Transformation of State Ownership in Russia at the Turn of the Century.
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It is well-known that ownership relations have always been and remain to be one of the most acute problem of any social and economic system since they directly affect specific interests of different social strata. Any change of the structure of rights and relations is a complicated process irrespective of whether this change happens in an evolutionary or revolutionary way. This is especially true about the privatization at the turn of the century which became a kind of symbol of new market dynamics for many countries.

Despite many vital differences in the set of the factors causing the movement to privatization on countries with different types of economy, the impetus to the change of the structure of ownership relations in the last quarter of the 20th century was given by profound changes in the technological basis of contemporary society.

In this connection, we would like to outline briefly sources and prerequisites of the Russian privatization that formally started after some corresponding decrees of Yeltsin, President of that time, were adopted. But in fact it already began developing during the decline of the Soviet system.

The erosion of the institution of state ownership in the USSR began long before the first timid attempts to carry out a system reform of the economy were undertaken in the period of Gorbachev’s perestroika. The most evident indication of such erosion was widening economic area where shadow capital dominated. In the USSR, as well as in all the former socialist countries there was a vast private sector of economy that
could survive only remaining illegal in the context of absolute economic dictate of the state.

In the so-called shadow sector functioning under secret protection of corrupt state officials, huge financial and material resources were accumulated.

The economic reform was ripening in the depths of the Soviet economy painfully and for a long time. The centralized planning with its formal rules and procedures managed to reveal its inefficiency during its relatively short economic history. To compensate the imperfection of economic management, they used additional levers of political regulation putting into action party organizations and trade unions.

For solving one-dimensional tasks within traditional structural space, such regulation was relatively efficient. However, it turned out to be hardly suitable for solving more complicated tasks requiring to choose among several alternative decisions.

Thus, both external and internal circumstances finally forced the Soviet leaders in the mid-1980s to make a difficult political decision to launch an economic reform, one of the most important elements of which became privatization.

From the very beginning, the privatization in Russia, successor to the Soviet Union, became a stumbling-stone for antagonistic social forces. It is hardly possible to find any other economic problem that would cause such a painful reaction of society.

Although privatization in Russia has already had a longer than a fifteen-year history, the problem of distributing ownership rights still remains on the agenda of the state economic policy. At the same time, both on the left and right wings of the Russian political community, they more and more often raise the question about the legitimacy of the implemented privatization, especially its voucher, monetary stages and the stage of shares-for-assets auctions.

The privatization influenced the whole system of economic relations in Russian society. This process, which in western countries was limited in its influence and
stretched in time, took a short time and was going on under much more complicated conditions in Russia.

In Europe, America and many countries of other continents, privatization was carried out in the context of long-standing market that was ready to absorb additional injections of capital and labour force. That is why in most western countries as a rule it was enough for central and local authorities to adopt a system of legislative acts to give initial impetus to privatization. However, as far as we know, privatization in countries with developed markets wasn’t a smooth process and encountered the opposition of trade unions and those social strata which felt that their economic interests were infringed upon as a result of private sector expansion. In Russia, as well as in other young states formed on the post-Soviet territory, privatization was a painful process accompanied by numerous abuses. That was caused by the lack of market culture in society, inertness of political thinking, the pressure of still remaining in power directors of enterprises and state officials who didn’t scruple to use links with criminals. Here we can also add contradictory nature of document regulating procedures and terms of transferring state enterprises into private ownership.

The mass voucher privatization swiftly carried out in our country in 1992-1994 led to huge shifts in the structure of ownership relations and caused the change of socio-economic system of society.

Those who began the Russian mass privatization declared that their intentions were the best: to raise efficiency and promote advance of national economy due to freeing private enterprise, to promote the formation of competitive environment and demonopolization of industries, to create a powerful stratum of private owners. The voucher privatization was considered to be a kind of social buffer intended to mitigate the shock blow suffered by the population as a result of the so-called 1992 «liberalization of prices».

Immediately after the voucher stage of privatization, there was a catastrophic decline of production in the overwhelming majority of national industries which, of
course, cannot be ascribed exclusively to the privatization. However, it is beyond any doubt that the privatization gave an additional impetus to this process. What was the reason for this?

First, the privatization was implemented in an enforced way and very quickly in a highly monopolized economy.

Second, in contrast to other countries that carried out a large-scale privatization, in Russia the public budget received very few revenues received from sales state property.

Third, the change of the form of ownership led to the curtailing of government financing of production programs that caused grave financial difficulties for many newly privatized enterprises.

Fourth, the privatization didn’t result in the creation of a mass stratum of efficient owners because its methods practically excluded such possibility.

Perhaps, the most evident result of privatization was the prompt enrichment of the board of directors and representatives of criminal structures, who owing to the imperfection of legislation system purchased enterprises for vouchers, bought "at give-a-way prices" and then redeemed the workers' free-of-charge shares at the ridiculous price.

The veritable aim of the chief privatization department of Russia in 90th was to sale promptly the state property at any cost, which stipulated the speeding up of the process itself and the administrative pressure reminding compulsory campaigns of the Soviet epoch.

Some vital political decisions necessary for effective expansion of privatization – such as acceptance of real measures to restrict monopolism and assistance of a competition, support of small business and regulation of securities market - were found on the periphery of economic policy.

Initiators of resolute privatization in Russia were apparently mistaken, regarding it as an antipode of nationalization. In case of nationalization property
alienation (property redemption and withdrawal from private owners) and obtaining rights of ownership are carried out by the state that simplifies the whole procedure of changing property rights. In case of privatization the process of "tearing away" the state ownership is much more complicated. It can be started by the state, but its dynamics cannot be stimulated only by the strong-willed power. In Russia the transition from the economy of authority type to market economy was particularly difficult.

The system crisis, burst out in the country in 90th and especially during 1992-1998, caused sharp collapse of production, breaking-off of economic ties between regions and enterprises, instability of financial system and monetary circulation, strengthened national and regional separatism, favoured amalgamation of criminal and power structures.

The Russian government was really thoughtless in carrying out monetary and shares-for-assets auctions. As a result the state has lost billions roubles which could be used to take the country out the long crisis, undertake necessary structural transformations and raise the living standard of the population.

It is impossible to ignore the two significant facts: first, the mortgages received by the government for large enterprises transferred to private persons, were unbearably small (in comparison with the real cost of enterprises) and, second, the government which should in a year redeem enterprises actually was not going to do that and did not have any means in the budget for these purposes.

Monetary and shares-for-assets auctions favoured the appearance of dollar millionaires and billionaires among businessmen in Russia, as well as enrichment of officials which in both cases played the decisive role in determining the future owners.

Some words about the transformation of property relations in our country how we can see them today. It was not only possible but in many cases really necessary to return some enterprises to the state ownership (full or partial), as the state interests
were not always taken into account during privatization. Such actions can be both of legal and economic nature. They shouldn't be considered as the new nationalization, represented in mass media as the return to socialism or malicious intrigues of communists. Experience of France, Great Britain and other Western states shows, that under certain economic conditions such transformation of property is acceptable and repeatedly happens.

Recently the Russian state undertakes certain steps in consolidating assets of strategically important companies, which on my view should be considered as the desire to strengthen the state position in critical, vitally important aspects of economic development of the country.

Privatization in Russia is far from coming to its end. 4302 non-productive enterprises; 3948 industrial enterprises and share holdings; 1340 agricultural enterprises; 1190 building organizations; 1184 transport and communication companies; 112 forestry enterprises still belong to the state property. In August, 2005 the government ratified the plan of privatization up to 2008. The plan provides the sale of more than 1200 share holdings in 2006 that makes up approximately the 10th part of the state property enterprises. Their privatization is supposed to bring in 31 billion roubles. In three years the only three categories of enterprises will belong to the state: strategic enterprises, enterprises necessary for the realization of the state goals and companies forming the new vertical and integrated holdings.

The state strengthens control of the activity of enterprises where it has shares. For this purpose executive employees of the President administration, ministers and other high-ranking officials are appointed on supervising posts in the large Russian companies.

In my opinion shared by many of my colleagues of the Russian academic community, the Government should improve management of state enterprises and actively participate in the activity of the mixed capital enterprises which number will grow as the Government injects capital in privatized enterprises and increases the size
of the state share holdings. For Russia it is especially important to have the state as powerful economic force in the post-privatization period, taking into account the peculiar economic features and traditions of the Russian state system.

Today Russia is on the abrupt break of its historical fate. It stands before the very complicated period when the society woken after long years of being under the heel of totalitarian regime, should do everything to revive and become a full-blooded, healthy organism. That’s why it is important to restore the role of the state as the promoter of national interests; the state that establishes common game rules for all economic subjects and bears full responsibility for resource, military, social and economic security of society.