

CZECH REGIONAL DEVELOPMENT: IS THERE ROOM FOR COOPERATIVE INITIATIVES ?

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The transformation of Czech agriculture is a complex and multidimensional process (Stryjan, 1992), whose dynamics and consequences can be studied from a variety of angles. Thus, institutional aspects have been discussed in Stryjan (1992/93). Economic consequences were considered by Brabenec and Šařecová (1993). Social impacts were examined by Hudečková and Lošťák (1992), and attitudes by Brabenec and Šařecová (1991), to name a few. The focus of this paper is on the local scene, and on potential starting points for locally anchored development initiatives in the countryside. The paper continues and updates the outline of regional problems presented in September 1992 and in Stryjan (ibid.).

When studying a case of institutional transformation, the choice of a suitable vantage point is a central question. Roughly, it is possible to distinguish three possible levels of discussion:

- a) National : policies, rule-systems, legislation, etc. A brief review of these was presented in Stryjan and Mašková (1992), and Stryjan (1992/93). In this review, such institutional features will only be discussed as constraints for action at the local level.
- b) Organizations : these are building blocks of the order - but also major agents in the realignment towards the formation of any new order. Plotting the futures of organizational populations can help us to understand and foresee the nature of the order now in the process of establishing itself.
- c) Individuals as such do not belong in an institutional perspective proper, and are commonly dealt with under the heading of " consequences " (be it dislocation, famine, or increasing welfare). In this paper, these aspects are dealt with at an aggregated level, as grouped in local populations. However, the loosening of institutional constraints in a generally fluid situation of change underscores the role of individual agency and entrepreneurship. Individuals are potentially important agents in the shaping of future's organizations.

In considering these levels, this paper adopts a logical/regional perspective. It considers macroinstitutional arrangements and organizational population only in a restricted way " as they

are seen from the local window " . Needless to say, the local scene is not an island unto itself. All levels intersect on the local scene, and in an interplay with local circumstances, define it in terms of (a) the agents populating it (b) the resources available, and (c) the rule-systems applied.

Agents

An important role on the local scene is played by organizations. Change at the organizational level is a matter of reshaping the organizations that the former agroindustrial complex consisted of. Considered from the local horizon, three clusters of organizations, and the changes they undergo, are of direct relevance to our discussion. These are : (1) the former collective farms (JZD, referred to below as CFs), (2) the state farms (SF), (3) enterprises of the processing industry, and their distribution linkages.

The formal transformation of the CFs in accordance with the transformation law has been completed in the course of 1993. Contrary to the government's initial ambitions, it did not result in the demise of these units, and their breakup into private farms, but in a metamorphosis of sorts. The absolute majority of CFs converted into so-called cooperatives of owners¹. This, however, is only the starting point for a continued process of change. I have argued elsewhere (Stryjan, 1992/93) that the organizational form in question is highly defective, and, under certain constellations of owners, essentially ungovernable. These flaws are especially critical in a time of environmental strain, as that currently created by worsening terms of trade. The prediction is (ibid) that a large portion of the CFs will eventually end up disintegrating, due to internal conflicts, economical failure, or a combination of both². Only cooperatives with a tolerably coherent corpus of members, and/or under a highly competent management stand a chance to survive in their present form. Many - or most, of the remainder will gravitate towards more viable forms , namely joint stocks or limited liability companies on one hand, and cooperatives whose membership is limited either to worker-owners, or to the members of the local community, on the other .

Unlike the transformation of CFs, that was channelled by detailed legislation into a highly controlled and structured path, the " transformation " of state-farm management has largely been left to its own devices. Consequently, variety, that was suppressed in the transformation of CFs, emerges in its full range in the case of SFs. In relation to SFs, the state holds two incompatible roles: as an owner and agent for taxpayers, it is expected to maximize return on state -----

¹ According to the Czech-Moravian Union of Farming Cooperatives (CM SZD), the rate is 92,5%. The actual rate is difficult to define (due to the splitting of some CFs), and may be slightly lower.

² We have observed, in the course of our project, cases of CFs debilitated by struggles between various owner- groups, or destroyed by a general run on the CF's assets by members and restitution claimants.

property ; as a quasi revolutionary government, it aspires to create a new " free " farming sector, through a radical redistribution of assets and entitlements³. As the Land Fund's present extremely generous policy towards would-be buyers of farming state-property indicates, the balance definitely seems to tilt to the latter task of the two. This policy may be explained by any of two factors : (c) due to ongoing farming crisis, the assets are not attractive enough to business-minded buyers. (b) Once transformation failed to turn CFs into a growing-bed for " free farmers ", the government may have transferred this ambition to SFs. A suspicion that these estates, if " too successfully " privatized, would complicate future relations with the European Community, may have played some role as well.

Besides private farms of varying sizes, we can observe in the rubble of this (sub)sector the emergence of corporate estates, and also of owners's cooperatives, established on restituted land, with restituted, or advantageously purchased assets. Though initially discriminated against by the restitution law (that does not give claimants the same advantages as the law of transformation), the advantage of these cooperatives at present is that they start on a legally clean slate, and are, thus, immune from any future retroactive legislation, of the sort the government periodically imposes on transformed CFs. In the long run, the breaking-up of the state-farms is likely to produce a group of forceful organizational agents. For the time being, however, many of these are still swamped in legal problems, due to the extremely slow handling of the transfer of property deeds.

Processing industry has been both privatized and deregulated to a considerable degree.

Deregulation seems, _____

³ It is worth mentioning that the government turned down, in 1991, an initiative of the farm-workers' trade union to arrange employee-buyout schemes of state farms, deciding, instead, in favour of regular privatization projects, which it eventually abandoned.

however, to strengthen, rather than weaken oligopolistic tendencies. Both the timing, and the organization of the privatization process have practically excluded farmers ("old" as well as "new" ones) from attaining a stake in the industry (Stryjan, 1992/93). Consequently, we witness a growing gap between farming output prices and consumer prices: Unlike their western counterparts, Czech farmers have no share in the revenues that this gape generates. Though we do not have any precise data on the matter, it also appears that the present owners of the industry generally reside outside the respective region, and lack any local or regional involvement.

Summing up, one of the central problems of the present situation is that problematic and often non-functional property relations in primary production incapacitate a great number of

organizations. Many would-be organizational agents are, for the time being, literally unable to "pull their act together".

Resources

The present situation presents a paradoxical mixture of scarcity and oversupply. On one hand, we have to do with a clear case of resource depletion : agriculture as a branch is undergoing a (partly) administered decline, reflected by a fall in employment, profitability, investment, and a proportion of GNP (Ministry of Agriculture/Agrospoj 1993). Both transformation and restitution entail a net transfer of capital from country to town (Stryjan, 1992/93); relatively lower wages in agriculture and local employment problems are likely to depress local markets. Coupled with nearly full employment nationally, and ample opportunities in other sectors of the economy, and in the metropolitan region, they are likely to cause a brain-drain in the countryside. On the other hand, the breakup of state-farms, and partly of CFs as well, may flood the local market with incommited production assets. Paradoxically, a policy meant to enshrine property rights, may ultimately strengthen the bargaining position of human resources and local commitment.

The situation imposes on all agents a number of shared problems that would best be tackled by cooperation at local level. Namely, of a reasonable utilization of existing production assets, of negotiating the hindrances posed by an externally dominated processing industry, and of the decline of their local environment (Stryjan, 1992/93), and of the branch they act in. That the propensity for cooperative action is extremely low, has first and foremost to do with the rules of the local game.

Rules

Since the revolution, successive governments have passed an impressive succession of laws, amendments and regulations for the farming sector, virtually redefining the legal framework for the farming sector. There is also a degree of point intervention in local affairs (by district officers, the Privatization Ministry, and the Land Fund). The impact of organizations and rules notwithstanding, the local scene is, as ever, a highly personalized one. We are likely to encounter there individuals and groups acting side-by-side with, and on the same footing as organizations. Furthermore, organizations, too, may be highly personalized, inasmuch their resources may be contingent on personal contacts, and their policies keyed to furthering of personal goals. Local agents may also, at times, resort to contacts with the state-bureaucracy, to defeat their local opponents.

For the time being, the local rules of the game are marked by a fierce competition over assets and entitlements. The one-side emphasis on property rights as the central organizing principle for

all economic activity reinforces the zero-sum character of the game. Further factors that lower the propensity to cooperate are :

- 1) A traditional tendency to await government initiatives.
- 2) Lack of trust between agents. Besides old times' legacy (such as the chasm between "old" and "new" farmers), it also reflects the fact that some agents actually can gain more by interacting with government organs, than by interacting with each other.
- 3) An actively hostile government attitude to all forms of cooperation, especially in agriculture (cf Stryjan, 1992/93).
- 4) Major agents are incapacitated, or lack local commitment. External owners may (and for good reasons) have an ambivalent attitude towards the local community.
- 5) Best talents, and would-be social entrepreneurs migrate from the countryside to where the opportunities are.

A Necessary Reframing

In order to break the vicious circle that the present situation creates, a radical reorientation is necessary at the local level:

- 1) From considering the state as a solution - to considering it as a problem and a constraint. The state's incapacity to formulate a farming, or a regional policy places all agents in the same boat, as it were.
- 2) From an adversary - to a cooperative relation at local level, focusing on common problems and interests, rather than on the (quite real) divisions. The latter cannot be denied, yet should not be allowed to dominate the scene.
- 3) From a focus on maximizing individual (agricultural) production - to a local perspective, that seeks to maximize local benefits, and endorses common marketing, initiatives, and diversification out of primary production.

Recent information indicates some shifts in this direction, if an infinitesimally small one, for the time being. We have observed the formation of some enterprises with a clear orientation towards local development, and a few examples of cooperation between producers in order to assume control over processing plants. It is to be hoped that these, as yet isolated, initiatives will help to establish a new pattern for local development.

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