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STATE REGULATION OF INDUSTRIAL COOPERATIVES\*

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New cooperatives regulated by the USSR Law "On cooperative movement" emerged as something alien to the existing economic system of that period (1987). The very basis of these two sectors of economy turned out to be cardinally different: property relations, labour relations, relations with other economy subjects, i.e. rules governing appropriation of raw materials and other resources, determining prices, selling, budget expenditures concerning taxation as well as other payments etc. All this created a sharp contradiction between industrial cooperatives and state economic sector.

However paradoxically it may seem this contradiction between cooperatives and the state sector of industry turned out to be an extra stimulus in developing integration between them. Differences in potentials of cooperatives and state industry provide for their real interest in each other whenever their own abilities turn out insufficient to realize their interests. It is clear that production and other abilities of state and cooperative sectors differ greatly but they can reimburse each other if they cooperate closely. As a rule both can offer each other valuable assistance. Leaders of national economy should consider as the most important question how the state and cooperative enterprises realize their mutual interests.

The point is that non-traditional for the Soviet economy principles of building new cooperatives - the principles of market economy, most close to real business would be impossible to introduce on the old economic basis.

Differences in business principles are reflected in legal rules for their economic activity.

Initially cooperatives were given a comparatively wide scope of rights giving them a considerable administrative freedom. In this aspect cooperatives have got an advantage over the state sector: they can perform various operations forbidden to state enterprises.

At the same time state enterprises preserve access to the system of preferential stock distribution, and the deficit in their rights is compensated and neutralized thus by their rights on deficit resources.

Today we most often hear of other balance - equal dependance: state enterprises depend on state administrative regulation enforcement whereas cooperatives are in the clutches of economic dependance. This dependance is growing for both while national economy is in the slumber and deficit on goods is getting more acute.

The above-mentioned uneven distribution of economic and legal possibilities between state and cooperative enterprises is just the other side of the coin of such difference in the types of enforcement system applied to them. Here we speak actually of different types of freedom given to them.

Differences in freedom for both are balanced herewith. The exact point of this balance is hard to find, however I dare say, that equalizing is effected through the market, as a result of multiple equivalent exchanges between separate enterprises of cooperative and state sectors of industry. Here we don't mean, of course, the regular everyday goods exchange.

Legal rights of cooperatives are being exchanged for economic possibilities of state enterprises. Though money serves as a go-in-between but it is not always used. In many cases money as such is not needed. Sometimes, however, just money is offered to state enterprises in exchange for deficit resources.

This market is in an exceptionally dynamic state.

Thus, for example, the growing number of offers on the part of cooperatives to perform certain economic operations which state enterprises had no right to carry out themselves resulted immediately in growing demand on the other end of the chain for still available funds and resources. The management of state-run economy realizes it indirectly. To curb deficit and inflation it immediately put forward administrative measures to limit the rights of both cooperatives and state enterprises.

The development of this market is also reflected in the interchange of record breaking level of profitability of some operation in the marginal area between state and cooperative sectors.

Thus mediation services in obtaining computers for state enterprises by cooperatives was preceded by state enterprises rendering the former their services in paying higher wages. Still earlier cooperatives were used by state enterprises as if they were their inner branches which had the advantage of being formally an independent intermediary which forced the state enterprise to raise its prices. Now most promising is considered all sorts of combination in the form of joint undertaking which allows most consistently and effectively to divide the functions between the partners. Here the statement that this or that form has some advantages over the other has got no ground (as long as there is no legal restriction on any). On the contrary, all so-called shadow operations continue their assured and stable growth.

As a result such cooperation between state sector and cooperatives is growing extremely fast. However it may be concluded that with the appearance of the alternative sector in industry greater independence for traditional economy forms became possible but the organisms of the economic reform are not yet ready to blame it. That's why one of the main tasks of regulating cooperative activity is control and limitation of its influence on state-run industry.

It is just in the industrial sphere where one can observe the biggest number of interchanges between different enterprises when we speak about the way goods get to consumer. It is here where most cases of direct interaction between cooperative and state enterprises take place. Here the principles of cooperative sector activities directly influence the basis of national economy functioning.

Objective results of realization at present of most of those state measures which directly or indirectly were designed to serve the aims of strengthening the state control over joint cooperative and state sector activities led to the following fact: the process of cooperation of state and cooperative principles turned to be directed to most intensive flow of the resources from the production sphere into the sphere of consumption. In this process next in popularity after direct money payments is the form of fund investments in labour relief, this can be considered as a certain form of non-productive consumption. This, in general, aggravated many negative tendencies which are characteristic for current state of economy of the country. Simultaneously growing deficit and inflation are greatly boosted by processes taking place in enterprises themselves. Cooperatives played here a part of a certain steam valve. The introduction of a relatively independent element into the state run economic system has increased independence of all its components. The public opinion has taken it in a somewhat distorted way. This distortion is manifested in all-out accusation of all cooperatives of harmful influence on national economy.

It seems that the state regulation can effectively channel the process of state and cooperative enterprises' activities to increasing efficiency of national economy only if and when the main criterion in working out concrete measures will become raising both partners' interest in further investments. And not just any investments but effective ones. Whereas today most of them in reality are of little effect or none whatsoever.