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THE CO-OPERATIVE POLICY: RESULTS, CONTRADICTIONS
AND DIRECTIONS OF OPTIMIZATION*

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Two years have passed since the enactment of the USSR Law "On Co-operation in the USSR". Now, what major tendencies has this developing sector of economy seen so far? What is the extent to which the aspirations of its revival have come today?

1.1. The Rates of Growth.

Turning towards the co-operative economy in the USSR is not just an occasional happening: the event stood to a social demand of the society. The rates of development of the co-operative trends are being evidence of that. In the course of 1989 a general number of all kinds of co-operatives in-action, engaged in manufacturing of various goods and rendering a variety of services, increased 2.5 times - having reached, by January 1, 1990, the number of 193.1 thousand.

Table 1

	The Number of Active Co-operatives (thsnd)		The Number of Employees, including those who combine jobs (thsnd of people)		Volume of realized objectives (sold products, rendered services)	
	By end of period accounted for	Absolute increase per quarter	By end of accounted for period	Absolute growth per quarter	By end of accounted for period	Quarterly
01.01.88	13.9	-	155.8	-	349.7	-
01.04.88	19.5	5.6	245.7	89.9	325.7	325.7
01.07.88	32.6	13.3	458.7	213.0	1037.3	771.6
01.10.88	48.5	15.9	787.7	329.0	2623.1	1585.8
01.01.89	77.5	29.0	1396.5	608.8	6060.6	3437.5
01.04.89	99.3	21.8	1950.8	554.3	4307.2	4307.2
01.07.89	133.0	33.7	2938.3	987.5	12863.8	8556.6
01.01.89	171.5	38.5	4029.8	1091.5	25981.3	13117.5
01.01.90	193.1	21.6	4855.4	825.6	40339.1	14357.8

The Co-operation Sector of economy has been growing progressively. Each month now the number of employees here is increased by as much as was a total growth of the first half of 1988. For a single last quarter of 1989 the quantity of the realized co-operative products was 2.4 times as much as it was during the whole of 1988. By the midst of 1989 the co-operation came to such realized objectives as could have only been attained (by original estimation of the USSR State Planning Committee /Gosplan/) at the end of the present 5-year economic plan: 13 milliard roubles. By the end of 1989 this figure of the realized objectives exceeded 40 mlrd roubles (in 1988 this figure was 6 mlrd rbls against 350

roubles in 1987).

If calculated per citizen of the country, the economic co-operative sector in 1989 produced the products (jobs, services) by 140 roubles per capita. Exceeded this average figure in the USSR was by such Soviet republics as Latvia (402 rbls), Estonia (243 rbles) and Moldavia (241 rbl); whereas, in the republics of Middle Asia this figure made only 53-88 roubles.

In the run of 1989 the share of those co-operatives that still did not function after being registered went down noticeably: from 44.2 % to 21.4 %. This is indicative of big positive changes in the matters of setting up the new co-operatives - if not the indication of the completed settlement of organizational problems.

1.2. Structural Shifts.

The Co-operative Sector structure is becoming more and more diversified in the fields of activity. So, at the beginning of 1988 90 % of the co-operative enterprises, as well as 90 % of their realized (sold) products, fell on four types of the co-operative enterprises (like those engaged in the production of consumer goods, consumer service, public catering, or supplies and processing of the secondary raw materials). Today the statistical agencies report on over 20 types of co-operatives.

There have been traces of steady increase in share of the construction-work (in the industries) and scientific-and-technological co-operatives, whose pace is that of the leaders'. The number of the co-operatives of these two types has increased since 1988, correspondingly: 11 and 4 times. At the same time, there decreased the number (and specific weight) of the co-operatives dealing with public catering, trading or consumer servicing. On the whole, the

co-operative sector has been branched to sooner serve the enterprises and organizations than the residential population.

Some of the co-operative types have seen an absolute (to speak nothing of the relative) reduction of their employees: in particular, the public catering and purchase-and-sales co-operatives - a result of the well known in this country criticizing campaign (Refer to Table No 2).

In 1988-89 there remained a most critical demand for the medical co-operatives. Their development was much behind the growing need for them.

The ways of the co-operatives' reaction towards changes in the economic environment (like adoption of standard acts, changed taxation policy, criticism of the press etc.) haven't been those of the reduction in their ranks, but structural reorientation. The co-operators are switching their fields of occupation - never leaving the sector altogether. Reducing the number of employees in some types of co-operatives has not driven to reduced incomes of these co-operatives.

Table 2.

Ref. No	Type of activity	A share of the dedi- cated co-operatives in the total number of co-operatives in- -action		A share of the given- -type co- -operatives' employees against their total number (%)	
		(%)			
		1988	1989	1988	1989
	1	2	3	4	5
1.	(Out of a) Total (number):	100.0	100.0	100.0	100.0
2.	Consumer services	30.6	16.9	29.9	11.7
3.	Production of consumer goods	20.8	17.5	23.8	16.3

4. Public catering	9.8	2.9	4.4	1.1
5. Procurement and processing of raw materials	3.0	1.6	3.0	1.9
6. Construction work (except being engaged in the consumer services)	4.5	20.1	8.9	31.2
7. Projecting-and-prospecting	0.9	1.6	1.4	2.4
8. Agricultural	2.7	4.4	1.4	2.1
9. Trade and sales-and-purchase	6.5	3.9	3.7	1.7
10. Artistic design	1.8	2.3	1.3	1.5
11. Medical care services	2.4	1.7	2.3	1.3
12. Organization of leisure time	2.4	1.4	1.8	1.1
13. Scientific research; design work; software development; information services	2.6	5.3	3.9	6.6

* This Table has been drawn up, based on the data of the State Committee of the USSR for Statistics (Goscomstat).

1.3. An Average-Sized Co-operative.

A present-day co-operative traditionally can be viewed as a small enterprise with around 23 employees (including those, who are holding more than one job). At the beginning of 1989 this figure was 16, while in 1988 - 12. The staffs of the Trade or Public Catering co-operatives averagely amount to 9-12 employees; the Scientific-and-Technical and Construction-Work co-operatives are staffed within 25 to 45 employees.

A wish to increase the number of engaged in a co-operative enterprise is very weak. In a 1.5-year period an increase in the average figure of employees from 12 to 23 people does not, actually, means the growth of number of the medium-sized co-operatives

of every type: in fact, it is a manifestation of a structural shift towards the increased specific weights of the relatively large co-operatives like those of the Construction-work and Scientific-and-technical types.

Table 3. Rates of Growth of Co-operative Enterprising.

	1988	1989	Rates of growth in 1989 by 1988
The average number of the registered employees (in thsnds of people)	567	3011	5.3 times
The volume of realized objectives: products, jobs, services (in mlns of roubles) - within this scope, realized directly to the citizen people	5061	40339	6.7 times
	2369	6134	2.6 times
Pay-roll (wage) Fund (in mlns of rbls)	2161	16843	7.8 times
Average monthly pay (in rbls)	318	469	1.5 times
Average monthly output of products, jobs, services per employee (in roubles)	829	1108	1.3 times

* This Table has been drawn up on the basis of the USSR State Committee for Statistics.

There can be pointed out three categories of co-operatives that are inclined to extend their capacities:

1) The large-size co-operatives, that are keen on extensive production on the industrial basis. These are chiefly Construction-work and Production co-operatives. Yet, such examples are few so far.

2) The small-size co-operatives, of no more than 20 employees,

are primarily involved in Public Catering and Trading. Such co-operatives are also rendering Consumer or Socio-cultural services. They are content with their status and income level and don't seek for extension opportunities.

3) The small teams of up to 35 people. They are usually offering intellectual and other services, quite often regarded as not fully characteristic of the co-operatives. Their employees do not share common property, but implement the co-operative-way economy in financial transactions or by assuming a status of Juridical Artificial Person. Such groups of employees are not looking forward to enlarging their membership. Though, they will be glad to enlarge their bag of orders. This kind of economic structures have been increasingly popular in the present economic situation.

Classifying co-operatives involved in production or services can be achieved against a number of criteria, like specialization or the paramount structure, reflecting some economic branch. A classification by the features of economic nature, as well as that by the character of functions performed, are the most interesting. Such approach makes it possible to work out the control methods, adequate to a particular kind or type of the co-operative.

In conformity with the offered criteria, a diversified range of the co-operative types can be amassed in two principle groups (Ref. to Diagram 1). The first kind of co-operatives will be organized by amalgamation of private properties of the shareholders, involved in the individual or small-team labour. The other group type will be utilizing the state property or the property, transferred in their possession as to the proprietors.

The second type of co-operative enterprises is predominant. This can be accounted for by a number of factors. Those co-opera-

tives, originated at the existing state production-spot, are enjoying the starting advantages over the enterprises, born on an "empty place": the first ones suffer less difficulties in being provided with the necessary supplies, equipment or work spaces; their products will, for sure, get into the market. The accelerated development of this type is, to a large extent, ensured by today's co-operative policy, stimulating sooner the existing state enterprises (that is, their transition) and their elements than the creation of the new co-operative enterprises.

So far, four fifth of the Production co-operatives in the field have been originated by the state enterprises, from which they are leasing 60 % of the basic production funds, acquiring roughly the same volume of raw materials. 67 % of their output these co-operatives are realizing to their guarantors and founders. The profit of these co-operatives is by 10 % made of products, manufactured to state orders.

The first wave of the co-operative development in the USSR could be figuratively referred to as an attempt to get the Soviet economy privatized. The second wave is denationalizing the economy.

However, standing behind the highly dynamic co-operation process, there is a series of polysemantic trends. As was pointed out in a governmental report, presented at All-Union Scientific Practical Conference on the Issues of Radical Economic Reforms: "... There were, though, attempts to make a radical step forward. A Law On Co-operation has led to the origination and development of a whole new sector in the economy. And yet, a would-be economic success has turned out nothing but a failure."¹

¹/ Refer to "Economitcheskaya Gazeta", 1989, No 43.

This topic has been known now as a key subject of the debates (held not only in the scientific circles!) with the core aspect "who is to blame for certain inefficiency of the the co-operative enterprising?". There could be offered here 3 major possibilities of an answer.

Option 1. This version of an answer blames the very nature of a co-operative enterprise, as far as its motivations are regarded as anti-social, bound to stir a destabilizing outcome, subversive for the socialist way of living. Accordingly, there comes along an immediate call for doing away with "these robbers of the nation".

Option 2. It is the "administrative commanding system" to be blamed for rebuffing the beneficial and progressive initiative by the superimposition of such conditions, in which co-operatives can not function normally. Thus, it is rational to dismantle the existing economic structures as soon as possible - in order to prepare ground for the newly-originated structures.

Option 3. The co-operation policy is not being pursued the optimal way possible. Instead of having the former and newly-born economic structures tied up in a flexible coupling (as much as the interfacing solutions could recompense for the intrinsic expenses of the reforms), the conditions are being established for their confrontation due to sharply disagreeable methods of the economic management.

Diagram 1.

TYPE I

Co-operatives, originated on the basis of amalgamation of private properties of the shareholders

TYPE II

Co-operatives, originated on the basis of utilizing the property, transferred to their possession, or disposing of the state property

1.1. Fellowship Association or Trade Representation Office -

Anyone of them is a specific organizational form for a unity of people in individual enterprising. This is a co-operation, possessing a small share of collective property, but the operations of this enterprise are mainly dependent on utilizing the private property of its members.

1.2. A small-sized Joint-stock Co-operative - That's a form of work organization for the small teams that are commonly utilizing on a general basis the individual means of the stockholders.

2.1. A co-operative on a basis of liquidated state enterprise -

Here the basic funds are bought (a case of transformation of the state enterprise into the co-operative) or taken on lease.

2.2. A co-operative division of a state enterprise -

That's an independent co-operative within the framework of the state enterprise (or organization). It is originated after a transfer onto the co-operative form of management of the existing elements (shops, brigades, work sectors, management offices for construction work etc.). Sometimes it's just the matter of setting up a new complementary division of the co-operative type.

2.3. An internally leased co-operative -

Here are united the employees of a state enterprise on terms of holding a combined-job. The required pieces of machinery are taken on lease for use in the factory non-operational time (2nd and 3rd shifts, days off).

- 2.4. A customer's property utilizing co-operative - a joint state-enterprise/co-operative production. This kind of production form is an independent from the state-works structure co-operative that is using the state-enterprise's (that is the customer's) funds.
- 2.5. A joint state-enterprise/co-operative enterprise - That's a jointly established - by a state enterprise and co-operative - third party: juridical artificial person, formally independent of its founders. This newly-originated enterprise will be enjoying a full economic and administrative freedom under the present legislation, joint-venture Charter and Contract on the establishment of the enterprise.

To the Author's opinion, there is a great deal of reason in the third presented here option of an answer. Sure, the mishaps of small business have nothing to do with its so-called "genetic anti-social nature" (as insisted by some writers on social and political affairs); though, one should not close his eyes on certain side-effects - the product of the chosen concept of economic development. With this in mind, the Author doesn't think there is ground in relaying the responsibility for the failures solely on the "administrative commanding system" (expressing such attitude as "the economic reforms have been worked out all right, it's just the economic system itself hasn't proved prepared for innovations") Has not the inevitability of such tear-apart been evident from the very beginning? Could not the undesirable outcomes have been pre-

estimated for ensuring the right methods of economy revitalization? Is it, figuratively speaking, sensible for a surgeon to risk an organ transplantation, if it is going to be rejected by the deceased body? There will be no acceptance of any doctor's excuses like "the right method of treatment has been confused by a bad bodily condition of the patient operated on". Evidently, a most radical solution is not necessarily the most effective one; quite often, there is need for a thoroughly weighed, complex and prolonged therapy. The methods of treatment will have to be chosen carefully with respect to the actual condition of the body.

Now, to evaluate a present-day co-operative policy, it will take to draw a line between the two problems, one of which is Subjective Miscalculation, caused by this circumstance or the other; the other problem is of the objective nature and bound to arise and manifest itself in a multi-structural pattern of economy "at junction" of the different structures.

What is it there lying at the bottom of the objectively faced contradictions?

Main Contradictions in Interaction of the
Co-operative and State Sectors, or the Rules to Play the Game.

As is known, basic approaches to the economic reforms began with critical scrutiny of the accumulated experience. A sharply negative attitude here was expressed towards the practice of "universalization" of the forms and methods of economic management for any branch of economy. Such methods were tried in order to adopt a unique management policy, fit for big industrial enterprises. In result, there's been reduced the efficiency of smaller and medium-

size enterprises, as well as lost the majority of features, characteristic of Kolkhozes and Consumers' Co-operatives.

Alternatively, there's been put forward a concept of multifacetness of the forms of property and economic management, aimed at working out the specific methods of economic management for a variety of enterprises (based on different forms of property). Differentiation of forms of property can be only achieved and effective, if the different-type enterprises get their own specific ways of the economic realization. The intentions to materialize these theoretical postulations have shaped with the adoption of state laws "On a State Enterprise (Association)", "On Co-operation in the USSR", "On Individual Enterprising". One would easily notice that the first two legislative acts have been drawn up for the two types of enterprises (state and co-operative), whose economic management policies differ very much. In fact, these differences can be traced in every aspect of their activity: material and technical supplies, price-making, profit distribution principles, regulation of labour relationships, financial and credit settlements, taxation into the state budget etc.

Despite the seemingly logical core in this practical approach, its serious flaws has been found out quite soon. The country's economy has turned to resemble the sporting grounds, where the two teams has met to play a game by their own rules. Different principles of operation for the state and co-operative sector enterprises have noticeably disbalanced the integral economic system. "The teams" have, to their advantage, gained certain ground at some parts of "the field": State enterprises - in the matters of material-and-technical supplies (like raw and other technological materials or machinery); Co-operatives - in pricing their products,

profit distribution, financial and crediting settlements. Instead of the previously expected sound competition between the two sectors, there have started cropping up various deformations of redistribution or pseudo-formations and "marriages of convenience".

Privileges and preferentials have not been granted in agreement with the type of activity, but in line with the type of an enterprise - and such approach is facilitating the growth of the number of co-operatives, but not their outputs or efficiency.

The present system will sooner allow for manipulations with various economic transformations than ensure the increase of business activity. The expansion of the co-operative sector is, to a great extent, taking place due to the transformation of the state enterprises into co-operatives, rather than formation of small and medium-size enterprises as "alternative" to the state ones (and their divisions). The first-type co-operatives often preserve the monopolistic privileges of their ancestors, enjoying, at the same time, all the advantages offered by the co-operative "rules of the game".

It just suffices to change a gate signboard - from "state" to "co-operative" - for an enterprise to acquire the extra privileges (with the preservation of the previous ones) without changing either orientation or volume of the business activities.

For one thing, there remain arrangements of the required material-and-technical supplies (effective for the state enterprises); for the second thing, a freedom is gained to control the financial resources (a prerogative of the co-operatives).

This kind of co-operative policy has brought a glaring discrepancy between the number of co-operatives, as grown of late, versus the number of those engaged in them - on one hand, and the

complementary offered products (services) - on the other hand. In this connection, it won't be right to take the statistics on the co-operative products as a real complement to the volumes, being realized by the state economy: in fact, it's just a matter of massive shifting of the products, produced by the state enterprises, into rubric "Co-operative Products".

Clear is the reaction to this kind of event, expressed by an attempt to correct the mechanisms of the both economic sectors in order to bring them closer. This drive for correcting the situation can be proved by drawing up such draft laws as: "On General Taxation System in the USSR", "On the Socialist-type Enterprise". There have been also such enactments of the Supreme Soviet (Council) of the USSR to same effect, as "On Measures of Regulation of Growing Wage Funds in the Production and Service Co-operatives, Leased Enterprises and Enterprises of Public Organizations". Thus, such is the direction of the governmentally offered compliments to the law "On Co-operation in the USSR".

Evolution of the economic mechanism of the co-operative sector has been affected by the two contradictory tendencies. On one hand, the forms of economic management here must reflect the specific features of these enterprises, based on the collective-type of property. On the other hand, the logics of interaction between the state and co-operative sectors within the integral economic system implies the necessity to ensure equal economic prerequisites, which means certain unification of the management principles of either type of enterprising. Each of these two tendencies has its positive and negative attributes. Giving impetus to the development of the first tendency, means setting up priorities for the progress of co-operation; however, it means consid-

rable deformations at the intersections of the sectors, as well. Too persistent a pursue of the second tendency will also be bound to develop the negative factors - as long as in this case the equal rights will be granted to the counteragents, who would not match. At any given moment there exists certain correlation of these two rivalling trends.

Therefore, a real-life multitude of forms of property and economy management (to speak nothing of radical solutions, like having a multistructural economy of a mixed type) allows for the existence of a scope of specific issues and contradictions that can not be escaped at the junction of various forms of property. Now, it becomes clear that a particular-type enterprise will be trying to "play the game" by the rules of its own. Whereas, the logics of interacting with different-type enterprises will be instigating to conceive the general rules of the game for every "team" on the "field". A principle contradiction of the multi-structural economy, defined by V.I. Lenin in an interrogative expression "Who will win?", assumes today another interpretation: "Which of the sectors is going to impose its rules as the general ones?" It is high time we were coming over from the general-concept catchphrases (like those about coming towards a mixed-type economy) to, at least, draft projects of the real operational mechanism of the economy at interaction-points of its two different sectors. The accumulated experience of the co-operative enterprising presents no tactical (to say nothing of the strategic) clues to the solution of this key issue; there is nothing but improvization. With this in mind, it wouldn't be bad to more constructively scrutinize the weak points of the present-day co-operation policy.

The Flaws of the Present-Day Co-operation Policy.

In a most generalizing way the drawbacks of the co-operation policy can be summarized as follows:

First. As was pointed out here, it is the quantity of co-operatives that is being mainly stimulated by the present co-operative policy, rather than the volumes and effectiveness of their activities. The world experience prompts: it pays to inspire the concrete and most crucial activities for the moment, paying attention to what type of an enterprise could be most suitable for the occasion, which, correspondingly, will ensure an accelerated development of this particular enterprise.

Second. As was said above, every sharp opposition between the sectors of different management systems in economy has led to serious junction-point malfunctions: be it confrontation, varied manipulations or problems of formal rearrangement. There is no sense in trying to align the similar economic processes, belonging to the two parts of the integral economic mechanism, differently.

Third. A two-year's co-operative development has shown, to the Author's opinion, flimsiness of the chosen ways of switching to the market-type relations; the same is true with a sudden (one-step) jump tactics into the economic mechanism, chiefly regulated by the market. A "cavalry charge" to the market has taken to a deep gap between the steadily increased mass of market contractors (around 200 thousand small farms and enterprises) and the servicing infrastructure. Lacking far behind in the development (if there is any at all) have been such modern-market "makeweights" (that are, in fact, making the market civilized) as the well-developed systems for taxation and financial inspection, crediting and quality

control, social insurance, trade-union security etc.

Considering modern levels of production concentration and specialization in it, there should not be any underestimation of the regulators, attributed to the "free" market: the more so, if one considers the deepness of distortion of such market as the Soviet one. It becomes obvious that the original concept of non-interfering with the activity of co-operatives by planning and other economic tools has not stood to the expectations; the same is true with the optimization effect of the market situation. The structure of the co-operative sector turns to be setting unfavourably for customers. There are indications of the imposed and, quite often, groundless differentiation of the profits between those engaged in the two sectors of economy. Uncontrollable outburst of prices is under way.

A market-type economy must not be jumped to; there should be a moderate transition onto it. In suggestions to more extensively use planning effect in various aspects of the co-operative activity there is no, actually, implication of trying to impose a directive policy of telling what to do; it is an attempt to control economic tools: taxes and and taxation privileges, flexible crediting policy, priorities in material-and-technical supplies etc. - that are practically nonexistent at present.

These ideas are not popular today with the radically-minded part of the Soviet economists. Now, remembering a saying that "no man is a prophet in his own country", let us have a look at some of the opinions of the outstanding economists in the West. For, instance, there is J.K. Galbrate's thesis on being as unreasonable as to beleive in "the primitive postulations like an existence of free market-competition"²; or take a sincere bewilderment of a

2/ "Communist", 1989, No 1, p. 116.

British scholar Todor Shanin, who writes: "I feel funny, when I hear you talk about the free Western market. Is there some place? There is none." Perhaps, it will be useful, too, to refer to Paul C. Aleoaker, Executive Director of the Washington Privatization Center, who writes in his paper "The Soviet co-operatives: A Drive For More Extensive Economic Development": "As prompted by the experience, - writes this American UNIDO expert, - confusion can be avoided, when taking an economic sector from under persistent governmental control, if effected smoothly. By way of fast slackening of the centralized control of economy, there are high chances of aggravating the deficit and risking a high inflation level".

Fourth. An imposed correction of the initially set co-operative-policy targets has been effect far from the best way possible. The state and governmental agencies, avoiding the golden mean, are, sometimes, shifting their initial contemplative outlook, replacing it with the imposition of voluntaristic banning steps (instead of giving the issue a proper head). Every level of decision-making is lacking any justified inter-agency co-ordination. Often enough, some state bodies are treating the co-operatives not in disagreement to one another, but in a sheer contradictory way.

It will be clear, how pressing it is today to have a well-judged uniform state policy aimed at promoting the co-operative enterprising, if one examines the attitudes of the employed in this sector towards processes baffling the co-operative development. The first (in rank) shared opinion about the reasons (there have been mentioned 11 of them altogether) of the unfavourable situation is called as "nonpersistency of the governmental decisions on the ways of the co-operation life". This reason of the unsatisfactory situation seems superlative to such other named factors

as difficulties in renting the business spaces, getting the equipment or supplies of raw and technological materials; it is the unreasonably high prices on them, too.

Also of a bad service for Co-operation are: the absence of duly provided expertise of the socio-economic outcomes of the decisions made, the legislative law-making euphoria and political contests of the extreme "left" and "right" wingers. It would be wise to anticipate by calculated approach the negative possibilities of any adopted economic or political project, rather than take the pains to correct the made step afterwards.

The inconsistent co-operative policy has led to the negative socio-psychological outcomes. At first, there stirred irritation in one talk of the society against letting certain people (against the background of generally deteriorating living standards) defiantly rise their well-being. After that, there came a drive to "correct the situation" through a stricter taxation policy and other tough measures against Co-operation. That attitude, in its turn, inspired resentment of those who had come to work in this economy sector. In result, there has grown tension between the two social groups - those with the fixed wages versus the others with the free incomes. At the same time the either group has found itself in opposition to the governmental co-operative policy, meeting the interests of the neither group.

There is a call, today, for working out a thoroughly weighed realistic approach towards the co-operative economy; this will demand avoiding extreme attitudes - be they nervously apologetic or tendentially nihilistic. If I may repeat, there is no doubting the necessity of co-operation today; a positive answer in favour of its existence has been prompted by a fast development of the economic

form in the country. The problem is that of the ways of reorganizing a far-from-being-perfect co-operative policy, whose flaws must become a matter of most meticulous scrutiny.

Let us have a closer look at the weak points of the USSR co-operative policy, as was pointed out here.

Two Price Levels for the Same Products: Can That Promote Sound Competition?

From the beginning Co-operation was regarded as sound alternative and therapeutic remedy for monopolism of the state agencies; it was expected to have stimulated a contest between the two economic sectors, to have been a lever of decreasing the co-operative prices.

Now, how true the forecasts have turned out to be at present? Unfortunately, there is nearly nothing to talk about; the competition between the sectors (state and co-operative) is next to nothing. There is a number of factors to that - not the least of them being the practice of price formation. Most clear are the flaws of the present policy of economic management that has been trying to control the same economic aspects of the two parts of the single economic body by means of different tools. Thus, there have been set up two levels of prices (state and co-operative) for the similar products. How would you like to comment this, I wonder?

Today's co-operative enterprising is not homogeneous in structure. It looks, as if it could be split, more or less conditionally, into three parts.

Here first comes a sound part of it, co-operative in nature: these are the newly originated (on the basis of the liquidated either unprofitable or low-profit state enterprises) co-operatives,

orientated on the release of additional products and services.

In the second place, the old agency monopoly gets disguised by the co-operation mask. In these cases, some individual state enterprises (or their divisions) switch to the co-operative form of management with no intentions of increasing the output of products or services - just keen on getting into "gratuitous" financial preferences (by means of pricing manipulations or transferring a major part of the enterprise usual profit into the wage fund, as well as by transferring the non-cash financial means into cash etc.)

In the third place, there are commercial structures of the "shadow economy" that are speculating on the attained legal basis of the Co-operation.

The presence of all these various components of Co-operation dictates a multi-faceted development of this economic sector.

The economy state sector and its "sound element" are overlapping slightly only in the assortment of those products and services that are in short supply on the market, where the state economy fails to combat the deficit.

Is it reasonable to blame those co-operatives, who are anxious to fill the empty "economic niches", rather than engage oneself in direct contest with the state sector in the branches, where it is strong? Hardly so. The big idea behind the co-operative enterprising is elimination of flaws produced by the big producers. A certain positive assymetry in the assortment between the co-operatives and the "big economy" is a result of the therapeutic effect of the first ones.

Now, what is the situation looking like, where it could be possible to have competition between the state enterprises and si-

milar co-operative enterprising? There are tendencies towards the monopolistic alliances here! Alas, quite often, the co-operative forms of economy present no alternative to the monopolism of the agencies: they become, in fact, some form of the latter. This unhappy practice is very much instigated by the acting policy of pricing. So long as prices differentiate with no respect to the type of activity but a type of an enterprise - then, it is as simple as just change the gate signboard and you get the rights to sell same very products at varied prices. A practice of two-level prices for the similar products is generating redistributive deformations, instead of the competition of the two economic sectors.

A typical example of the two-level pricing practice give the public catering co-operatives: every 2 of 3 of which have been setting up in place (but not in addition) of the previously functioning cafés and canteens. These co-operatives (unlike the industrial or construction-work co-operatives that are being set up in replacement for the low-profit or unprofitable enterprises), however, do not work on the state orders with their state prices: instead, they pass over to the agreed prices that are, as known, from 2 to 3 times as much as those in the top-class public catering enterprises. Such happenings neither increase the number of the spoken-of services nor improve the people's welfare. This kind of "re-arrangements" is only mutually beneficial for the co-operators and departmental bureaucrats, so long as the latter in their reports do not show the volumes of the co-operatively realized products (services) at the agreed prices. In fact, the co-operatives here turn into the contractors that are helping the state sector to attain the sought for price indices with the help

of the swelled prices. Evidently, such situation is not in any way encouraging any sound competition between the state and co-operative enterprising; moreover, there've been creating monopolistic spheres of activity for such co-operatives.

A similar turning is with the former Gosconcert (State Concert Society) bands and Philharmonic Societies that are transforming into co-operatives in the cultural sphere of social life. Such co-operatives, when originated, start using the contractual ticket prices - that is, are legally selling tickets for the very same concerts at much higher prices. Clear, popular variety actors, after being transformed with their bands into co-operatives, do not have any competition with the state cultural employees - their former selves.

The same things are true with the scientific-and-technical co-operatives, set up by state enterprises and organizations. Preserving their monopolistic grounds in essence, without coming over to the extended activities whatsoever, they start practising very high prices. Evidently, there is no competition here, but with their own selves for higher profits.

Someday, the management of a Donbas coal pit requested their branch institute for a repeated project of the splendid monorail track (the similar project had been effected by the same institute 5 years earlier at a price of 2,000 roubles). The request was rejected first. Though, the director of the institute advised to approach his Institutes's co-operative. Much to this customer's surprise, Chairman of this co-operative turned out to be the same Institute director, who, inspiration in voice, offered this known project at a price of ... 29 thousand roubles!

Besides, there is also taking place a direct reselling of the

state goods from the co-operative counters. Here is meant the sales, at free prices, of state-enterprise products that have, so to say, been partially modified by the co-operatives "in order to diversify the qualitative and artistic properties of the goods". The co-operatives are cornering the retail-traded pieces of manufactured clothes (like those of the knitted wear and other products) of high demand, and, having applied on them, say, some stick-ons, emblems or whatever applications, are reselling them at much higher prices. So, some sleeveless vests, or T-shirts, produced at the state enterprises, but with some stuck-on decorative applications made by co-operatives, are being sold 5-6 times the original price. Thus, compact sound cassettes, bought wholesale, after being filled with some program, are then sold 2-3 times as expensive as their original price (before records are made).

Well, now what kind of the environment could make a competition between the state and co-operative enterprise born and effective? I think, it could be achieved on condition that they operate by the same price regulations: in this environment, any transformation of a state enterprise into a co-operative one would only make sense, when, in a co-operative production, the reduced expenses come together with improved effectiveness.

So, what could be the ways of improving a price formation routine? Prices should be differentiated by certain kinds of activities (types of products), instead of being dependent on types of enterprises. Similar products should be uniformly priced, irregardless of the type of enterprise they have been manufactured at. Alongside, various groups of goods should be priced differently. For instance, one group of products can have some fixed prices and be priced from the responsible centre; the second type of pri-

ces may be of an "as agreed" nature and have limitation by the upper level; the third category of prices could be formed out of sheer demand and supply. Should it be as suggested, any type of the enterprise (state, co-operative or private) will be choosing among the types of the goods groups and their corresponding price formation.

Such approach would ensure a distribution of types of enterprises according to the goods groups. For the state and big co-operative enterprises it will, perhaps, be profitable to produce products in large batches - despite them being sold, afterwards, at fixed prices. Small co-operatives could get directed to the production of non-standard, small-batch goods to be sold at contractual prices. This kind of pricing has been effective in East Europe, where the co-operative form of enterprising has been developing most intensively.

Income Differentiation: by Kind of Labour
or Type of Economic Management?

The co-operatives' incomes make one of the most crucial social talk of the day. In the press (though, these are, predominantly, not scientific, but social and political articles) they are enthusiastically debating the following topics: Does there exist any differentiation in wage levels between the state and co-operative enterprise employees? If positive, then to what extent and what is in the heart of it? What are the socio-economic outcomes of such differentiation? How much has the co-operative way of management in economy contributed to a general outburst of incomes in the country?

Some of the analysts insist that there isn't any noticeable differentiation here; they say that the rumours about the fabulously big incomes of the co-operator are based but on the exaggerated individual criminal cases. Others are accepting and greeting these differentiations, talking about "the usefulness of inequality" and postulating that "the rich people will save us". Some third party of observers are readily cursing the growing co-operative incomes for the progressive inflation in the country. The fourth party consider these incomes have nothing to do with building up inflation in the country, as long as the co-operative wage funds make a very small per cent in contrast with the accumulated income-mass in possession of the country's residential population. There exist some other opinions, too. I will risk to offer here one of the possible reviews of the country's economic situation as has been outlined here before.

Concerning the Real Income Levels In the Co-operatives.

At the beginning of 1990 there were 4.9 mln people (or 5.1 mln people, if one does not take into account those who were combining jobs) employed by the co-operatives producing goods and services. Their annual pay-roll fund made 16.8 milliard roubles.

The average monthly number of those engaged in the co-operative sector increased in 1989 versus 1988 5.3 times; the volume of the sold grew 6.7 times; the wage fund increased 7.6 times. In fact, the latter fund makes a very small figure, compared with the gross wage fund of the country (more than 4 % of it) - but, still, it is conspicuous by way of a growth index. On the whole, in 1989 the wage fund in the country's economy has increased by 44.6 milliard roubles (by 11 mlrd rls - in 1986-87; by 25

mlrd rbls - in 1988); here, in the state sector - by 28 mlrd rbls, in kolkhozes - by 2 mlrd rbls, and in co-operatives - by 14.6 mlrd rbls. Therefore, 3 % of those employed in the country's economy ensured 33 % of the total annual increase in the pay-roll fund.

Due to growing of the labour wage-fund ahead of the volume of the sold (and offered) products, jobs or services, there's been increase in the wage-capacity (wage expenditure per 1 rouble of products). If in 1988 the wage capacity equalled to 36 kopecks per 1 rouble of products, in 1989 it made 42 kopecks.

Increased wages capacity has unfavourably affected growth correlation between between the monthly earning and labour productivity in the co-operative sector. At the beginning of 1990 the rate of growth of the average monthly pay in the co-operatives was 1.6 times as high as the rate of increase in the products (jobs, services) per employee.

However, most agitatedly discussed are not the absolute sizes or rates of increase of the co-operative wage fund - most interesting is an average monthly income of an employee, compared with a similar state employee. Thus, an average monthly income of a co-operative employee (including those who are combining jobs) made: in the first quarter of 1989 - roubles, in the second quarter - 453 roubles, in the third quarter - 553 roubles, in the 4th quarter - 456 rbls. An average monthly pay in 1989 amounted to 469 roubles (refer to Table 4).

The average monthly wages of the state-enterprise blue and white-colour workers grew from 220 roubles (in 1988) to 240 rbls (in 1989) - by 9 %; the same pay-figure for the collective farmers increased from 166 to 196 roubles by 8 %). Within same peri-

od, the wages of the co-operative employees (including those who are combining the jobs) grew from 318 to 469 roubles (by 47 %).

Having compared the two formally reported indices of the average wages in the two sectors (correspondingly, 240 and 469 roubles a month), we'll see a two-times difference. However, in reality, this difference is greater, as long as one takes into consideration a high specific weight of the combined-job employees in the co-operative sector, who work only part of the week (in 1989 such employees made 41 % of the engaged in the co-operative sector). Incomes of these job-combining employees should get compared with those of their like in the state economic sector, where make in this way as much as 62 roubles; hence, it's 8 times as profitable to combine jobs in the co-operative sector than at the state enterprises.

In certain individual branches of economy a correlation of average monthly incomes between the blue and white-collar workers (the state enterprises versus the co-operative ones) is as follows: in the data/computation services - 216 versus 674 roubles (at 64 % job-combiners in the co-operatives); in planning-and-prospecting organizations - 300 versus 595 rbls (at 70 % job-combiners in the co-operatives); in the health care institutions - 162 versus 297 rbls (at 65 % job-combiners in the co-operatives); in trade - 183 versus 362 rbls; in the construction work - 309 vs. 759 rbls (refer to Table 5).

Table 4

Dynamics of Major Indices in the Co-operative Enterprising.

Ref. No	1988	1989				On the whole
		I quarter	II quarter	III quarter	IV quarter	
1. Wage Fund in the period accounted for (mln rbls)	2160.6	1670.6	3318.3	5778.4	6075.2	16842.5
2. Wage Fund rates of growth (%)		29.5	28.6	74.1	5.1	68.0
3. Average number of employees per month: including those who combine jobs (thsnds of people)	567.1	1673.7	2444.6	3484.1	4442.6	3011.2
4. Rates of growth of the average number of employees per month (%)		53.3	46.1	42.5	27.5	431
5. Employee's average monthly pay: including those who combine jobs (rbls)	317.5	332.7	452.5	552.8	455.8	468.5
6. Volumes of the realized objectives: products (jobs, services) during the period accounted for (mln rbls)	6060.6	4307.2	8556.6	13117.5	14357.9	40339.1
7. Rates of growth of volumes of the realized objectives (%)		25.3	98.7	53.3	2.5	57.0
8. Wage Fund share within the realized volumes (%)	35.6	38.8	38.8	44.1	42.3	41.8
9. A share of job-combiners in the average number of employees a month	47.1	46.7	46.3	38.5	35.7	40.7

The average monthly pay of the employees (including those who combine jobs)
with respect to the co-operative type

Table 5

Ref. No.	Co-operative Type	Average monthly pay (including job-combiners) (rbls)					A share of job-combiners in the average monthly emp. (%)	A Wage Fund share in the yearly realized volumes
		I qu.	II qu.	III qu.	IV qu.	With-in year		
1	2	3	4	5	6	7	8	9
1.	Totally:	333	453	552	556	469	40,7	41,8
2.	- within this scope -							
	Production of consumer goods	332	424	394	417	398	34,2	37,4
3.	Public catering	257	182	176	241	184	26,0	24,9
4.	Trade	335	348	396	359	362	36,8	11,0
5.	Purchase-and-sales	-	323	284	283	293	29,8	12,3
6.	Consumer services for the citizens	261	318	265	176	252	41,3	47,6
7.	Procurement-processing of raw materials	432	473	567	406	472	39,2	43,5
8.	Construction-work	461	687	999	672	759	31,3	51,3
9.	Planning-and-prospecting	465	833	808	447	641	48,3	64,0
10.	Project-and-design work; implementation	359	498	624	474	506	67,4	52,4
11.	Scientific research	390	728	486	672	595	70,2	43,4
12.	Software design; information services	754	593	784	618	674	64,0	27,3

(continuation)

Table 5 The average monthly pay of the employees (including those who combine jobs)
with respect to the co-operative type

1	2	3	4	5	6	7	8	9
I3.	Agricultural	153	186	324	269	254	41,3	29,4
I4.	Manufacturing the products of in- dustrial-and-technological use	345	510	680	503	548	28,0	24,2
I5.	Municipal transportation services	-	172	277	157	195	55,5	39,7
I6.	Medical care	286	325	334	250	297	65,0	60,4
I7.	Attending the aged, invalid and de- seased people, as well as children	216	248	139	176	189	49,3	39,1
I8.	Sporting-and-health	254	233	327	297	288	51,8	44,2
I9.	Artistic-and-decoration design	412	486	408	408	408	58,8	62,1
20.	Organization of leisure time	196	286	209	108	180	58,1	80,8

What are the sources of the co-operatives' high incomes? Partially, it's due to high labour efficiency; another reason - the organization of the distributive processes.

In some of the co-operatives (like scientific-and-technical or medical care) there has been used a more qualified labour (than in the similar state enterprises), which has to be paid for accordingly. Some co-operatives (especially those of them that have been transformed from the state industrial and construction-work enterprises and organizations) practise a prolonged work day and week. Quite often, a shift here lasts 10 hours, and they work on Saturdays. All this makes an objective prerequisite for a justifiable growth of the co-operators' incomes. It should be also pointed out here that the co-operators' higher incomes are a partial compensation for the lesser social security of their activities.

However, a considerable rise of incomes in the co-operative sector can not be accounted for, even when one considers a total effect of all the mentioned factors.

A major guide line, it seems, there should be that of labour productivity. However, its rates of growth are noticeably behind those of the wages. And that means: the co-operators' incomes are growing much faster than their labour efficiency. This has become possible due to some other factors - which ones namely?

Those co-operatives that are operating in the mode of market free prices can redistribute, to their own advantage, part of the income gained in other branches of economy. Forcing a price upwards in response for demand is nothing but violation of the market equivalent exchange, as well as redistribution of the buyer's major part of income (the income determined by the amount of the produced market cost) for the benefit of the seller. That's the

mechanism of the Law of Value. Drifting aside from price manipulations, let us have a look at the co-operatives that operate on the similar price basis, as the state enterprises; here there is another channel of increasing the wages: directing the main part of the profits into the Wage Fund. As is known, state enterprises are lacking this chance, while co-operatives, till the recent time, have had, practically, a free say here.

According to the Co-operation Law, a share of the Wage Fund in an enterprise's profit-scale is to be defined exclusively by the members' vote. By way of simply shifting a slat, that marks the share of the Wage Fund in the profit amount, the co-operatives can regulate their individual earnings. I think, this opportunity is decisive in differentiating between the wages in co-operatives and similar state enterprises. So, a wage share in the realized volumes makes: 13 % on average - in the state industries, while in industrial co-operatives - 34.2 % (within this figure: in the light industry - 8 %, while in the consumer-goods production co-operatives - 57.4 %; in state construction-work enterprises - around 33.5 %, while in the construction co-operatives - 51.3 %; in state trade enterprises - 3.0 %, while in the trade co-operatives - 11 %); in the state public-catering enterprises - 16.2 %, while in the like co-operatives - 24.9 %). On the whole, in the co-operative sector of economy a share of the Wage Fund in the realized volumes made in 1989 as much as 42 % (vs. 36 % of 1988). The wage capacity of the co-operative products is 2-5 times as much as that of the similar state products, and it has a tendency for growing. (Just for the comparison sake: the wage capacity index makes only 17 % in the material-production branches of the state economic sector.)

If one switches from the co-operative earnings and looks at how they command their profits, he will see: the major part of the profit is allocated for the wage fund: 69 % on the average. Some types of the co-operatives enjoy even higher figures: 78 % - in the medical care co-operatives, 76 % - in the communications; 74 % - in the construction work (refer to Table 6).

Table 6

The Profit Distribution Structure in Moscow Co-operatives in 1989
(A total of 11821 co-operatives)
(%)

Total profit gained	100
Within it:	
A sum amount, allotted to the enterprises on a contractual basis (equal to a turnover tax)	0.4
Deductions for philanthropic activities	0.5
Income tax	7.0
Wage Fund	69.0
Activity expansion fund	11.6
Insurance fund	2.3
Repayment of bank credits	1.7
Undistributed profit balance	7.5

All kinds of deductions off the co-operative profits made 7.9 %; 92.1 % of the gained income was left at their discretion. The main debit item - contribution into the wage fund: 69 %. 11.6 % of the profit went for the development of production, which was 2 times less the figure of the country's economy proportion,

on the whole.

Why, may the state enterprises just do it the same way - by, simply, shifting their Wage Fund slat (in the profit of a self-accountable economy enterprise) 20-30 points higher to double the wages of their employees? It is evident that, should all the enterprises in the economy (but not 8 % of them, like it is now) act in this way, the country's economic system would suffer a deadly blow. Today some of the social layers have to have their incomes fixed and carry the main burden of inflation, while the others freely, with no much effort, can increase the specific weight of their assets, assigned for the personal consumption.

The right of the co-operatives to freely raise a share of their Wage Fund, within their profits, up to any level is regarded by most of the workers (who are void of such opportunities objectively) as a privilege.

What is that: recovery of justice, or a new privilege?

Is it always correct to assume that a bigger Wage-Fund share in co-operatives' incomes is exaggerated? Perhaps, this share is meeting an objectively conditioned standard, that has been understated in the state sector of economy?

In a number of cases, it will be right to put it this way. Some co-operatives (scientific-and-technical, medical care - the ones who are rendering the socio-cultural services) pay their high-qualification employees the wages that are close to the international standards for the occasions, whereas, in the state economic sector the labour services of the employees of this category are, no doubt, undervaluated.

However, recognition of the situation has not abated the level of social tension.

The present-day co-operative policy is, in fact, creating within the boundaries of integral economy two, fundamentally different, systems of income distribution - a restrictive and a free ones. Powerful restrictive pulses are being sent into one of the economic parts (a state sector) in shape of the obligatory tariffs, rates of salaries, labour limits, standard correlation requirements etc. At the same time, the other (co-operative) part of economy has been entrusted with full freedom both in setting up the amount of Wage Funds and individual pays (at least, such a freedom has been enjoyed until a certain moment). A logical result of such nonunidirectional co-ordination has become a substantial differentiation of incomes among those engaged in the different sectors of economy - for one thing, and an ever increasing drive (in some of the employees) to come over from the state economic sector into the co-operative one.

When coming across a slogan about the "useful connotations of inequality", one could not but plunge into a thought of "what is it all about?" In case there is meant inequality, directed to eradicate egalitarianism, to better pay for the most efficient and qualified labour - then this inequality will really agitate social activity. Should this advocated-for inequality reflect the artificially set up conditions of economy management for the different-type enterprises, then it will serve as a source of social tension. In the viewed occasion, it is a matter of the second variant.

What are the ways of bringing the different conditions of economic management closer? No doubt, the principle trend here is to improve the taxation policy. In "The USSR Law on Co-operation" there has been decisively rejected an idea of the directive-norma-

tive standardization of shares of various funds (like the Wage Fund, fund for the expansion of production, insurance fund etc.) in the incomes of co-operative enterprising; these are the members' sessions that are entitled to determine these shares on their own accord. Besides, according to this law, an indirect role of correlating the allocations for the development or wage funds, should play a mechanism of progressive taxation of the individual incomes of the co-operative employees. The idea of this taxation policy, as originally meant by the law, is not to void the co-operators of as much of their assets as possible - it is conceived to prevent redistribution of these assets in one single direction (the wage fund), to the detriment of the task of accumulating the resources for the production sake.

The fact is, though, that this taxation approach (incapable, I think, of ensuring what it has been worked out for, in principle - though, this assumption needs further verification) has not been effected yet - in a two-year term since the adoption of the law. In the long run, the matter of the distribution of co-operative incomes has entirely got out of any governmental control, the negative aspects of which effect has been pointed out here above.

Now, coming to the taxation system on the co-operative income distribution, that is being introduced now. The members of the co-operative will independently distribute the earned resources according to the items of expenses - however, should the government consider it necessary to reduce any expenditures, they will be appropriately taxed (for instance, every single rouble allotted to the wage fund in excess to the specified limit, will come together with certain deductions off the income into the state budget). The government will also have the right of welcoming cer-

tain expenses (say, contributed to the development of sciences, or investments into the production sphere etc.); should any of the expenses be claimed insufficient, then a specific "penal tax" will be due.

Since the fourth quarter of 1989 there has a tax been introduced on the resources allotted for the wage pays by the production and service co-operatives. This stabilizing tax is taking into account the specific character of the rapid formation of Co-operation. The tax provides for the correction of the figure of the employment growth: the wage fund of some running period associates with some calculated value (obtained by multiplication of the average monthly pay within the reference period by the number of actually employed in the accounted-for period), rather than has to do with the actually calculated (for pay) wage-fund money for a certain quarter of the gone year. In the end, this law's limiting the growth of the average income of a single co-operative employee.

However, it is important to bear in mind that any average-pay controlling program will be forcing an enterprise to increase the number of its low-wage employees (to have the chance to bring higher the wages of the highly-paid personnel and the management). I believe, that, in the environmet of the co-operative enterprising, such measures will bring about the ilcrease in numbers of those, who work on the labour-agreement basis (for one thing), as well as differentiate the incomes between the co-operative members and hired employees. In order to eliminate such outcomes of these tax sanctions, this taxation policy should, perhaps, come together with stricter regulations on the hired labour, and introduction of the formerly indicated progressive tax on the private incomes.

Introducing a tax on the increased resources for wage pays has, somehow, stabilized the growth of the average wage and Wage Fund in the co-operative sector, on the whole (the change of dynamics of these indices in the 4th quarter of 1989 has been that much indicative). However, an introduction of these tax sanctions can not be regarded as a complex solution of the issue, as long as the co-operatives with the different initial Wage Funds have turned to find themselves in no-match conditions. Furthermore, unfavourably look just the ones, who has been accumulating their production resources, without swelling their wage funds. Quite on the contrary, the co-operatives that have been spending away their incomes "through the nose" have found themselves in the privileged conditions, as far as they have had the chances to "put on initial weight" for the basis, from which their present wage fund can comfortably set out. It is unlikely that the arisen situation will encourage to believe in happy start those co-operatives, who previously were spending a lot on their production resources, and who now have found themselves in a less advantageous situation.

It would seem reasonable to level the economy conditions for the co-operatives with initially different wage funds and personal incomes by a taxation policy, which would keep up the required level of the production accumulation. What is meant here is to levy taxes, reduce a share of the development fund (compared with the standard value) - in other words, to introduce a tax on "the production underaccumulation" (this experience has already been gained in Latvia). In case this proposition comes true, then the co-operatives, who, on behalf the previously spent away incomes, have managed now to form up an exaggeratedly high reference level for the development of their wage funds, will lose the grounds

for the unjustified privileges.

The proposed tax could serve two objectives: force for production accumulation and tie up the finances, preventing their coming onto the consumer goods market. The either measure would be of the short-time anti-crisis nature.

The offered routine for the control of the co-operative income-distribution by taxation is systematically perfect: there is control of increases in the individual parts of incomes (an additional increase in the wage fund), instigation and support of the economically reasonable income structure (correlation of parts like wage and production accumulation funds).

Co-operation and Consumer Goods Market.

Perhaps, one of major questions of the development of the co-operative initiative is how to turn it face-to-face to a public customer? Pity enough, in violation to the original concept, today co-operatives are mostly keen on servicing the state enterprises and organizations. Here is some data to this effect.

The volume of the co-operative products during 1989 grew 6.7 times fold, while the products sold to the residential population increased only 2.6 times. In result, the share of the last ones in the total volume of the realized co-operative objectives for the period declined about 2.5 times: down from 39 to 15 %. The consumer-goods production co-operatives, taken alone, will show in their turnover structure for the goods, sold to the residential population, a decrease from 39 to 23 %. A similar situation is with the Consumer Services co-operatives (45 % vs. 35 %). Out of 40.3 mlrd rbls of the co-operative products realized in 1989 - only the volume of as much as 6.2 mlrd rbls saw

the residential customers. A single country's citizen saw an average of 140 roubles of the co-operative commodities and services, within which scope 20 roubles made the consumer-orientated sphere, that makes only 1.5 % of the total volume of turnover and paid-for services. Here, having sent for the retail turnover and paid services 6.2 mllrd rbls of the products, the co-operatives bought in shops the products about 3.8 mllrd rbls worth in cash. That means: in the value-presentation form an increase in the consumer goods and services makes as much as 2.4 mllrd roubles, while in the naturalized presentation there can be no growth at all (the co-operatives have been realizing the products at high contractual prices, buying the necessary commodities at much lower centrally set prices: the USSR State Committee for Statistics reports that the co-operatives sell their products at prices about 1.7 times as much as the state retail prices).

Moreover, as was pointed out here many times before, it will be not correct to take the statistically accounted-for targets on the volumes of goods sold by the co-operatives to the citizens, as the complimentary products to those formerly produced by the state enterprises: the co-operative sector is predominantly growing as the result of turning transformation into co-operatives of the operating state enterprises and their divisions.

At the same time, the co-operators are increasing demand for the consumer goods and services, as long as their average monthly pay (if I may recall it here) is twice as much that of the workers and clerks of the state enterprises. The additionally presented by the co-operative employees monetary demand for the consumer goods and services is exceeding their contribution into the retail turn-

over (refer to Table 7) - which means that Co-operation is adding "the void money" into circulation, as well.

Table 7

Correlation of the wage fund and corresponding goods supply
in the co-operative sector of economy

The volume of realized (sold) commodities and services (mln rbls)	6060.6	12863.8	27475.3	40339.1
- within this volume to the citizens (mln rbl)	2368.8	2836.7	3347.3	6184.0
The share of the products sold to the citizens - in the total volume of realized co-operative objectives (%)	39.1	22.1	12.2	15.3
Wage fund	2160.6	4988.9	11853.6	16842.5
There have been realized (sold) the consumer goods and services by the co-operatives to the citizens of the country: per 1 rouble of their income (rbl)	1.1	0.57	0.28	0.37

These are the main reasons to predominant servicing of enterprises and organizations by the co-operatives. First, there are difficulties existing with material-and-technical supplies. By "blending with" the interests of state enterprises, co-operatives get from them the required raw and technological materials (up to 60 %). Second, the state enterprises, being in possession of large volumes of non-cash resources, present for the co-operatives a generous financial party, who does not count any change-coin (as contrasted to the citizens). No strange, that those co-operatives, who manufacture the industrial-orientated products, are much more

profitable than the consumer-goods orientated co-operatives.

All these processes turn the co-operatives into another source of cash-money emission. In 1989 the co-operatives earned as much as 40.3 mllrd rbls. This figure builds up of different kind of money: there are 6.2 "live" mllrd rbls that came from the channels of cash circulation; there are also 34.1 non-cash (clearing) milliard roubles. During this period of time the co-operatives took off their banking accounts 20.6 mllrd rbls in cash. One may notice quite a gap here. If only to assume that all the cash money earned by the co-operatives has been deposited in banks (and nothing is left at the co-operative counters) - then even in this case an extra emission in the circulation channels will be no less than 14.4 mllrd rbls (that is, 1 milliard roubles a month!). In 1988 this index was 10 times less. 2.4 mllrd rbls made the receipts out of cash circulated; 3.7 mllrd rbls were taken off in cash from the banking accounts. (Refer to Table 8.)

Table 8

Correlation between the cash taken by the co-operatives off their banking accounts and their cash receipts.

	1988	1st half	2nd half	1989
1. Earned receipts (sales for the residential population) (mln rbls)	2368.8	2836.7	3347.3	6184.0
2. Cash money transferred to banking accounts of co-operatives (mln rbls)	754.8	750.1	880.9	1161.0
3. Cash, taken off the banking accounts of co-operatives (mln rbls)	3668.4	7899.3	12721.8	20621.1
4. The difference in excess between the cash taken off the banking accounts and receipts (mln rbls)	1299.6	5062.6	9374.5	14437.1

Of late, there've been more and more frequented attempts - in view of the growing inflation in the country - to lay the responsibility for the processes on the co-operative sector of the national economy. Sure, there are no reasons to believe in that. The inflation has been mainly caused by the state economic sector with its much more vaster horizons of monetary emission. However, Co-operation is not opposing these tendencies; it is an inflation factor of its own.

It is important to draw a line between the present-day occurrences in the economy and the said co-operative tendency to expand at the expense of transformation of the functional state enterprises and their divisions. It is not surprising, in this connection, when a co-operative economic structure is hard to be told from the state one - with nearly all of its disproportions.

Now, that the co-operative enterprising is not contributing to stabilization of the consumer market, there could hardly be expected any price drops on the co-operative products, sold to the residential population of the country. It is worth pointing out one specific feature here. Low demand on the co-operative consumer goods (priced too high) is generating a feedback: the prices stay high because of low demand and sales activity. Insufficient turnover is being compensated for by the co-operators with increase in prices; the products are not selling good, and demand remains unsatisfied. Over 70 % of consumers think they can not afford themselves the co-operative goods and services, despite they are in need for most of them.

In the end, a few words about the attitude of the population towards the co-operatives. The response is directly dependent on the level of wages and personal incomes: according to the data of

the USSR State Committee for Statistics (Goskomstat) - there are 8 % to support the co-operative initiative among the people, whose monthly pay is up to 80 roubles; these are 15 % of the people who earn 130-220 roubles; and about 20 % of those earning above 250 roubles.