Abstract

Russian privatization was marked by a strategic sequencing decision to corporatize large and medium factories by formally converting them into joint stock companies prior to their restructuring. Again, their ownership was diversified via a massive subscription of factory shares by the public in exchange for vouchers. By contrast, small assets in the trade and service sectors were sold or auctioned, or leased (with prospects for their ultimate purchase). Marked by these features and pushed energetically by the State Property Committee, the program had a forward momentum despite financial instability, parliamentary opposition and governmental changes.

The quantitative results of the program were impressive (except in agriculture). However, the policy agenda of the State Property Committee was diluted with regard to the corporatization features of the largest enterprises (which were included in the program). The government retained control by owning a large chunk of these assets which were also preserved as monopolies or semi-monopolies. Again, the Duma (the lower house of the parliament elected in the December 1993 elections) wrested decision making from the committee with regard to the sales--pricing and scheduling--of regional and local properties and passed it on to the relevant administrations.

These limitations notwithstanding, the quick corporatization of a large number of factories, and the speedy sale of small assets to private owners was a momentous achievement. Within two years, the program began its next phase of the sale of publicly-owned stock and the new issues of stock for cash which could generate the needed capital for the companies from foreign investors and domestic subscribers.

By contrast, Hungarian and Polish programs lacked a coherent strategy and a decisive drive, and lost at least three years in failed attempts to sell unviable factories to domestic and foreign investors. They also lacked the populist appeal of the massive voucher-based asset ownership which the Russian and Czech programs offered at the very start of the privatization agenda. Toward the end of 1993, political decision making in Hungary and Poland had passed into the hands of socialist-led coalitions which could not be expected to ignore high unemployment rates and the emerging income inequalities. Privatized factories, it was feared, would worsen these features.

The overhaul of Russia's corporatized farms and factories into viable productive units would stretch into the foreseeable future. Toward the end of 1994, a number of Russian factories were set to sell publicly-owned stock and issue new shares. Their prospects for attracting foreign and domestic investment depended on the ability of the policymakers to stabilize the ruble, enact the necessary legislation and create an orderly securities market. 1995 promised progress on that front.