to begin most heavy and unpopular decisions.

It's necessary to change the owner or (for a start) the subject that exercises possession and command of the major enterprises for transition from of domination of vertical binding to prevalence of the horizontal one in the industry, that is to say to the market. Only then decisions in the field of industrial program can be based on marketing principles. Radical denationalization is impossible to fulfill from below – on the basis of initiatives of labour collectives and leading householders who carry out experiments on their enterprises. A large program of transformation (from above) of leading industrial enterprises into joint-stock form of property is obligatory. They must compound the structure, the critical mass that might carry market relations along with farmers, small business in industry, real estate, transport, trade and service. Widening of enterprises rights can't become the base of the new household mechanism without equilibrating control from the owner interested in effective (on microlevel criterion) functioning of the enterprise.

Transformation of large industry is a complicated and lasting operation. It requires development of the legislative package, substantial personnel training, creation of such entirely new for us institutions as investment banks, audit firms, etc. It can be conducted only in a complex and very carefully in order not to discredit this form of property in public conscience (as it partly happened with cooperatives). To achieve that in particular one should settle the following specific issues: to distribute shares (to whom and what for) or to sell them, to whom, if sell, and how to organize the offtake of the shares and the management of new stock companies. Finally, it's important to define where the proceeds of the selling are directed.

The western experience in the area of large industry reveals a wide scale of variants of control over stock companies. Historically, in American case individual property of shares prevails, in Japanese one crossholding between banks, companies and financial institutions of various kinds plays a crucial part, and in Western Europe in after-war period one can observe a full range of state control over large companies activity, etc.

Once again it proves the principal advantage of the stock form of property that provides effective marketing behaviour of economical units beyond the hard link to the type of the shareholder. The problem is how to pass to it. Other conditions of market formation can be realized only after transfer of the control over large enterprises from above to the below.

The inevitable dilemma: it's possible to distribute fast and to sell only by small portions. There exist a number of projects of how to divide all the property in form of shares among all the citizens. Shares distribution with a right of resale would lead to their faster redistribution and concentration than at the mixed control – institutional possession and partial sale. Notice that is absolutely impossible to divide all the shares of all enterprises precisely and fairly (indisputably) so that every citizen would get the holding of shares of about the same market price. A certain

part of shares – lets say one fifth – would be worth handing out to labour collectives in a form of undivided stock which would give them hard rights in Board of Directors of stock companies. Part of shares is worth of exchange among the interested enterprises and banks, though it's quite difficult. It takes time to find a clear criterion and simple approach towards the problem of the property distribution but anyway it should be orientated not to a one-time justice of dividing but to the effectiveness of the usage of production assets aiming at the whole society welfare growth. It is clear that the major part of property in the country remains in the hands of central, republican and local authorities, in non-productive sphere especially, and state authorities control in industry and other commodity producing sector will be preserved for at least 5-10 years.

Value of basic assets (at balance valuation – with no other in disposal) of enterprises of the Union submission compounds about 600 bio. rubles taking into account lands and circulating assets evaluating in 1000 bio. rubles. Obviously, the amount excludes one-time sales. If part of the shares (1/5) is handed out to the labour collectives, part – depending on the branch the household belongs to – is to be sold, the process will take many years. The savings permit that the shares might be sold to the citizens of USSR at the rate of at least dozens of billions of rubles a year. Those who fear to get under control of mafia might be consoled – state authorities can easily control the shares acquisition. It is linked to the right of the founder to do primary selection of the shareholders, exact fixation of the share property and opportunity to conduct all the operations only by computer systems and cashless transfers. Attraction of foreign portfolio investments could become an important way of capital attraction in the certain conditions; besides, the threat of “foreign serfdom” would easily be parried by introduction of the restrictions on share holding by the foreign legal and physical bodies depending on the character of the household's branch. Transformation of people's savings into share form can't be easy and fast. One should not forget that state bonds, Sberbank and commercial banks deposits will be competing with the shares-inputs of available assets of the public.

Transformation process of large property might be set off – just for the moment – by the immediate nationalization and deprivation of the property from various departments and associations. Next step is the creation of the Committee for the management of state property, subsidiary to the President and Supreme Soviet that could interfere into the issues on behalf of the state. It could control part of current state property – woods and parks, infrastructure, defense industry, etc., that still remains at state disposal, even ruled by the ministries for quite a long time. In this case the role of the Committee would be virtually nominal but as for the rest industry at the branch and/or regional level it might help to create special financial holdings (lets call them Investment funds) that in the beginning could receive 100% of shares of enterprises handed to them under control.

Functional role of the Funds would depend in the industrial branch in which they would act. In some branches they would keep from 51% to 100% of shares, that is full control over key households decisions but would not perform an everyday management of the company. Several variants of reduction of Funds' shares – e.g., up to 100% but with proviso that a range of key decisions: import and export of capital, exit to another branch – could be accepted only after their agreement. The principal task of the funds is not only in share holding but more in formation of stock companies, Boards of Directors in them and organization of implementation or any other ways of share distribution. In most of the branches, especially those producing consumer goods, in many types of machine manufacturing, funds could get rid of all the shares in tome (during 1990s).

Property transformation program suggests development of the plans of gradual share sales for every Investment Fund taking into consideration specificity of the branch and enterprises, demand, condition of the money market, etc. Considerations of the inflation factor only requires complex

calculation. The sale itself implies public trust to the authorities fulfilling it as to the new for our society forms of savings and investments. Such program involves simultaneous creation of a special body like the Committee for the security papers because any movement of the shares must be recorded. Regional stock exchange will also be needed, at least in a form of special departments in banks.

At first Investment funds would play the part of founders and investment banks, but in time this part must substantially change. And here's the most important question – where to forward revenues of the shares sale. Apart from the sale of land, apartments and houses – various types of real estate – in this case, it would be dangerous to forward them to the budget. It would lead to the seeming reduction of deficit but in reality would withdraw long-term savings of the public and the households from the investing. They will be spent for current needs. Assets invested in shares are termless savings of the society and must be reinvested. Concentration of the assets received from shares emission would allow to credit development of households and in particular creation of the next generation of companies, venture funds, etc. At this stage they would function as creditors of “the last but one hand” for the banks and other credit institutions (instead of underdeveloped pension funds and insurance societies) or buy state bonds at the market price and by the decision of Supreme Soviet. It would discipline the government in its expenses.

Approaches toward the formation of the market, denationalization can differ a lot but in any case this or the similar program can't be avoided if the question of market economy becomes serious. Best of all would be introduce it by direct decrees of the President in order not to sink it in the endless discussions about justice and the essence of the market.