

# Russian Vouchers' Ups & Downs

By Charles R. Sauer

FOLLOWING weeks of confusion and cynicism which had accompanied the initial issue of Privatization Checks (more commonly called "vouchers") by the Russian government in October, recent trends on Russian stock exchanges suggest that the Checks are enjoying a significant improvement in their status. The market value of the Checks is increasing, and such growth is likely to continue. Thus it seems that at least the more entrepreneurial members of society are taking the notion of privatization more seriously than they did at the start.

When Russian banks began issuing Checks many people were confused not only about who was eligible or how to receive the Checks, but also about the whole idea of privatization and how the Checks were to be applied in practice. It is the hope of the Russian government that the Checks will be used by private citizens to buy a stake in state enterprises that stand to be sold off in the months ahead. The goal is to convert over 35,000 enterprises into

joint-stock companies by the end of 1995 with 70% of their assets held by independent investors. Vouchers were distributed to the entire

adult population at a nominal price. Even among those who understood the intent there was widespread cynicism about the program; many felt that the government would never follow through with supporting legislation to make the Checks worth anything near their face value of 10,000 rubles. In October, one conservative deputy in the Supreme Soviet attacked Anatolii Chubais (deputy minister for privatization) during a televised session, shouting into the microphone, "It's only a piece of paper! What good is it?"

By mid-October it was already quite common to see people on the streets of Moscow and in the metro tunnels holding their voucher before them offering it for sale. The promised massive press campaign to inform citizens about

the privatization program never materialized. The market value of the Checks plunged almost immediately to around R6,000. By early November it was easy to find Checks selling for R4,000 and not uncommon to read stories in the Russian press about impoverished pensioners selling out for as little as R2,000. "I needed the money," sobbed one elderly woman.

In addition to outright sales, a lively barter market quickly developed around the Checks. Commercial kiosks began accepting vouchers as payment for goods: one Check might buy two to five bottles of vodka or three cartons of Western cigarettes. In a letter sent to the popular Moscow daily *Moskovskii Komsomolets*, one writer claimed that prostitutes in Sergiev Posad (formerly Zagorsk) were accepting vouchers for their services. One very common sight still in December is that of young people in the metro tunnels holding up signs: "I will buy vouchers" and "I will sell vouchers." They generally work in teams, with the buyers offering the lowest market rate and then passing the Checks to the sellers who resell them in the same tunnel for around two thousand rubles more. Reportedly some kids have made up to R10,000 a day operating such a "business."

Recent government action has lent the Privatization Checks greater credibility. Legislation is now in place to allow for Checks to be applied to land transactions (with the issue of specific land vouchers a possibility in early 1993) and as a substitute for cash in the purchase of shops and other service businesses (up to 45% of the purchase price). The government has also set up trial auctions for Checks where they will be applied only to the purchase of shares in larger industrial enterprises in the Vologda region. After 1 December, holders of Checks will be able to actively participate in the first round of sales of state assets in around 7,000 enterprises. One of the first notable sell-offs began 9 December here in Moscow — the Bolshevik Confectionery Factory. The privatization of the Bolshevik factory is being managed by Credit Suisse First Boston. This particular factory was chosen as one of the first to be privatized because of its name recognition, potential profitability, size, Moscow loca-

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tion, and the eagerness of the employees to privatize. Bids will be accepted until 24 December. Other firms under scrutiny for imminent privatization include Sovtransavto in St. Petersburg; Eleks, an electrical factory near Moscow; and Gornozavodsk, a cement factory in Perm.\*

One index of Check value is activity on the Russian stock exchanges where the Checks are freely traded. On the Russian Raw-Materials and Commodity Exchange (RTSB), Checks were recently traded at a low of R4,022 on 13 November to a high of R6,998 on 24 November. In the same period the volume of daily trade in Checks rose from around 5,500 (13 November) to 9,000 (24 November). On 3 December the RTSB recorded R8,600 as the closing quotation on voucher trade. Exchange values have generally been running higher on non-cash transactions in pools of vouchers. ("Non-cash rubles," held in bank deposits, are generally worth less than actual cash rubles.) On various exchanges throughout Russia on 3 December pools of 50 Checks sold from R10,250 to R11,000 per Check, already exceeding the face value of the Checks and realizing a prediction made by Chubais — that the market value of the voucher would exceed its face value in December.

On 4 December most branches of the Moscow Savings Bank of Russia (Sber-Bank)

implemented a program to allow citizens to sell their Checks directly back to the banks where they collect them. Preliminary plans foresee the Sber-Bank trading in pools of vouchers on the stock exchanges. The rate for purchase and sale by Sber-Bank is to be set relative to prevailing stock exchange rates no less than once per week. On 5 December the Sber-Bank was buying at R7,500 and selling at R8,250. In comparison the RosDonBank was buying at R7,300 and selling at R9,000; the Kontinent Bank was buying at R5,000 while refusing sales. Experts claim that this new program will create competition for the "black market" trading of Checks and force such sales to be more in line with market rates.

Despite the brisk trade, recent polls indicate that most people plan to hang on to their Checks (although some of those polled indicated that they would rather burn them than sell them). There is still a dearth of information on how to apply the Checks in practice and poor publicity for those sales underway now. The implementing legislation contains direct contradictions and loopholes that will certainly make the path to privatization a rocky one. But with voucher prices consistently on the rise and with at least a limited section of the population gearing up for the battle, perhaps the slogan, "Without Privatization there is No Civilization," has found its mark. ◇

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\* Some of the most recent legislation implementing privatization includes: "Statute on the Sale of Shares in the Process of Privatization;" "On the Sale of Objects of Privatization for Privatization Checks;" "Model Statute on Investment Competitions (Investment Trade) in the Sale of Objects of Privatization of State and Municipal Ownership;" and "Statute on Specialized Check Auctions" — all enacted November 1992.

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