

SECTION 19. Management. Marketing. Public administration.

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**THE PROSPECTS OF PRIVATE PROPERTY DEVELOPMENT IN
THE RUSSIAN FEDERATION**

In the article the essence and special features of private ownership in Russia as well as the prospects of its development are considered. In the work strong and weak aspects of this type of property are analyzed, thus the principles of functioning of the state corporations together with the western experience are touched upon. The authors also submit the proposals regarding effective development of this sector in the economy.

Key words: private ownership, public industries, aspects, prospects, principles of functioning, development.

Private property is an economic basis of market economy, but the process of its formation should not include the destruction of already created economic potential, i.e. large public industries. Meanwhile, the development of the competitive environment at the beginning of transitional period was supposed to be carried out only through the division of large production. However, the centrally managed economy reformation ought to promote the creation of industrial structures which possess a greater economic power and are capable to compete in the foreign market. In the West (the USA) giant firms function effectively: the wave of nationalization and creation of large companies in France as well as the West-European Asia started to compete with them in the 1960s. In the 1980s 600 multinational corporations amassed approximately 25% of world production. Therefore, the increase of productive efficiency in the Russian Federation should be reached not by means of the opposition of the large and small enterprises, but through their optimal combination: each of them is to take its own niche. [1, p. 166] Consequently, the large state corporations

(Open joint-stock companies) where the state possesses all or control packet of shares will remain; but state property does not define the level of efficiency of public industries' functioning. It is necessary to create such conditions which would allow to connect the strong aspects of state and private property and to minimize the negative aspects of both of them.

The strong aspects of private ownership:

- direct dependence of owners' financial positions on the success of the enterprise in the market (the financing of computer development was stopped in the 1960s in the USSR - it was the decision which had a pernicious effect on the economy, but which nobody took responsibility for);

- independence in the adaptation of production to market signals.

The negative elements of private ownership:

- not all owners can adequately react to the market requirements so they go bankrupt;

- private owners are not interested in the development of production even if there is a decline in prices, but an increase in expenditures for environment protection;

- the interests of workers and society are ignored.

The positive aspects of state property:

- the state as the owner possesses additional resources;
- the state possesses the information which gives an opportunity to predict technical and economic development tendencies;

- the state is capable to influence on the production and market conditions.

The negative aspects of state property:

- the workers are alienated from the means of production, and as a result the production development is out of their interests;

- all decisions are made by the officials who do not win and do not lose from a resulting effect of certain actions in the market

The general principles of functioning of the state corporations taking into account the western experience:

- orientation towards realizing a profit and direct dependence of the employees' financial position on its dynamics;

- self-financing;

- independent formulation of the production and sale program;

- an integrated (as for the private sector) system of price and personnel formation.

In the conditions of the Russian Federation the efficiency of public industries can be increased by means of a special procedure of corporatization which involves creating the enterprises with employee's stock ownership (on the analogy of an ESOP – an employee-owner scheme that provides a company's workforce with an ownership interest in the company):

1. The reduction of a layer of passive owners (shareholders) - shareholding is possible only on the assumption of working, then while

discharging - an exchange for bonds (or sale) on conditions that there will be an exchange for the company's shares at a new workplace as well as when retiring: preferred shares are bought not by natural persons, but by the enterprise.[4, p. 13]

2. The creation of mixed ownership with the participation of state and other corporations as well as natural persons and labor collectives.

3. The development of financial and industrial groups.

The prospects of development of public industries:

1. The creation of private (corporate) forms through the sale of majority interest by the state.

2. The transformation into holding companies, expanding the level of independence of included enterprises (exercising the rights of the subsidiary).

Private property will have great importance and functions of a basic link of the whole economic chain. The growing process of privatization which leads to the expansion of individual and group forms of ownership does not mean that private property will be completely replaced with state ownership.

First of all, private ownership is not adequate for the usage of indivisible, unique or general resources which really belong to people. Non-reproducible natural resources particularly the soil and the interior of the Earth; those or other objects, whose usage is tightly connected with a great risk for the whole population may be cited as good examples.[5, p. 27] A considerable part of energetics, transport and the economic infrastructure in general as well as the part of our economic system which directly works for the population and creates constructive potential of the nation belong to the above-mentioned objects.

The considerable positions in the national economy of Russia will belong to a public sector for a long time, and this sector demands an adequate control system. Apparently, all public industries can be divided into two categories: the first one is under a direct control of the state as well as the second one refers to a full commercial calculation.

It is quite obvious and doubtless that science, art, education and etc. demand a private support of these spheres. As for private ownership development, ample opportunities do not put aside the traditional advanced industrial and post-industrial technological systems. For example, the small enterprises which worked earlier within an industrial military complex, should not maintain a state form of ownership.

In whatever spheres private ownership in the economy developed, its key factors of successful development are the bureaucratic tendencies. This phenomenon occurs in the conditions of instability of the economic relations where the domination of similar tendencies morphs state property into the property with the corporate contents to the prejudice of the development of other, not less important forms for the economy. Qualitative changes in the contents of property relations start to take on special significance for the development of a private form as a nonpublic one.[8, p. 210]

So, the question of social and economic influence of the state which is the owner is essentially important for the maintenance of private ownership in the conditions of the Russian economy.

As a result, one might say that it is necessary to eliminate not so much state property as its monopoly. Stateownership ought to keep a major role in the long term. Thus the problems of the national security should not be put aside. At the same time it is important to provide the development of various forms of private property and employee ownership, using such options of economic denationalization, as a lease with option to purchase.

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