

Tuesday, August 24, 2004. Issue 2990. Page 10

Liberalizing the Market at the Micro Level

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While one part of the government has declared war on business, another part is busy liberalizing the market at the micro level. It seems unlikely that such efforts will have any practical benefit, but they're worthy of attention all the same. At issue is the proposed reform of the government's purchasing procedures.

Any government agency or state-owned enterprise wishing to purchase goods or services would have to announce a tender and send out the corresponding documentation for publication in the official *Byulleten Konkursnykh Torgov*, or Bulletin of Competitive Tenders. Even at this stage, the system has some serious glitches.

For starters, there is no standardized format for the announcement of tenders. Second, the bulletin only comes out in printed form. Relevant information is provided in electronic form -- in theory for free, in reality for a fee -- though the electronic version is considered unofficial. The Federal Statistics Service and other related agencies work in the same way.

If we were talking about private-sector companies, this would make perfect sense. But whereas the goal of companies in the private sector is to maximize their profits, the goal of state-owned companies is to maximize the benefit that they provide to society. As it stands, businesses that owe their existence to their close relationship with the state are profiting.

In order to work, the reform of government purchasing procedures needs to include a clear division of government functions and market services. For example, the government could post a standard, compulsory purchase form on an official web site, making this information available to all interested parties. The door would then be open to anyone wanting to organize for-fee services such as searches, notification, distribution and classification.

The devil, as ever, is in the details. Three elements must be put in place for the reform to succeed. Access to primary information must not be limited in any way. Competition in the provision of for-fee services must not be restricted. And finally, all documents must leave an electronic trace; that is, they should be permanently saved and made accessible -- at least to relevant higher-ranking bodies within the government.

When a proposed reform benefits the many in a small way while causing a few to lose out in a big way, it usually doesn't stand a chance. But the proposed computerization of government documents has a few potential allies, including those who have an interest in bolstering the power of the executive branch.

If all official documents were saved electronically, it would be much easier to keep track of what government officials get up to. A similar reform was carried out in Kazakhstan a few years ago as part of a broad effort to centralize power in the hands of President Nursultan Nazarbayev and, simultaneously, to liberalize the market.

But is there really any point in all this? In terms of the current economic ideology, which could be summed up as "father (the state) knows best" -- it's pointless to talk about computerization because it would only make life more difficult for the all-powerful bureaucracy. But Russia is unpredictable. Who knows, someday the government might set Khodorkovsky free, let Berezovsky return home, and implement a standard procedure for government purchases.

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