



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



18361

Distr.
LIMITED

ID/WG.498/31(SPEC.)
21 May 1990

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Interregional Symposium on the Role
of the Industrial Co-operative Movement in
Economic and Industrial Development

4r

Moscow, USSR, 11-15 June 1990

COOPERATIVE PRICES AND UNBALANCED CONSUMER MARKET*

Prepared by

Y. Yakovleva

5/

*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.

The balanced demand-and-supply policy is most important in determining prices on cooperative products and also in price movements. The state retail prices are, as a rule, established by the government, "from above", which makes it impossible to

take into account all price formative factors. In contrast to this, prices on cooperative products are formed in accordance with the commodity production regularities: the law of value, demand and supply, etc. The different mechanisms of price formation are one of the reasons of the state retail prices being, as a rule, lower than cooperative prices are.

A higher level of cooperative prices as compared with the level of state prices is one of the main arguments against the development of cooperatives in the country, and a factor giving birth to a negative attitude to cooperatives on the part of the broad popular masses.

The state consumer prices established by the government are inert and insensitive to the market conditions, they do not regulate demand and supply, and cease to be real prices. As a consequence the market suffers from an acute shortage of goods. One may think that the problem can be settled through building up the production of consumer goods to meet the existing demand, i.e., to "catch up" with the demand, simultaneously freezing the prices. But this is a mere illusion. With the "noncommercial" price policy preserved, it is impossible to balance the market. The shortage of commodities is not absolute, but relative, or it is such

as compared with the effective demand. That is why, no matter how high the state prices are for each individual consumer with fixed earnings, from the economic point of view the shortage of consumer goods in general and in terms of their pattern testifies that the prices are very low as related to the volume of the effective demand which is a reflection of real social demand.

Being inert, as they were, the state retail prices have demonstrated, of late, an impetuous rise (two per cent annually, according to official data), caused by inflation, and very uneven for individual commodities and groups of commodities. This direct and indirect growth of the consumer state prices is accompanied by an increase of unsatisfied effective demand which grew by 35 billion roubles in 1989 to reach a total of 165 billion roubles. The shortage of consumer goods brings about chaos in the distribution of real incomes, the movement of which ceased to be connected with the movement of cash incomes. The purchasing power of money becomes different in different regions. Those social groups which are nearer to the distribution of commodities stand to gain. Under these conditions cooperative production is to ease tension resulting from commodity deficiency for consumers and social strata which cannot get necessary goods at a lower state price.

Prices on the cooperative market, being a balancing factor, remove contradictions in the sphere of distribution, the contradictions which are inevitable in conditions of state price formation ignoring correlation between demand and supply.

A direct connection between distribution of cash and real incomes comes into being, the importance of money in distribution processes increases, stimuli to work have a bigger role to play

and the economic basis for profiteering is thus undermined. However, negative phenomena of another kind become apparent. It is common knowledge that when prices exceed value, redistribution of incomes from buyer to seller takes place. The greater the difference between prices and value, the more closely the redistribution process depends on the market situation favourable for seller, than on his labour expenditure. Temptation arises to multiply one's incomes by raising prices, without increasing production or improving the quality of commodities, etc., something which becomes possible in conditions of an underdeveloped competition and with monopolistic tendencies prevailing. All this is proved by our present-day reality and is resultant from the policy aimed at curtailing cooperation rather than its developing. Legislative acts providing for higher taxes on cooperatives directly lead, first to raising prices of cooperative products and, second, to curtailing the activity and even closing down a number of cooperatives, which does not facilitate the development of competition in the cooperative sector of the economy. The decision passed by the Supreme Soviet of the USSR to the effect that price rise on cooperative goods is forbidden seems correct, but it will produce no economic effect because it is at variance with the real economic laws guiding the level and correlation of cooperative prices.

Only a well thought-out system of measures, primarily in the economic sphere, will help "beat" down high prices of cooperative goods. The store of means of market regulation, which is an inalienable feature of present-day market, includes taxes, interest rates, antimonopoly legislation, and so on.

It is necessary to study the experience of market regulation accumulated by Western countries. Not price rise is to be combatted, but the causes generating it, among them the underdevelopment of non-state economic forms, first of all cooperatives, lack of competition among cooperatives and between them and the state sector, exclusiveness of the economy. Hence the need for favourable conditions to promote cooperatives and other nontraditional forms of the country's economic development.