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**Privatization and sustainable development in South Russia:
institutional approach**

Strong impact on opportunities of sustainable development and creation of new business lifestyle was made in last decade by privatization process. Social and ecological aspects of privatization become more important during last years. This corresponds with our understanding of economic essence of sustainable development: progress in life quality on a base of steady economic growth and widening civil rights and freedoms. Sustainable development of South Russia is more problematic and difficult to achieve than in other regions of Russia. It could be explained by several factors: deeper decline of real sector production, impoverishment of population (especially in Republics of North Caucasus), worsening of natural capital because of war, fires, decultivation of land, negative impact of government tax and institutional burden to industry and agriculture.

The term "sustainable development" is a rather recent invention, coming into common usage following the publication of the Brundtland Report (1987), although even the term's origins may be traced back to before the 1972 United Nations Conference on the Human Environment. The Brundtland Commission is also responsible for the most frequently cited definition of sustainable development: "to meet the needs of the present without compromising the ability of future generations to meet their own needs". Paul Samson (Chekhia, GCI, 1997) emphasizes that such a definition can be interpreted to have various meanings and is of little use if it is not placed within a specific context, or if the assumptions lying behind it are not clear. Indeed, as the following paragraphs will show a central point of this chapter is that the concept of sustainable development has multiple meanings, and that each is equally legitimate.

In conditions of market economy the research of problems of institutional transformations and their basis - privatization of state and municipal property - carries constant character. The privatization was, is and will be, while there is a market, while exists private (individual) and state ownership. The success of institutional changes causes depth and integrated approach to structural, financial, agrarian and other reforms. Proceeding from the given understanding of the theory of market reforms it is possible to see significant analytical potential of privatization problems, as this constantly developing in time (and on an example of Russia we see - in space) the process will be necessary for putting before the researchers the task of generalization of its course, analysis of a course of this process and synthesis of the theory of a privatization.

Privatization as a constant element of government regulation, as an element of reasonable institutional policy has become to develop in Russia only during last ten years. Hardly it is possible to consider, that the experience of implementation of the initial stage of a privatization in Russia is already generalized. Feature of the given stage is the combination of discrete (as element of market reform) and continuous (as constant element of government regulation of economy) aspects of privatization process.

Privatization is concerned till now mainly mechanically, considering it as set of any measures, which can be both applied, and are not applied. However it is impossible to hold an alive fabric of privatization process in a geometrical grid of political sights and approaches.

There are general principles and laws of privatization process, and also its specifics in the countries with a various level of development of the market relations, various branch, functional and other structure of economy. Some specific features of South Russia territories and peoples populated them were not taken into account under privatization process. The assessment of a privatization as a tool of institutional policy concludes in consideration of those structural shifts, which occur in business and communities under influence of privatization.

The sharp structural crisis, with which many countries have confronted, has required a change of government regulation of economy paradygm, transition to the market relations. A

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central direction of such changes in institutional sphere has become a privatization, which program in second half of 80-th was implemented more than in 80 the developing countries. In the advanced countries as incentive stimulus to a privatization policy upholding of group interests largely has served. In USA many groups asserting the social interests consider a role of state bodies as excessive. In Great Britain the privatization was by the answer to amplification (strengthening) of political influence of a trade-union movement.

The political approach to a privatization differs just by search of the subjects interested in that or other course of events. The decisions of legislative and executive bodies, analytical reports of political associations and "independent" experts on problems of a privatization are a good illustration of conclusions of the theory of "public choice". This theory opens process of acceptance of the political decisions with the help of methods of the market analysis. The regulation of economy and delimitation of public sector is determined by a combination of lobby's and appropriate groups of the voters interests, on the one hand, and politicians struggling for votes of the voters and preservation of their status, on the other.

Prospects of sustainable development and corporate social responsibility of privatized enterprises in Russia could be determined on a base of global experience. As J. Elkington (2002) wrote, growing numbers of major international companies – among them BAA, BP, BT, DuPont, Ford, Novartis, Shell and Unilever – acknowledge the need to address the 'triple bottom line' of SD. Companies like Shell are developing internal management systems, in their case a Sustainable Development Management Framework. Another early step is to report on the economic, social and environmental value the business adds or destroys.

As a result, the centre of gravity of the sustainable business debate is shifting from public relations to competitive advantage and corporate governance - and, in the process, from factory fence to the boardroom. New definitions of corporate risk will oblige board of directors to address such issues as environment, ethics and human rights. The ability of business leaders and of corporate boards to pick up and amplify 'weak signals' in their business environment will be an increasingly crucial factor determining which corporations are - and can remain - globally competitive.

The market economy grows out of long historical development supposing not only formation of the appropriate infrastructure and legal base, but also deep changes in system of values, motivation of economic behaviour and business attitudes. The transition from administrative - command to market economy cannot be carried out as the lumpsum act, and assumes rather long, measured by decades, a transitive period including number of consecutive stages. In Russia the half-spontaneous transition to the market has lasted all about fifteen years.

The process of a privatization promotes formation of the market subjects, and some authors estimate it as revolutionary. To our mind, privatization is one of the elements of economic reform, simultaneously creating the preconditions for realization of its other components. The privatization is developing in conditions of transition from dirigist model of regulation of economy to neoliberal. The way back can be accompanied by deprivatization process, that confirms constant character of privatization process as tool of government regulation.

The privatization of state property passes usually some stages, the order of which is developed by governmental departments and establishments: definition of the purposes of privatization for economy as a whole and for the given particular enterprise, choice of ways and priorities of privatization, choice of the corporatization mechanism and sale of the shares, marketing of an industrial infrastructure, search of the potential buyers of state property and estimation of their credibility.

The experience of foreign countries shows not only positive changes in the national economy, but also negative. Failure of inefficient manufactures in the states with the advanced market economy is daily competitive practice, not leading (except for a period of crisis) to appreciable damage at a microlevel. In the developing countries and countries of a planned economy a situation is essentially the other. At the first stage of a privatization in Russia the reorganization was exposed the enterprises working with various efficiency. But the stronger structure of industrial manufacture is diversified, the deeper intra - and interindustry division of labour is, accordingly more destructive consequences are caused by the termination of support of the enterprises.

The implementation of privatization measures in Russia collides with a lot of objective obstacles. First of all scale of prospective transformations is non-comparable to similar processes in other countries; practically there was no infrastructure of the capital market; the sharp recession of manufacture has complicated considerably an estimation of potential of low-profitable enterprises; the shortage of financial assets of the population was observed.

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The given conditions explain non-equality of state property sales and necessity of the privileges for various groups of the population: working collectives, unemployed etc. In this way government made rather weak attempts to keep human capital and access of population to some part of physical and natural capital (especially in case of land privatization in former kolkhoz and sovkhoz).

Russian economist, Moscow ex-Major G. Popov as follows described IMF model of transition to the market in Russia: "all begins with liberalization of the prices. It results in bankruptcy of the enterprises in an industry and agriculture, which at these prices cannot be kept. The bankrupt state enterprises go on auction". However in its pure type given circuit in Russia could not be applied: liberalization of the prices and privatization as the long-term processes proceed parallel. The stage of revealing of the insolvent enterprises and their sales on auction begins after three years after the announcement of large-scale privatization.

The accusations of working authorities in giving for free of state property from the left opponents of various shades were not usually accompanied by examples of transition of a significant part of property to working collectives. The working collectives and administration of the enterprises had at the first stage of a privatization a privilege in purchase of the property rights: the closed underwriting with fixed share price; use of privatization fund (including for purchase of the vouchers); dispersion of the shares among the investors on check auctions at absence of the requirement about investment competition.

The numerous changes of the privatization legislation for some reason have not abandoned the right of rent collectives to pay for property in the prices of 1989-90. Though in the process of transformation of a state ownership the rent relations can further play larger role, especially in a part of real estate leasing. These forms, apparently, also will become the basic source of the state and municipal budget income.

In the beginning of expansion of privatization processes the sociological surveys have shown that potential of social support of a privatization should not be overestimated. By main conditions of maintenance of the loyal population attitude to it were named: evolutionary, but consecutive character of transformations; trust to a governing of the country; active socio-psychological influence on the population, including an explanation of the role, mechanisms and prospects of process of a privatization; objective illumination of these processes in mass media; appreciable commodity injections in the consumer market at the expense of the foreign credits or other sources; minimal, but firm guarantees of social protection of the population at transition to the market; maintenance of reliable and legal guarantees of the property rights; an effective system of government economic regulation during transition to the market.

Let's note, that in the greater degree, than others, were implemented the recommendations on commodity injections (truth, on a background of a sharp rise in prices) and providing the minimal guarantees of social protection. If maintenance of trust to top management of the country and creation of an effective system of state regulation of economy are difficult, propagation of a privatization among the population and its illumination could be strengthened with relative ease.

It is time now to refuse from the narrow-pragmatic view on the privatization as on process which is filling up the budget, and to understand, that the credits and installment plan in this area serve a means of maintenance those institutional changes, what can improve microeconomic situation. It is necessary "to renounce principles" to remove that barrier, which microeconomic theory recently has erected on a way of a privatization. Especially it is important to determine the basic purpose of a current investment-monetary stage of a privatization, at which the sale of the shares on investment auctions will conflict with filling up the state budget and both of these goal contradict social limits and ecological goals.

Nowadays analysis of changes, occurring in economy, distributes different groups of the researchers in diametrically opposite conclusions from necessity of the further rigid financial policy to inflationary government regulation. Such situation reflects discrepancy of transition to the market in Russia.

Elements of "shock therapy" in economy are liberalization of the prices, liquidation of a so-called money overhang and transition to structure of the prices of the world market; liberalization of foreign trade, maintenance even of partial convertibility of national currency; deregulation of economy; a cancellation of the subsidies; fast reduction of budget deficiency; rigid monetary policy; fast privatization. However, effective "the shock therapy" can be only under successful institutional and industrial policy implementation.

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To the supporters of "shock therapy" concern J. Sachs (USA), A. Oslund (Sweden), and to its critics - K. Lasky (Austria), A. Nove (Great Britain), D. Berliner (USA). Last consider, that created in communist totalitarian past the institutes can not only coexist new market structures, but also gradually to grow in them - you see it is necessary to have time both for birth new, and for transformation of old.

The foreign experts fairly mark, that the tendency to mix the political purposes with tools, used in the given moment, brightly was expressed in questions of a privatization. The socio-political purposes of transformation of economy with prevalence of a state ownership into market economy with prevalence of a private property and with a numerous class of the businessmen have caused in a number of the countries with transitive economy clear aspiration to privatize all or large part of a state ownership on the basis of immediate or "fall-down" privatization. The political motives lay mainly in a basis of a choice of priorities, ways and especially of rates of a privatization.

Considering fast privatization as an element of "the dangerous IMF scrip", some economists offer following institutional policy. In the field of a privatization it is necessary to address to experience of the countries with socially oriented market economy and to refuse personification of the proprietor as in a number of cases inefficient. Taking into account, that the state in a transitive period, during which there will be a market environment developed, should render deep managing influence on economic processes, it is possible to practisize as variant commercialization of economic activity of the enterprises in the rent form with the subsequent right of further purchase. In a case of corporatization the enterprises control package needs to be left in hands of the state. On a transitive period it is necessary to refuse the concept of a private property on land with the right of sale and purchase. Fortunately, the given point of view can not be implemented any more in relation to the majority of joint-stock companies, though still there are reserves of the state capital in a number of branches. The privatization is the major tool of institutional policy and its implementation conducts to formation of new socio-economic structure of a national economy. The structural policy also includes institutional changes at a level of the enterprise: commercialization, corporatization, demonopolization.

The privatization actually has made reforms irreversible, as now return would contradict interests of millions people; there was an artificial investment demand and certain concentration of the property rights, but economic freedom goes hand-by-hand with demand for civil rights and freedoms widening. The reflection of these interests was displayed in issue of the privatization vouchers, choice of priorities of a privatization, preservation of an opportunity of the purchase of the rented property, principles of an assessment of privatized property. The usual mechanism of privatization process in Russia corresponds to balance of interests of various groups and layers of the population.