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**TURNING TO MARKET: COOPERATIVES AND BUSINESS-MAKING
IN THE UNION OF SOVIET SOCIALIST REPUBLICS***

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5/27

*The views expressed in this document are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

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The report deals with the acceleration and intensification of the drastic economic reform in the Soviet Union.

The way of reforming turned out to be much more complicated than it was assumed to be at the beginning of perestroika. The crisis covered many structures of the society. Inflation and depression manifest themselves in the form of the total deficit, agiotage demand of the population, negative rates of the production dynamics, reduction of the labour and contracted discipline, growth of prices. Unbalance of the economy, unbalance in the market of goods and services have amounted to the high level. At the same time, development of the cooperatives as a new market sector in 1989 was characterized by the explosive nature. This spurt was accompanied by the outlays, negative features and obstacles in some regions of the country.

The legislation-specified equality of all forms of property, establishment of the conditions for competition, formation of business-making, small business, antimonopolization, new systems of taxes, reforms of the prices, banking credit-finance system, establishment of the powerful system for the social protection of the population, all these factors in combination determine the objectively required and, concurrently, difficult and drastic turning to the market.

Situation in economics.

The Soviet economics is essentially the most complicated complex characterized by the ramified multiindustry and regional structure. The national wealth of the Soviet Union is in excess of four billion roubles.

The present depression state of the society and economics is caused by the negative processes of the profound nature and inveterate heritage of the past. The possibilities of growth due to the extensive factors have been exhausted.

The situation in the agricultural-and-industrial complex is unfavourable. The latter governs the consumption possibilities directly and indirectly by 65 to 70 percent. The capital outlays allocated for development of the agriculture failed to produce the required repayment, deficit of food products has become chronic. The revenues of the part of the population (in particular, the pensioners) turned out to be below the subsistence wage. The principles of the socialist distribution were violated. The elements of the social tension have become to manifest themselves in a drastic manner, The social activity has gone down. The crisis has not avoided culture, spiritual sphere, family,

1989 witnessed the implementation of some measures aimed at the structural changes, social reorientation of the economics and improvement of finance. The new methods of management were being mastered, i.e. contract, lease, cooperation, individual labour activity. About 1,500 joint ventures were registered. Along with the Soviet partners the firms and organizations of 60 countries take part in setting up the ventures. The foreign capital has amounted to several billion dollars.

In 1989 the rates of increase of the consumer goods output surpassed the similar indices as regards the means of production. Implemented are the measures aimed at raising the living standards of the people including the field of public health and education, improvement of the provisions of pensions and payment for work. The increase of the gross national product amounted to 3 percent, that of the produced national income, 2.4 percent, productivity of the social labour, 2.3 percent.

But the key parameters have failed to meet the requirements of the society, the grown social expectations of the people. Moreover, some negative phenomena have continued to increase. In some cases, the dictates of the producers have increased,

monopolism and group egotism have intensified. The higher profit (in 1989 it amounted to 270.6 milliard roubles as regards the national economy) was received by the producers easily in many cases, i.e. due to the increase of the prices. The state expenditure in 1989 exceeded its revenue by 92 milliard roubles. As compared to 1988, emission has increased by about 60 percent.

Inflation has amounted to 7.5 to 12 percent. In spite of the increase of the goods production, the situation of meeting the population demand remains unsatisfactory. The gap between the rates of growth of the population financial incomes, on the one hand, and the commodity mass, on the other hand, has increased: in 1989 the increment of all financial incomes amounted to 64 milliard roubles, whereas that of the commodity mass, to 37 milliard roubles only. (For the sake of comparison, in 1988 41 and 25 milliard roubles, respectively). The total deficit has dominated on the consumer market. Out of 1,100 major consumer goods less than 100 articles have been continuously available on a free sale. The unsatisfied demand of the population for the goods and services in 1989 and 1990 was estimated to be equal to 165 to 200 milliard roubles.

The inadequate quality of the products hinders the export possibilities. The fuel and raw resources continue to prevail in the export deliveries. 1989 witnessed the negative trade balance amounting to 2 milliard roubles.

As estimated, the property and funds of the shadow economics amount to 200 to 300 milliard roubles.

Within the framework of the government economics improvement program 1990 is assumed to play the key part. Adopted are the law of property, the law of land, the fundamentals of the legislation on lease and lease relations. Preparation of the reform associated with the price-formation, labour payment and social welfare systems is under way. Created are the conditions for forming the market, antimonopoly control and competition.

The most important objective is the stabilization of the circulation of money. Expanded are the supply of the goods and services, unconventional channels of attracting the population means, the market of securities is being formed.

The component part of the economics improvement is the stabilization of the foreign debt, reform of the export and import structure.

Faced are the unprecedented by their complexity the long-term and present targets which demand the radically new solutions with due regard to the world experience. The main thing is to get the society and economics out of the crisis and depression.

Transition to market.

The urgent necessity of turning to the market economy has become imminent. At the same time there exists the opposite point of view, i.e. of the need for return to the attitudes of 1985, to the proven methods and techniques worked out to the last detail. The administrative and command system has not been broken yet, the longing for the past still persists. The crisis has intensified, during January-March, 1990 as compared to the same period of the last year the national income has decreased by about 1 percent, the commercial production has dropped, whereas the population revenues have increased by 15 percent.

It is important to view the consequences likely to be brought about by the market. For this purpose, the study has covered the experience of arranging the social and market economy in the FRG, Japan, Sweden, Poland (the "shock therapy" method). It is easier to set up the market in the conditions of the sound economics with the total deficit non-existent.

Using the package of the laws and documents, the government intends to demonstrate its determination to act more vigorously. The very names of the laws confirm this, i.e. "On Freedom of Current Business and Development of Business-Making", "On Fundamentals of Antimonopoly Legislation in the USSR", "On Foreign Investments on the Territory of the JSSR", "On Natural Tax in Agriculture", etc. quite novel economic conditions are being created.

In the new conditions the enterprises acquire the higher freedom in business-making. The new features include the status of the manager for the state-run enterprises and the business-making honour code for the cooperatives. Provision is made for amendments to the law of cooperation which, in particular, curb the transfer of the written-order means into cash, envisage the existence of the common pay account, priorities in the supply of resources to the cooperatives working at the state prices.

In the conditions of transition to the market and inflation of decisive importance is the social protection of the population, for instance, the system of compensations and indexing of the population revenues. What should be taken first of all into account in inflation: the growth of the prices, inaccessibility to the goods or their poor quality? What is the way of introducing the compensations: personally or covering the entire labour payment fund? The totally new problems associated with unemployment arise. New points come into being, i.e. how to create the system of the public work allowances, the problems of giving a refresher course to the personnel. What should the systems of the social and psychological support of the unemployed be? Subsidies to the poor? Help to the homeless?

The prices are the most rapid regulator. They are transformed into revenues, accumulations, investments. If drastically increased, they can calm down the market.

The reform of the price formation system should be basically effected in the direction of the world market prices, stimulation of the scientific and engineering innovations, balance in the market.

The structure of the prices and their level are undergoing changes in terms of all redistributions beginning with the fuel and metal and ending with the purchase and retail prices. The government decision on stabilization of the consumer market solves the problem within the framework of 1990. The prices of the socially-important goods will remain unchanged. As regards some principal food-stuffs and the situation in 1991 as a whole, provision is made for various alternatives. Likely is the preservation of the coupon-card system in distribution of meat and some other food-stuffs for the people with a low income. Other alternative is to raise the price of meat to the market level but with the mandatory full compensation for the low-income groups of the population.

The Supreme Soviet has discussed the bills on taxes, i.e. the bills covering the profit (revenues) of the enterprises and personal income of the population.

Control of the credit discount rates is required. The credit should lose the free nature, acquire the paid status. The credit should be used to influence the structural changes in the national economy.

Decisions will be taken on the specific issues, i.e. organization of the food-stuffs supply to the population in the conditions of the market relations, the social protection of the low-income citizens in transition to the market relations, the changes in the 1990 plan and budget.

Cooperatives, new business-making.

The move to the civilized market with characteristic mechanization elements cannot be simple in the society whose development was interrupted by the subjective experiments and violation of the economic laws. Hence, transition to the market will be extremely complicated. The initial stage of the transition period in 1989 and 1990 on completion of the quest stage of perestroika has confirmed the above-said. The surges and fall-offs are imminent in the public consciousness. The response in different socio-economic groups of the population, political parties, non-formal formations is diversified.

The hesitations and doubts as regards the chosen path after the general euphoria (as perestroika was waited for such a long time) have started to slacken the pace of the move, the pointedness of the decisions. But the return to the old attitudes which supported the dictates of the top and centre in the command and administrative system means catastrophe.

Decrease of the rates of dynamics, efficiency of the current business, unbalanced-to-the-limit consumer sector, empty counters, total deficit (about 90 to 95 percent), agiotage demand exist next to the "trade" distribution using the coupons, transformed into sharing the cash on the spot. With the onslaught of the black market added, we obtain the picture that depicts the situation of the end of 1989 and the beginning of 1990.

What is ahead? Improvement of the economics, stabilization of the consumer market, introduction of the package of the laws determining the basis of the law-governed state development? Society being reborn along the way of humanization and democratization, a drastic acceleration of the radical economic reform, realization of the antimonopoly measures, formation of the civilized market relations? Or return to the command and administrative system?

There is only one way, i.e. the way of the consistent reforming, the way to the market with the certain groups of the population provided with the powerful social protection.

Like vacuum in the business-making, the free market niches have formed due to the unique wastefulness and mismanagement in the economics established during decades. The state monopolism and the administrative and command system produced thereby prevailed therein.

The land, natural resources, the factors and products of labour turned out to be in the entire redistribution of the reproduction process without an actual master. The losses are literally everywhere, i.e. 10 to 20 percent of grain, 30 to 40 percent of the potato and vegetables crop, 2.5 to 3 mln tons of meat and meat products, 4.5 to 5 mln tons of bread and grain products and so on and so forth. All this was stolen, decayed, thrown away, was denied the actual use. As a result, the criterion of efficiency of current business and final consumption did not operate naturally. As is known, even physiocrats (W.Petty) believed that "mother earth is wealth and labour is his father". If the social system does not degenerate, it cannot chronically transform the products of the earth and labour into the decayed matter. The young social system possesses the potential of purification, overcoming the disease and development. In formation of the business-making and honest competition, the cooperatives should play their part. They unite the workers, resources and property that they own for the purpose of the efficient teamwork and use of the final product. Formation and functioning of the cooperatives is essentially the transformation of the relations of the individual and family (private) business-making as regards the collective ownership and use of the property with the free nature of labour preserved and developed.

According to the law of property in the USSR (Section III, pages 10, 13) the property of the cooperatives relates to the collective property. This type of property also includes the property of the lease enterprises, joint-stock companies, economic societies and companies, economic associations, public organizations and other amalgamations being the legal

entities¹⁾. The mechanism of transformation of the private property using the collective property was used in the conditions of the new economic policy and its curtailment.

The concepts of privatization prevail in the economic pragmatics and are realized in the form of the special programs. In these programs the cooperatives play the part of the transforming mechanism.

The concept of the new cooperation restoration as adopted in the USSR drastically differs from understanding the part played by the cooperatives in the countries with the developed and developing economics.

The level of development of ties in cooperation of the relations in terms of the purely external, quantitative indications is higher than in the European Economic Community. But such "cooperation" always possessed the rigid forms of the planned attachments of the producers to the consumers. The pursuit of the stable and long-term ties prevailed. As though the economic life stands still. It is even more absurd in transition to the all-out, market relations. The actual situation was as follows: the need for development of the commodity-money relations was declared. But actually their development was restrained in every way. The propaganda spread their interpretation that was always narrowed and subordinate to the plan.

The chronically unsatisfied demand has also persisted for a long time in production of the goods, services, construction and repair of dwellings, consultative, science-intensive activity.

With the state property occupying the exclusive position, being inflexible, in particular, in the consumer sector, and the acute deficit, the appearance of the new cooperatives (with the tax system unprepared, the prices and credit abnormal, the soft rouble) produced in the society the effect of the explosive nature accompanied by the numerous social and economic consequences. The cooperatives have overcome the wage leveling, achieved the drastic growth of production at the free labour, won their economic niches.

1) The cooperatives are set up through voluntary pooling of the property owned by the citizens and legal entities. The property of the cooperatives is formed due to the money and other property contributions of their members, produced goods, profits received from sale of the goods, and other activity specified in the statute.

During one year only (since 1988 till 1989) the total volume of the production activity and services provided by the cooperatives has increased from 13 to about 41 milliard roubles. In 200 thousands of the active cooperatives there are about 4.9 mln cooperative officials and pluralized employees. The volume of the cooperatives activity amounted to about 4 to 5 percent of the gross national product (however conventional such a comparison may appear). The share of an employee was about 8 to 10 thousand roubles. And the sum of the goods and services directly supplied to the home market (except for the products and services for the enterprises under which and in which the cooperatives have been set up) for the population amounted to 7 milliard roubles. In relation to the total volume of sales of the goods and services (about 500 milliard roubles) this is about 1.4 to 1.7 percent. The average monthly income per an employee in the cooperatives in 1989 was 500 to 600 roubles (versus 240 to 260 roubles earned by the workers and employees at the state-run enterprises and approximately 200 roubles earned by the collective farmers). The increment of all personal income of the cooperatives in 1989 amounted to 13 to 14 milliard roubles or 20 percent of the total value of the population income growth of 64 milliard roubles. It is assumed that the cooperative officials took the bank cash of 16 milliard roubles in the same year.

Other anomalies in formation of the cooperative sector also took place. According to the data of the USSR State Committee for Statistics, in 1989 about 80 percent of the active cooperatives (out of about 300 thousand registered cooperatives 193.4 thousand cooperatives were active) were formed under and in the enterprises. About 60 percent of the basic funds which were at the disposal of the cooperatives were leased by the latter from the state-run enterprises. The cooperatives bought 60 to 65 percent of the raw and other materials from the state-run enterprises. As a result, about 70 percent of the cooperatives products (work, services) were sold to the same enterprises.

In winding up the cooperative, the property left after settling the accounts with the budget, bank and other criteria is distributed among the cooperative members.

The new market sector has been formed with the state sector occupying the dominant position and the economic mechanism being eclectic. The centralized planning prevailed. The market control elements were in an embryonic state and came across the powerful obstacles.

Some trends, problems of growth and contradictions have manifested themselves in the new cooperative movement. Practically everywhere the number of the active cooperatives has increased on a whole 2.5 times, i.e. 77.5 (as of January 1, 1989) to 193.4 thousands (as of January 1, 1990), and the number of the employees therein, from 1.4 to 4.9 mln people, or 3.5 times. Even more pronounced changes have also taken place. For instance, the number of the cooperatives involved in production of the consumer goods has increased more than 2 times (from 16.1 to 33.7 thousands), and the number of their employees, 2.4 times (from 331.8 to 793.2 thousand people). The volume of sale of these cooperatives products has increased 4.7 times (from 1.5 to 7.1 milliard roubles). As a result, the output of the goods per cooperative amounted to 210 thousand roubles annually or 88.6 thousand roubles per an employee. The number of the cooperatives involved in the public catering service, which were set up on the first stage rather intensely has become to decrease. It was related to the difficulties of supply of the raw materials, attitude of the local authorities. The process of self-regulation was also active. The number of the construction and design cooperatives has increased more than 10 times, whereas the volume of their activity only during one year has increased more than 20 times (less the design work). The number of the agricultural cooperatives has increased 4 times, i.e. from 2.1 to 8.4 thousands at about 100 thousand persons employed therein and the products worth of 610 mln roubles. In the total volume of the agricultural products it is even less than half percent.

The cooperative movement depends on formation and interaction of various types of property and business-making. And it is exactly the agricultural cooperatives (including the independent, family cooperatives being part of the state and collective farms, the agricultural and industrial amalgamations and firms) which should be far in the forefront as regards the amount and

initiation of business-making in the connected economic links. In this case, the required natural and labour, raw material and product market basis is formed in the cooperative movement like, for instance, in the USA, Japan, France, FRG, Sweden, etc.

The second link in the chain of forming the market economy and market relations is represented by purchasing and processing the agricultural products. The data of the USSR State Committee for Statistics do not make it possible to determine the number and volume of activity of such cooperatives. Though their number is insignificant, the trading and purchasing cooperatives (6.4 thousands) have managed to sell the products worth of about 1.8 milliard roubles or about 300 thousand roubles per cooperative (26 to 27 thousand roubles per an employee).

Many trading and purchasing and trading cooperatives have been subjected to sharp criticism. Using the total deficit in many towns and regions, some of them have plunged into profiteering. Others have started to adulterate the quality of the products and inflate the prices of the meat articles, vegetables, fruits, confectionery and baked articles, beer, soft drinks. The third cooperatives literally like pirates "borrowed" the brands of the famous foreign firms on the jeans, sports jackets and suits, bags, cosmetic kits, training footwear, etc. The justified indignation intensified by getting used to the wage leveling was imposed on the "political games" of the local party and Soviet authorities on the eve of the elections. The objective was also to win the votes of the socially-deprived groups of the population, i.e. pensioners, housewives, persons having large families, low-income categories of the workers and employees. That's precisely how the situation progressed in Moscow, Leningrad, Krasnodar and Krasnodar Territory. The end of 1989 and the beginning of 1990 witnessed the process of the forcible and, therefore, illegal closing-down of many cooperatives. It has become the subject of sharp dispute in newspapers and magazines¹⁾. At the extraordinary People's Deputies Congress in March, 1990, sharp accusations of lobbyism were put forward, on the one hand, whereas, on the other hand, an accusation of the die-hard conservatism, failure to understand the logic of intensifying and accelerating

¹⁾ The attitudes of "Sovetskaya Rossiya", on the one hand, and "Moscow News", "Commersant", on the other hand, have converged.

the reform in the direction of forming the market and market relations²⁾.

What is exactly the cause of such contradictory estimate of the new cooperatives as the pioneer market sector in the public consciousness? It is necessary for understanding the situation wherein (in the conditions of the general depression, crisis of the political, economic, intellectual and moral, family structures) formation of business-making took place in our country.

1989 and 1990 witnessed the evident trend of the cooperatives reorientation to the output of the products of the industrial and engineering purpose. Attachment of the cooperatives to the enterprises under which or in which they were set up is explained by a number of reasons. The problems of the cooperatives logistics were not solved in principle. The market of the means of production was absent, the systems of the prices and taxes, discount credit rates remained abnormal. The small wholesale shops were actually useless. The commodity exchanges, auctions, other elements of the market infrastructure were absent. The state-run enterprises were the reliable sources for procuring the raw and other materials. In this situation the cooperative enterprises frequently violated the law, used the weakness of the legal deeds, for instance, covering taxation, passed in the Union Republics and adopted by the local authorities. In many cases the business-making honour code was not adhered to, amalgamation with the state structures took place, the officials were bribed. The highly-qualified managers and other employees of the state-run industrial enterprises were enticed to the cooperatives. The imposed limitation on cash issue led to the fact that the cooperatives started to bluff and not to hand over the takings to the banks fully. In doing so, the ready rouble was worth of three written-order roubles. (During that period the dollar was exchanged for 20 to 21 roubles in the real relationships and currency auctions versus the official commercial exchange of 1 to 6.8).

The attitude towards the positive and negative aspects of the cooperative movement was more weighed in "Izvestiya" newspaper.

2) According to the data of "Moscow News" (No. 12, March 25, 1990, page 10), as of the beginning of spring of 1990 about

The state sector mostly tried to function using the principles of the state order (the defence complex managed to do that) and followed its "own" dimensions. The smaller part of the sector was taking the first steps according to the market laws. The third part (some state-run enterprises, many cooperatives, private sector) interlinked with the black market, shadow economics, underground business. The fourth part of the enterprises, in particular, in trade, sphere of services, construction was interwoven with the above three trends of activity¹⁾.

It was noted in the press that in 1989 the Moscow banks issued cash in the amount of 2.8 milliard roubles to the cooperatives. It said that the receipts of cash by the banks from the cooperatives amounted to only about 100 mln roubles, i.e. about 30 times less. True, the sums received from sale of products and services of the cooperatives in the state trade shops and included into the retail commodity circulation amount and the volume of the charged-for services. The loan indebtedness of the cooperatives on the credits received from the bank (including the overdue indebtedness) has increased. The guarantor enterprises were interested in receiving from the cooperatives fixing the contracted prices and having the substantial spare means, part of their profits according to the signed contracts. The takings for the services rendered by the cooperatives and sale of the commodities (including sale of the raw and other materials, etc. for cash down) was counted towards fulfilment of the plan by the enterprises on the charged-for services and output of the consumer goods.

Using the total deficit and absence of competition on the part of the state sector (and other forms of property and business-making), the cooperatives and their unions transformed on their regional markets into monopolists of production and

2 thousand cooperatives were closed by the decision of the Republican authorities in Uzbekistan, and about one thousand in the Krasnodar Territory. More than 200 cooperatives were wound up in the Stavropol Territory, over 400, in Alma-Ata, on a whole, in Kazakhstan, about 2.3 thousands. The activity of the cooperatives in Kirgizia, Byelorussia, Moscow has been made much more fixed. In 1989 the USSR

and sale in 1989 and 1990 of quite a number of the consumer goods, i.e. the sports suits, jeans clothing, fashionable footwear and decorations, cosmetics, confectionery, products and services in public catering. In this situation the cooperative officials and persons imitating them (individuals, falsifiers, underground dealers) used the opportunities of the unique conditions in the absence of the market. They inflated the contracted prices to maximum so as to receive the considerable extra profits. In doing so, the general public consciousness was stirred up by the right and populist anti-perestroika movements assisted by the press winning the readers in such strata.

The serious researchers noted that the home reality did not form in most cases the expected cooperation according to Lenin as the system of the civilized cooperative officials of the new economic policy period and in the attractive up-to-date patterns (Sweden, FRG, Hungary, USA, etc.). In essence, the process of forming the private and group business-making in various forms and combinations went under way¹⁾. Self-regulation is introduced into their development by the market, its mechanism. The "centre" is left with the strategic and social-priority vision of planning and prediction in terms of the structural changes, the national social programs and creation of the powerful mechanism for the social protection of the population.

The flexible economic control mechanism was non-existent. Hence, in independent determination of the trends in using the net profit with the taxation system disregarded the cooperative officials entered the considerable part of the means into the labour payment fund. The cooperatives committed violations associated with the order of registration, were involved in the illegal activity, actively "pumped" the written-order means into cash, used the labour of the

Ministry for Finance and the USSR State Committee for Prices made taxation of the cooperatives more stringent, licencing of the export of their products was introduced, control of import was intensified.

1) It is important to introduce the concepts of real economics, real production and real (not statistical) consumption.

pluralized persons. All that was tensely perceived by the society. Its state was characterized by the high extent of the social and political tension at the intensified crisis effects in the economics. At the same time, as estimated by the economists, given the favourable economic conditions, the new cooperatives could even in 1990 bring the volume of activity to 100 to 120 milliard roubles and sale of the goods and services directly to the population to 20 to 25 milliard roubles.

The consumer's cooperative of the Tsentrosoyuz system turned out to be outside the framework of reasoning. The enterprises of this system produce many consumer goods and sell the commodities through their trading network in the rural and, partially, in the urban localities to 135 to 140 milliard roubles.

Creation of the real consumer's cooperative is still the thing of the future.

The new cooperative generate (with all unsolved problems and negative aspects) new attitude towards labour, they form the business operators of the new type, new managers. The cooperatives took the very first steps in the financial-credit and banking field. The case in point is related to the commercial cooperative banks, credit cooperatives, cooperative auditor firms. The new market sector taking hold of its niche should also form its own protective economic mechanisms of self-adapting and self-regulation. Important are the mechanisms of the social support, participation in the priority state social programs, i.e. the food, dwelling, public health, charity programs. As shown by the experience of the countries with the diverse forms of property, working out the legal, ethical and moral norms forming in combination the business-making honour code is extremely important. The new cooperatives like other kinds of the business-making activity, are assigned their own place in implementation of the programs for transition to the market economics and antimonopoly measures. It is being specified in the legislative fundamentals of the business-making activity.

This is related to elimination of the additions, bringing the statistical methods in compliance with the requirements of the international collations in terms of the criterion of the final consumption socio-economic efficiency.

- 1) Cooperation, the system of the cooperatives in a broad sense of this concept as the embodiment of the collective property

The cooperatives will occupy the proper place among other kinds of the business-making activity and on the market provided the activity of the small enterprises (small business) is done official by the legislation.

The small enterprises should contribute to antimonopolization, creation of the normal conditions for the honest competition. These enterprises should function mainly for the consumer's market, in the science-intensive industries, construction and repair of dwelling. The active formation of the network of the small enterprises can drastically increase the number of the subjects producing the commodities and services. (These enterprises yield approximately 20 to 25 percent of the products and services). Thus, the extra potentialities for employment of the labour force are created.

The case in point is the use if released in the event of the enterprises break-up into smaller units of the lease associated with redeeming the basic funds, stock-holding, sale of the enterprises into the private ownership, other forms of depriving the state of its property. The small enterprises using mobility and methods of the flexible economic behaviour drastically increase the efficiency of utilizing the raw materials and labour resources, free production funds and capacities.

As a result, responsibility, risk and competition, triad "interests-need-stimuli", acts as the decisive factors of forming and improving the effectiveness of business-making.

is, as a rule, a sufficiently mass phenomenon and movement embracing certain groups of the population with the common social and industrial-economic interests.

(Dmitrienko V. "Show Me the Real Cooperative ", "New Times", No. 51, page 33).