Corporation peculiarities of democracy experience in modernized Russia.

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Introduction

One of the important aspects of relations between the state and the society, which show the character and dynamics of particular relations, is an institutional aspect. Institutional infrastructure includes a manifold spectrum of working forces, which represent themselves in a different way. A number of political scientists mark out organizations of political representation on the one hand such as state bodies, political parties, etc., and various groups of interests included into the system of functional representation, on the other hand. Corporation thus acts as the most essential structural element of functional representation.

The subject of the given research are particular features of democratic processes in corporate structures of modern Russia in a comparative retrospective show.

Before revealing especial characteristics of corporate democracy in Russia as systems of functional representation, it is necessary to consider basic concepts of democracy and to reveal a conceptual attribute of the corporate form of democracy to the concepts. We shall come to conclusion, that Corporate structures as a component of the functional representation system, are an intermediate formation and they can be adverted into both directions – « democracy of proprietors » or administratively « controlled democracy ». The analysis of practice of realization of economic democracy in the West will prompt ways of development of corporate democracy in Russia.

Investigating corporation peculiarities of democracy experience, we shall reveal, that Russia in a much greater degree is predisposed to have a state, paternally the focused model of economic democracy, including its corporate component.
The basic concepts of democracy

One of the most well-known interpretations of democracy regimes peculiarities is represented by S.N.Eisenstadt's work «Paradox of Democratic Regimes: Fragility and Changeability»(1), which treats democracy regimes as natural political institutionalization of contemporaneity with its heightened need of variability and adaptability. Eisenstadt analyzes constitutional and participative concepts of democracy.

Both these concepts originated in historico-ideological and institutional bases of the cultural and political program of the present.

Constitutional interpretation and concept of democracy have been formulated by J.Schumpeter in his work «Capitalism, Socialism and Democracy». In a counterbalance to the “classical doctrine” of democracy which originated from the idea of "common good" and the political system intended for its realization, Schumpeter defines democracy and its method as an institutional device for taking political decisions in which individuals get authority to take decisions by competitive struggle for votes.(2. p. 355)

In politics as well as in economy, these are laws of competition which work, that is, people claiming to be leaders and wishing to receive political authority, start competitive struggle between themselves in order to get votes. This element of a competition is thus the essence of democracy. Theory of competitive leadership, as to Schumpeter, gives a satisfactory explanation to the democratic process.

During the golden age of capitalist society classical theory of democracy (democratic method, to be more exact) predominated the process of political and institutional changes. Democracy was a practical tool for reconstruction of the social and political structures which preceded domination of bourgeoisie. Democratic ideology was based on rationalistic treatment of human actions and life values. Schumpeter defined determined
classical doctrine of democracy as follows: «Democratic method is a set of institutional means of political decisions taking with the help of which common good is carried out by granting an opportunity to people to solve problems through election of individuals which are going to execute its will»(2. p.332). We shall not criticize the given model of democracy by Schumpeter, we shall just note, that he devoted the whole paragraph of his book to revealing the reasons for survival of the classical doctrine. His reasoning on this subject continues is still relevant for today's Russia being on its way of modernization. We shall give four positions as examples.

First, this doctrine of collective (joint) acting. For many of those who preserved their religious (or socialist) believes, the classical doctrine became their political addendum. The author deliberately pays our attention to the analogy with religious // socialist believes;

Secondly, forms and phrases of classical democracy for many nations (with Russia not being an exception) are associated with historical events which are perceived by the overwhelming majority of the population with enthusiasm;

Thirdly, there are social structures in which the classical theory of democracy still corresponds the facts to a great extent. First of all it concerns non-industrial societies;

Fourthly, politicians use phraseology which flatters masses and enables not only to avoid the responsibility, but also to finish with the enemies on behalf of people.

Schumpeter also gives explanations to the leveling character of the classical theory of democracy.

Let's note one essential moment in the scientist's reasoning, which is important for our further analysis of various forms of democracy and the choice of the Russian way of democratic transformations. Schumpeter emphasizes, “that it is impossible to expect effective functioning of democracy until the overwhelming majority of people of all classes disagrees to submit to democratic game rules, which in its turn means that basically they agree with
fundamental principles of institutional structures” (2. pp.392-393). It was the non-observance of the last condition which forced the scientist to offer and prove another theory of democracy. Thus the theory of competitive leadership assumes that competition depends on strict observance of constitutional regulations and rules.

Other treatment of democracy Eisenstadt designates as participatory. This is a form of democracy in which governing is carried out not by oligarchic groups but by “masses” including all citizens. The researcher in the given treatment allocates two basic versions: "republican" and «communitary». The first version emphasizes the importance of responsible participation of citizens in political process, whatever the restrictions might occur on their way. The second one considers participation as a public good which can manifest itself not only on a nation-wide political arena, but also in not less important spheres of life such as at a local level, at a workplace, etc.

Eisenstadt distinguishes between institutional and ideological consequences inherent in different definitions of democracy according to what of the two fundamental values accompanying the establishment of democracy - whether freedom or equality of paramount importance.(3. p.77)

If constitutional treatment of democracy with all its modifications was mainly connected with a heritage of representative institutions and practices, then participatory versions are guided towards the importance of participation at any level of public life, including intermediary institutions or associations.

We are though more interested in communitary versions of participatory democracy as they face the task of research in corporate form of democracy. Communitarists consider representative authorities as important conductors and as tools capable of overcoming deep inequality which prevent the successful functioning of democracy. The perception of representative institutions is being quite accurate due to fear that they not always encourage
full citizens participation in political life and can preserve unfair distribution of power and riches at any level of public life such as at a level of social community as a whole, a local community or labour collective.

Thus, participatory democracy positions may gradually slide towards an economic democracy. Economic democracy is certainly connected with the democratic quality of a society. T. Masaryk was right when he stated that the genuine democracy includes not only political, but also economic and social, democracy. S. Ringen, a researcher examining the problems of democracy, social politics and justice, states in his article «Distributive Theory of Economic Democracy»: “If we have democracy in political life, but do not have it in economic life and if the weight of economic authority is growing in proportion to political authority, then citizens have the right to question themselves: «to what extend is their society democratic and is political democracy really worth anything?”(4. p.114).

It is interesting to note, J. Schumpeter himself quite critically and with a certain amount of theoretical doubt in pages of his book ("Capitalism, Socialism and Democracy") expressed his opinion towards industrial or economic democracy. In his opinion this word- combination «appears in so multiple pseudo-utopias, that it's orignal meaning was only slightly preserved” (2. p.391). The meaning of this term is revealed in a footnote, which confirms its "status" in the opinion of the scientist. He is sure that much of this economic democracy will be dissolved if the socialist regime comes into power as many interests which this type of democracy should protect, will simply cease to exist. For, the basic problem is a division of profit between interpreneurs and workers. Arguing on destiny of a democratic method in conditions of socialism, the author clearly realized that socialism cannot offer any obvious solution of the problem as there will be no political class having steady traditions. The destiny of democracy is in its own hands, but destruction of institutional structure of capitalist society which is based upon "property" and «freedom of contracts» is the main
threat of democracy.

Destruction of institutional structure of capitalist society and hence and its democratic method in the reseracher's opinion, was caused by the joint-stock form of business organization, moreover this form was a product of capitalism.

Proceeding from the adherence to fundamental values of private property and free contract relations, monopolization on behalf of corporation undermines the viability of the capitalist establishment.

Such reasonings, probably, used to fit the economic theory, which up to the 1950-s. ignored corporation as the most widespread form of the organization within the capitalist regime and it which was focused on explanation of how the theory of prices explains market structure.(5)

“Capitalist process, - rigidly marks Schumpeter, - substitutes walls and equipment of a factory with a mere pack of shares, and this emasculates the very idea of property. It weakens proprietor's authority which once was so mighty, an authority to legitimate rights and real abilities to dispose his property the way he founds it appropriate”(2. p.197). The monopolized corporate business on the one hand testifies the decomposition of capitalism, and affirmation of institutional structure of another social order - socialism, on the other hand.

Thus we see that the object of the scientist's research is to reveal the tendency of society development from one social order to another. From capitalism to socialism. This transition is accompanied by conflicts and collisions of economic interests, which also have political character.

Another researcher of these political processes at the same historical period of time, - Hayek - conceptually estimated events in the simiar way as Schumeter. This period of the development of public structures was named by Hayek as "corporate", "syndicalist" society. In corporate society the organized branches would be something like rather independent states
within a state. Subsidizing of many groups is determined not by market relations or results of economic processes and by a course of political process, but by the force of political representatives of various branches. F.Hayek expected this succession of events by only analyzing gradual slipping of western democracies through the growth of state regulation to totalitarism. He marked that “it is not an estimation of merits of certain individuals or groups of majority (market consumers), but it is the power of these individuals or groups, which is directed onto fighting for special advantages from government, - that is what determines distribution of incomes now”(6. №10, p.111).

Distributive conflicts infinitely are eternally destructing social and political fabric of a society, they make its extremely unstable and disordered.

To what extend can in such a society individual, group and national interests coincide? Hayek writes: “State busy all-round planning of monopolized branches activity, will possess enormous authority towards an individual … Mechanisms of monopolies become powerful mechanisms of a state which more and more will serve interests of the apparatus, but not interests of a society as a whole”(6. №12, p.126.).

This picture reminds today's Russian present. Crisis of orthodox (monetarist) method of transition to market in Russia which is based upon institutional transformations, demanded an alternative approach - the structuralist one that is realization of structural reorganization by means of active participation of a state.

In this case, to achieve a favorable structure of distribution, a state logically should resort to control prices and incomes to establish tax indulgences and to finance programs of social help, in order to maintain and increase the standard of certain groups well-being. Other groups then immediately start to put pressure upon the state, wishing to receive similar advantages.

A corporate society in which the principal role is played by economy of organized
groups, acts as the closest analogue to today's bureaucratic, «statesmen» economy.

« Distributive conflicts » represent a considerable danger to society on its way to market relations. As a deputy of the Russian State Duma Gudkov stated (the head of committee working group for the safety of the State Duma on counteraction at II annual National forum on alien absorption (forced captures), "Merges and absorption in Russia »: « reasons for such a plenty of corporate conflicts which cost the economy of Russia tens billions dollars, are the domination of corruption and disrespect of citizens for property institutions and businessmen' way of thinking ». The deputy considers that illegal capture of property leads to losses in national economy estimated tens billions dollars. He expressed an opinion that this not only a shameful phenomenon, but also a direct threat to national safety of the country.(7)

There exist certain reasonings to use methodological approaches of outstanding economists and sociologists Schumpeter and Hayek for the analysis of problems of democracy but not in conditions of transition from capitalism to socialism, but on the contrary, in the conditions of transition from socialism by capitalism.

We can observe a point of concurrence (a point of return?) of two tendencies having opposite character. The first one is leading towards socialist "future" - towards then western democracy as it was seen in the 40-s of the last century, and the second one - directing to the capitalist "past" as it is presented today on a boundary of two epoch.

Then we can propose a thesis according to which "corporate" structures are an intermediate establishment and which can be faced towards two sides - both to the market, and to the administrative condition. This system is some kind of criterion for convertibility/irreversibility of public transformations. It is probable that the corporate base is that intermediate step which a society breaking off with totalitarianism is forced to take upside-down.
Practice of realization of participatory democracy

We already marked that corporate democracy is one of economic democracy versions.

The democratic problematics from the point of view of corporate processes has rich history. Communitary versions of participatory democracy especially manifested themselves in the social democratic theory and practice.

On the boundary of XIX-XX centuries E.Bernstein - one of the most known critics of marxism and a fornteller of economic democracy, doubted one of corner stones of the marxist theory of general destroying crisis of capitalist system of manufacture. Crash of the system is improbable due to industry being capable of adjustment and its amplifications of its differentiation. Means of adaptation of capitalism are as follows: 1) development of credit system, improvement of means of communication, organization of businessmen; 2) stability of middle class; 3) improvement of economic and political positions of proletariat.

Increase in number and value of joint-stock companies and also shares issuing practice Bernstein regarded as decentralization and democratization of capital that leads to increase in number of proprietors, i.e. expansion of middle class and growing well-being of workers. E.Bernstein saw the future of working-class movement and socialism in necessity of strengthening control of a society above conditions of manufacture by means of legislation and expansion of economic democracy as well.

It was not however Bernstein who started theoretical research on these questions, for he only took advantage of the conclusions formulated on the basis of analysis of a big file of statistical data of Schultz-Heverniz and other scientists originated from Brentano's school and also such economists as Herkner, Sinzheimer and J.Wolf.

Schultz-Heverniz in his book «Big industry» made a conclusion concerning equalizing property contrasts due to the fact that labour is getting bigger and bigger share of common
national income, and this process does not make the rich even richer, and does not make the poor even poorer, but its effect is just opposite.

P. Sorokin in his classical work «Social and cultural mobility» (1927) actually used the same file of statistical data also known to Bernstein, so conclusions of the scientific sociological research basically coincided with those of reformist Bernstein.

We shall then site a small part of statistics taken from P. Sorokin's work. From the 1850-s till the beginning of the XX century in England the factor of working class real wages were increased from approximately 100 up to 170 (within 1790 till 1900 - from 37 up to 102). In the USA purchasing capacity of the average payment of one employee increased during the period from 1850 till 1910 from 147 up to 401; between 1820 and 1923 real wages increased from 41 up to 129. The similar situation can be observed in France, Italy, Japan and some other countries.

Sorokin, according to an American economist R. Binkerda, gives the following picture of “diffusion of property” in the USA and European countries, which got “enormous pace in the last decades”.

In between 1918 and 1925 the number of shareholders in some industries (railways, road construction, gas, light, electricity, phone, partly oil corporations and metallurgical corporations, dozen of mixed companies of manufacturing industry) increased almost twice as much and reached a number 5 051 499 persons. About half of them are employees, workers and members of companies, the other half of shareholders are not a part of these companies. A number of farmers financially interested in cooperative purchase and sale increased from 650 thousand in 1916 up to 2,5 million in 1925. The number of investors and the sum of their contributions grown accordingly up to 10,5 million and sums of more than 11 billion in 1918 up to 9 million with a sum of 21 billion for the year of 1925. Besides this, the increase in number of shareholders and bonds according to the most conservative estimates was at leastas
The idea of struggling for economic democracy as the effective means of gradual introduction of socialism was developed in program documents of a reformist part of working-class movement in the 20-s and the 30-s of the XX century. In the new program SPD accepted in Heidelberg (1925), the tasks of mastering political authority by working class is not put forward. The idea is that the way to socialism should be through « economic democracy » and today's parliamentary democracy should be widened with democracy in economy.

This subject line became a leitmotif in social democracy activities. Modern programming concepts were based upon a document accepted by German social democrats in Bad-Godesberg in 1959 and which had considerable theoretical value for international social democracy of that time.

The idea of struggling for universal political, economic and social democracy became a postulate. The problem of control over economic authority demanded special attention.

A part of Godesberg program project devoted to economic principles and to economic policy of SPD as well as to mutual relations of property and power, was prepared by an expert of the party H.Deist (1902-1954). Deist managed to defend the concept which later was added to Godesberg program. An essence of the concept is as follows. Independent development of economy which is based upon market principles with the condition of limited intervention of state and existence of public enterprises, provides fair distribution of incomes and property which will actually mean movement towards socialism.

Having researched the process of concentration in industrial sphere which caused change in the whole structure of economy, Deist noted, that the most characteristic structural attribute of economy was concentration of power. Economic power influences political institutions such as government, parliament, local authorities. “They (large enterprises, trade
unions), - as Deist wrote, - do usurp government. Economic power by all means is political power as well” (9. s.16.).

So, concentration of economic power causes political power concentration. Thus we face a task of establishment of effective democratic control over economic power by means of competition, legislative and financial support of middle and fine enterprises of different ownership patterns. "Democratic" or "public" control becomes one of the key concepts of social democratic theory and practice.

The practical line of social democrats was coordinated with a theoretical position of democratic socialism. It is possible to differentiate 3 aspects which were underlined economic polictics: 1) “accumulation of property by workers”; 2) “partnership in management”; 3) “coordinated actions”.

After acceptance of the law “On property accumulation” in 1974 by the governmental coalition SPD/FPD, 23 million certificates with annual cost of 212 marks each were spread within 3 years. “Collective investment funds” were created on the basis of obligatory deductions of profits by large companies. On the one hand there was provided a peaceful transformation of property relations, on the other hand, private companies funds for financing social infrastructure were involved.

Social democrats, participating in maintaining the law on participation, in the certain degree satisfied democratic requirements of workers and supported working class expectations of material and social improvements. According to the law “On participation of wage labour individuals in company management” the supervisory council consists of equal number (from six up to ten) of representatives of businessmen and workers. The post of the chairman of the supervisory council was to be held by one of the businessmen representatives.

Social control of economic authority not only does not exclude, in opinion of social democrats, but also includes market relations. If market does not deny a principle of social
responsibility it is an effective tool of economic regulation, not compatible with “centralized bureaucracy”.

Thus, economic democracy, being the tool of control over authority, remains to be necessary concerning social participation for economic decisions. Practically social democracy had an opportunity to introduce ideas of public control for development of social and distributive policy.

First of all, it is 13-years experience of German social democrats being at power (1969-1982), French socialists, who came into power in 1981, etc.

They undertook increasing in a share of state ownership and strengthening of state intervention into economic process by means of prices regulation as well as regulation of salaries, employment, redistribution of money resources; they also managed a wide spectrum of programs which weakened the rigid mechanism of monetary self-regulation, i.e. the full set Keynes measures was applied. It promoted increase in volume of redistributed means, taxes, the sizes of payments in system of social security, to expansion of public funds of consumption, etc. In other words, “the state of well-being” was formed. But even having good intentions social democrats weakened economic base of well-being growth. Fears connected with future "socialization" and reduction of efficiency, stated by Hayek and Schumpeter, were embodied in communitrist activities, social democrats.

Starting from the middle 80-s new forms of hired workers participation in industrial enterprise activities is being widely spread. The new system called “economy of participation” (“system of participation”, “democracy of participation”) is formed. The problem of workers motivation, creation of conditions high creative potential, involvement of workers in a decision-making process is put forward in a new way.

Basic forms of system of participation are as follows: participation in profits or “enterprise success”; participation in property and in management.
Participation in profits. France where this system is used from 1959 achieved the greatest success in the system of wage labour workers participation. In 1990 at big enterprises (starting from 500 pers.staff) the system of individualized salary to senior worker categories was applied with 87 % against 36 % in 1983, mutual interest in « enterprise success » was used with 46 % against 7 %, plans for saving accounts at enterprises had 44 % against 16 %, etc. In France the system of participation began to get character of " collective interest ».

In the USA the system of participation covers 22 % of all employees. Shares distribution among companies personne is widely spread. American enterprises counted all in all 430 thousand intentions of participation in profits. More often such participation is carried out in the form of “postponed payments” (pension funds).

In Great Britain the number of holders among the population of the country has grown in the 80-s about 7 % up to 20 %, having reached 10 million pers.

In Japan this form is the important factor of a high level of labour motivation and high competitiveness of the Japanese economy.

Participation in property. Economic democracy solves at least one problem, that is a problem of decentralization and democratization of property. Decentralization of property is understood as distribution of corporations share capital among citizens. What happens when labour merges with production tools in today's main form of managing - corporations?

Basically, corporation are societies with share capital. Joint-stock partnership becomes dominating. In the USA and Western Europe beginning with the 80-s, shareholders of the largest corporations count tens of millions people. In the USA there are 47 million shareholders, that is every third American adult , in Great Britain and France there are 9-9,5 million shareholders - it is every fifth French and English adult, 8,5 million shareholders - every fifth French and English adult, there are 8,5 million in Japan, 1,2 million in Germany.

Participation in management. Creation of collective property is inseparable from the problem
of power and control. The process of democratization of property which already began entails also management democratization.

The control over means of production usage is an obligatory element of self-management of direct manufacturers. Self-management in the USA as for example J.Keremetsky considers, is perceived as “non-hierarchical form of production organization and democratic process of administrative decisions taking” (10. p.138)

Democratization of management is carried out at different levels such as at a level of sites, shops, enterprises and firms. Middle and junior administrative posts manage technical questions connected with the increase of production efficiency. Factory management committees incur production management, their basic function is discussion and decision-making concerning sale of production, purchase of equipment, improvement of technological process, employment and managing directors and other important problems of production.

Despite different features of participation system in management in the USA, Germany, France and other countries, they have much in common. The right for decision-making is realized in the three spheres which concern organizations of work, its regulations (working hours, holidays, etc.), forms and amount of wages. Workers are involved into the process as advisers on scientific and technical questions and employment policy.

However management hierarchy is preserved in such important areas as investments, technical and personnel selection, distribution of profits.

**Corporate democracy in Russia.**

The presented picture of democratization or property diffusions, which took place in the developed countries in the second half of the XXth century, shows the basic vector of economic democracy development in Russia, especially in its corporate sector. Why such an assumption is possible?
The major tool of overcoming a deep inequality in society is the realization of the private property right.

Let's keep in mind that the notion of "private property" in modern political economy has had certain changes. We shall recollect Schumpeter's idea of “emasculating the property idea” in corporation (instead of walls and a fundament there is a file of papers).

The starting point of the analysis in the theoretical models describing functioning of property, is mainly the property on production factors, first of all on material and financial actives, and also on human capital.

It is assumed thus that results of all proprietor transactions on market are fixed by system of contracts. A very important issue today is as follows: no signed contract can be considered "fully completed". When it is a question of contracts providing employment or any property rent, (industrial equipment) it is impossible to foresee all situations which can take place and define the rights and duties of the sides in each of these cases in advance.

In these cases property rights are found out first of all in connection with incompleteness of contracts. Therefore property rights are defined in institutional economy as residual rights for order and control- in relation to requirements of the contract.

Giving this definition, neo-institutionalists emphasize: this approach assumes economy in which there exist not only perfectly functioning structure of agreements which make out results of market transactions, but also by the « culture of the contract » having traditions for many decades. Definition of property through residual rights assumes that participants of economic process are assured of the contract obligation reliability.

Formal, not real establishment of private property institution in the USSR took place in spring, 1991. Before this during four years cosmetic reforms of granting economic independence to state enterprises were carried out, private property of "right of full economic conducting type" was created, cooperative and rent enterprises got sanctions. On the boundary
of 1990-1991 the idea of inevitability of privatization in the USSR and Russia is being affirms. Indeed, without is in the conditions of the state sector dominating it is hardly possible even to speak of the right for private property, shares and securities markets or other attributes of market economy.

The USSR law “On property in the USSR” , March 6, 1990, and amendments to the USSR Constitution, March 14, 1990 (p.10-13) assumed citizens property in the form of means of production, securities and other material and non-material objects and the rights by which individuals could profit.

Indeed, the principle of full recognition and protection of all patterns of ownership is closely connected with political pluralism and democratic values. The principle of absolute protection of property rights, recognized by a priority of the state, promotes stability of political system and increases trust of population to its institutions. On the contrary, really democratic institutions and procedures of decision-making allow a society to balance the interests of various subjects of property on the largest scale and with minimum costs. Following these principles means also a recognition of international norms developed by the world community in the second half of the XXth century. In a context of world economic globalization processes the effective protection of property rights at a national level means establishment of favorable conditions for integration of Russian economy into the international economic space.

We can classify the following basic stages of redistribution of property in Russian history:

- Spontaneous privatization process (1987-1991);
- Mass privatization (1992-1994);
- Postprivatization redistribution of property (concentration of sprayed shares of privatized enterprises beginning with 1993 as the most general process; mortgaging auctions in 1995;
wars of "oligarchs" in 1997; transition from criminal to legal procedural technologies of corporate control and redistribution of share capital in 1996-2004).

Spontaneous privatization process (1987-1991) was connected with the rent and cooperative legislation introduced, the right of full economic management at state enterprises, absence of uniform and legal privatization procedures. Privatization processes forms were the nomenclature and bureaucratic, nomenclature and "collective", managmental, etc. (11 pp. 341-347.)

Mass privatization (1992-1994) was characterized by intensive escalating of corporatization "critical mass", distribution of "privatization checks" among Russian citizens. From the point of view of development prospects of a new property rights system, the main result of mass privatization was establishment of new institutions: corporate sector of economy (more than 30 000 joint-stock companies), market of corporate securities, system of institutional investors, nearly 40 million of formal shareholders according to mass privatization results. According to the Ministry of State Property of the Russian Federation and Ministry of Economy of the Russian Federation, gross national product in public sector in 1994 made 38 %, in 1996 it was 23 %. A share of privatized enterprises (including state shares corporations) counted 37 % and 39 % accordingly, a share of originally private enterprises was 25 and 38 % accordingly.(12. p.8)

Postprivatization redistribution of property took place with common process of control consolidation over Russian corporations. The principal conflict of all these years was the conflict between old managers fiercely defending their positions and potential control "aggressors".

Transformation of corporate institutional features has two sub-phases. First, the phase of 1995-1997 is connected with end of property repartition in a number of the key Russian companies.
A group of the most influential banks were handed down some profitable export-focused enterprises of oil and metallurgical branches, as a result there were created a few of really large corporate structures under banks control. They were called FIG (financial and industrial groups) or conglomerates (According to the Federal Commission on Securities, in 1996 control competition ended in 25% of Russian corporations, in the beginning of 1998 - in 50% of them.) Secondly, due to new legal restrictions connected with introduction of the law “On joint-stock companies” and other legislative documents, in the second half of the 90-s and the beginning of 2000 compete for control they often use procedural ways of struggle even with disobedience to corporate legislation.

Federal authorities revise and reanimate ideas of labor collectives property and large state holdings as basic structural units of the Russian economy. In 1998 there was a federal law introduced, N 115-F3, July 19, 1998 “On features of legal status of employees joint-stock companies (national enterprises)” Russian Union of National Enterprises is a noncommercial organization uniting commercial enterprises of different organizational-legal forms counting from 50 up to 5000 employees) unites about 50 enterprises from 26 Russian regions.(13. pp.164-185) Property redistribution experience in Russia of the 90-s testifies that “national enterprises” are forms of preservation or strengthening of small enterprises directors or they can act as way of protection from hostile absorption of corporation managers.

In conditions of transitivity of Russian society and its economy, area of uncertainty in the property rights sphere extended, as the system of protection of state ownership is quite unclear while a new precise system of the rights for private property does not yet exist. Unclear definitions of property rights causes not only paralysis of corporations investment activity, but it also causes certain difficulties in the process of corporate (economic) democracy institutionalization. It is clear that historically (traditionally) developing structure
of corporation property distribution determines specific national models of corporate management and corresponding democratic mechanism.

Supporters of neo-institutional approach in economy (A. Alchian, Demsetz, O. Williamson etc.) (19) unlike Schumpeter treat corporations as “networks of contracts”.

In Russian conditions there is no developed system, long culture and precise standard mechanism for contracts realization which act as property rights transfer channels, it thus causes mass infringements of shareholders rights, individual enforcement in pursuing political goals (the system of compulsory realization of contracts conditions and property rights), development of non-market relations between economic agents, growth of rent-oriented activity and corruption.

It is necessary to note that the whole set of questions which are extremely important for development of national model of corporate management was revised in 1998-2004. (14) Domestic researches mark that legal environment and structure of Russian economy are so specific that it would be meaningful to try to construct special "Russian" model of corporate management. Its peculiarities are:

First, opacity of property structure mainly caused by illegitimate character of privatization and the subsequent property repartitions;

Second, imperfection of Russian legal institutions changes our views over interrelation between corporate management and property structure. In the Western countries researches, property structure endogenous in relation to a legislative level of investors rights protection. Economy having developed financial markets, a system of property rights protection and contracts realization, capital structure and property structure in particular are endogenous and they are determined by business structure, by distribution of incomes, size of an enterprise and the origin of uncertainty etc. At the same time Russia having high market transaction costs, its property structure is changed rather slowly. On can not state that property structure
is exogenous as there passed enough time after the privatization for the significant property redistribution to take place. Nevertheless property structure changes more slowly than the corporate management level, therefore property structure is considered as being exogenous variable. Low laws executiveness makes corporate management an informal institution. In the developed countries protection of investors rights is determined by legislation and consequently is regarded as the set value. In Russia there is no corporate legislation being observed, therefore protection of rights of external investors is not obligatory, a company itself chooses extent of its execution. (15 pp.13-14.)

Revealing political and legal conditions which form optimum institutional environment, including democratic procedures, is quite a challenge. B. Weingast, for example, marks a “fundamental political dilemma of economic system” government, powerful enough to protect property rights is at the same time powerful enough to confiscate property of its citizens. (16. p. 286–311) This can be testified by executive actions having political basis, which manifest themselves in the form of selective (custom-made) enforcement of "Yukos". All this differentiates peculiarities of Russian corporate democracy.

1. Russia in a much greater degree is predisposed to have a state paternal oriented model of economic democracy with its corporate component. The Russian state will have to undertake and is actually undertaking much more that is measured by universal economic theory. It acts more actively than any of the civilized countries.

Establishment of democratic institutions in a transition period is shown as a special role of the state of “creative destroyer”; it requires a longer period of time for this process comparable to the whole period of transition.

Creation and execution of an effective legislation as well as "filtration" small groups interests of any type (political, populist, criminal, etc.) requires daily regularly state activity. This activity of the Russian state is capable of realization of the absolute principle of
2. Economy of the modernized Russia, despite some really serious changes in property relations still preserves a big gap between nominal and real property rights, moreover and in some cases right of the real control are in hands of the old/new political and economic nomenclature. Thus, private property which is just being established, in many cases possesses on "non-market", non-democratic character, and redistribution of this property is handled by political and other motives which are hardly connected with any sort of care of an effective utilization of got property. Economic democracy in many respects still preserves nominal character.

3. Moreover, bank and industrial capitals merge with the state in its specific "transitive" form. It generates not only positive consequences, but also provokes struggle between small groups (private and/or state) interests and, hence, causes different types of legislative preference, it causes “special relations” between certain economic subjects with the state, corruption, criminality, etc. All this amplifies “procedural uncertainty” which is characteristic for transition from "ordered" relations of centralized management to political democracy and to establishment of economic freedom etc. Possibility of turning to "managed democracy” practices, or “democracy of proprietors” is still preserved.

Thus, peculiarities of political and economic development in Russia during the transitive period generate a specific situation when privatization of some of the state enterprises and distribution of new private firms are not accompanied by development of the adequate enforcement mechanism of property rights, i.e. of the mechanism which would provide reliable realization relations prospective by private property rights. In this case the definition of private property through residual rights looses its sense. Low protection of property rights was and still remains favorable in 2000 for a number of economic agents as it creates
favorable conditions for further redistribution (repartition) of property. Corporative and bureaucratic polyarchy and “managed democracy” potential is still preserved.

4. Another peculiarity of corporate democratic practice is the absence, both in practice and in the social historical memory of the Russian population, of information on presocialist market institutions, whereas some of the Central and the Eastern European countries do have this memory.(17. pp. 17–18) Experts in the field of development of financial markets in Russia cite comparative data about investment funds across Russia and in a number of the Eastern European countries: cumulative pure actives of investment funds in Poland, Hungary and Czech Republic exceed a similar parameter across Russia in 5-7 times as much, counting per person there is a gap of up to 80 times as much.(18)

Conclusions

We shall sum everything up now.

Establishment of proprietors society is an indispensable basis for free democratic society. Establishment of the real right for property will allow to create the high-grade civil society not dependent on the state. Privatization is an absolute imperative for quitting socialist feudalism.

The general positive result of complex and inconsistent process of establishment of property structure in Russia was first of all gradual stabilization (ordering of structure) of property rights: from amorphous and disperse structure to establishment of new obvious (formal, based on property right) or latent (informal, based on real authority in corporation) poles of corporate control. This process was closely connected with positive changes in the sphere of corporate right norms, the legislation as a whole which fixes the system of functional representation.

"Corporate" structures as a component of functional representation system are intermediate establishment and they can face two sides “democracy of proprietors” and administrative “managed democracy”.
However, creation of preconditions of democratic institutions stability is interfered by the absence of tradition and “culture of contract”, which is formed during many decades, if not centuries and which provides historical legitimation of corporate democracy.

References


