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The Guidance System for Economic and Social Development and the Unity of the Yugoslav Market*

1. Difficulties in guidance originating in the planning system

By virtue of its basic social and economic mission, planning represents control of economic and social development. To that extent, it is a derivative and component part of the socioeconomic system. It could even be said that the basic characteristics of the economic system in the broader sense (of a socioeconomic system and organization) and in the narrower sense (of a system and conditions of economic activity) find their confirmation in the planning system.

a) Planning is a social relationship. It really represents the projection of the future by the ruling class forces in society. This projection always relates to the expanded reproduction of the material base of the ruling class forces and the progressive reproduction of the existing production relationship on that basis. Considered in that ideological context planning in our economic system is a function of the organization of associated labor. Associated labor is manifested as a group of relationships in which numerous organizations of associated labor enter, organize, and manage. It is natural that by planning, the organizations of associated labor project their future relationships and cooperation in social reproduction.

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Relationships among organizations of associated labor are not, however, under their direct control. To a great extent they are determined by state regulations and numerous functions that the state has even in a self-managed economy and society. Hence, the state is also an actor in the self-management planning system.

Finally, even when the organizations of associated labor themselves determine their mutual relations and when they plan them for the future, and when the state has an important role in arranging and planning those relations, the commodity-monetary character of the economy must be taken into account as an unavoidable attribute of reality.

Planning is therefore (a) a social relationship among organizations of associated labor (b) between them and the state (sociopolitical communities), (c) which is manifested under conditions of a market economy and (d) on the occasion of projecting future economic (simple and expanded reproduction) and social (development of self-management) trends.

As such, self-managed social planning must be unified for the entire Yugoslav economy to the extent that this unity is essential for the economic system as a whole. In view of the federal composition of Yugoslavia and the sovereignty of its republics and autonomy of its provinces, we cannot speak of the unity of the planning system as a closed, finally formed system. As soon as the republics and autonomous provinces are responsible for their own development, they must and do have a certain degree of freedom in planning that development. The responsibility of the republics and provinces for the development of the country as a whole as well undoubtedly imposes a certain minimum of unity in the planning system. Nevertheless, the circle of questions which must be treated uniformly in the planning system is open and changeable. This is discussed further below.

The foregoing presentation points also to the responsibility for carrying out plans, which must always be located with the parties who formulated them.

All questions by which planning is characterized as a social relationship are most directly connected with the unity of the Yugoslav market, which in the introductory part of the study was expressed as the economic reflection of Yugoslav cooperation.

b) The subject of planning is also marked by the character of a social relationship, although this "connection" should be considered in a relative sense. At the macroeconomic level, the subject of planning is

the whole of social reproduction in any socioeconomic system whatsoever. This means that planning must include the aggregates of material production, their sectoral origin, dynamics and factors of their growth, international trade, etc. Considered from this angle, planning does not have to carry the stamp of the social relations within which it is carried out. However, planned growth and the proportions of social reproduction presuppose an institutional arsenal by which their implementation should be supported and ensured. Thus, the subject of planning—measures and instruments of economic policy—grows out of social relationships themselves.

At the level of economic units, planning includes the value categories whose maximization they strive for as producers for the market. Hence, the planning of income remains the main subject of planning of our organizations of associated labor in contrast to the planning of profit that appears in some other market economy systems. From there at the microeconomic level, the social relationship again grows as a global framework in our *differentia specifica*, in relation to other planning systems. It should be emphasized at this point that income as a subject of planning is a market category, that is, it appears as the nominal expression of the economic unit's results of production, and that many risks are hidden in this fact for the success of planning in general.

Probably the most complicated question of our planning system is ensuring the functional unity of planning at the federal level with planning at the level of the republics and autonomous provinces, and, within the framework of the latter, how to make their plans a functional synthesis of the plans of communes (local governments) and of organizations of associated labor.

c) The methodology of planning is strictly a matter of expertise. To be sure, all planning methods are not equally usable in all planning systems. Nevertheless, various methods of extrapolating trends, input-output analysis, economic balances differing in purpose and in construction, various models for the dynamics of aggregate variables and for the structural relationships within and between them are entirely appropriate in a self-managed system of planning.

1.1. Planning as a social relationship

In the social sense, planning in Yugoslavia is an obligation of all self-managed organizations and sociopolitical communities. Its basic pur-

pose is to enable working people to achieve control over the whole of social reproduction, to master the conditions and results of their work. Planning starts with the basic postulate of the economic system that the basic organization of associated labor comprises the cell of the organizational structure of the Yugoslav economy and society. Associated labor, however, represents a complex web of relationships into which basic organizations enter. As such, the latter are the actors in commodity-monetary (buying and selling) transactions in the market, but also the actors in association, which constitutes the socialist and self-managed regulation of the system. As an organized activity based on agreements of the organization of associated labor, planning is among other things called upon to overcome the random operation of the market. In that sense it also represents the organized guarantee of the unity of the Yugoslav market. The basic organization in such a planning system claims to be, by the nature of things, the basic carrier of the planning function and, accordingly, the guarantor of the unity of the Yugoslav market. In order for it to be that in fact, its maximal linkage with other basic organizations within work and complex organizations—on a reproductive basis—is essential. It is therefore essential for associated labor to represent the organic unity of various mutually linked associations of basic organizations. That condition, however, has not been fulfilled. Moreover, its fulfillment will represent an entire epoch in the development of the socialist self-managed society. Placing basic organizations in the center of the process of self-management planning in essence means the idealization of that system, its departure from the reality to which it should be applied. It is hardly possible to expect at all that a planning system would function effectively if its main components consist of thousands and thousands of basic organizations, if it is founded on several thousand agreements on the bases of the plan which do not require the plan's implementation, and if the final plans at the level of the sociopolitical communities represent an abstract and wishful projection of the future lacking firm connections with the plans of the organizations of associated labor.

As a rule, planning is above all the planning of expanded reproduction. But this should be carried out in the economic system by means of the self-managed association of labor and resources. The latter, however, is still on the very periphery of social forms of mobility and of concentration of social capital accumulation. This in itself indicates that associated labor, and within it, in particular, the basic organizations, have not become reliable planners in social dimensions. There

are several reasons for this, and we shall not go into them here. We emphasize only that planning as a reality lags behind planning as a concept for the same reasons that some important objectives of the system (social property, distribution according to work, income determination) have difficulty obtaining their practical affirmation. Before we approach any sort of adaptation of the planning system to actual needs of the economy and society, we ought to reexamine the entire economic system, and within it, in particular, the functions and powers of basic organizations of associated labor.

Since the basic organizations have not been confirmed as the true actors in self-managed social planning—for, previously, neither were the basic social determinations about the inalienability from them of income and surplus labor (profits) confirmed, and they remained to a large extent lacking in mutual reproductive linkages and closed off to mutual cooperation founded on agreements—the sociopolitical communities appear to us as the basic planning bodies.

The Yugoslav Constitution and the Law on the Foundations of the Social Planning System establish as the goals of the plans made by the sociopolitical communities the determination of (a) a common development policy and (b) directions and frameworks for adopting economic policy measures and administrative and organizational measures by which the conditions for carrying out the plans will be ensured (Article 71, paragraph 2 of the Constitution). These plans are based on a network of previously concluded self-management understandings and agreements concerning the foundations of the plans and on the previously adopted plans and development programs of self-managed organizations. The entire planning procedure is given as a very complicated social process oriented to offering the possibility to every economic and social decision-making unit of planning and programming its development (by means of the completely free manifestation of its interest in cooperation with others, expressed in self-management agreements and social contracts). This planning is based on the principle of simultaneity, by which priority according to importance and level of organization of any participant in the process is rejected. This principle presupposes that the planning organizations simultaneously perceive their developmental opportunities, harmonize their development ambitions, and thus also simultaneously adopt their plans. Planning according to the principle of simultaneity is possible only along with a perfectly functioning information system (the timely flow and sending of information and the planning units' ability to subject infor-

mation quickly and efficiently to processing the transformation into decisions). In such planning all the interests of participants in it are treated equally. A hierarchy of interests, an order of priorities, is excluded.

Finally, the planning system is placed in relation to the market so that it suppresses the market's random operation, and, accordingly, it has an indirectly antipathetic, if not negative, relationship to the market.

The above described planning can hardly function at all as a social relationship. It is a matter precisely of its manifestation as a collection of declarations in whose humanistic and ideological foundation, and, accordingly, also its visionary validity, there should be no doubt. Economics, however, is not and cannot be only or primarily a matter of ethics. It is a proving ground of competition among the most diverse partial and special interests. Planning is called upon to provide a possibility for the emergence of the general and common interest, to ensure the primacy of its interest over special interests. It is also called upon to place short-term and cyclical interests in the service of long-term interests. Finally, in it local interests must be in the service of broad regional communities, and the interests of the latter must be economically subordinated to the interests of the country as a whole. The described planning system does not ensure this.

First, it is oriented more to the economic policy (self-management) aspect than to the developmental aspect of planning. It emphasizes more the workers' control over the whole process of reproduction than the dynamic developmental flows of reproduction. The former is not achieved for several reasons, into which we shall not enter here, and the latter is not the focus of attention. Self-management, however, is economically confirmed only if all of society's development potentials are activated. Failing that, it limits the possibilities of even its own progress.

Second, agreement and contracting as the basis of planning are undoubtedly called upon to include the broadest labor base in the planning (and that means managerial) process. The process, however, is carried out slowly and appears as a painstaking and protracted negotiation, ending with unrealistic compromises. Consequently, the agreements and contracts are not carried out. In the process of their implementation, the partial interests that did not find a place, that were not accepted by the partners in the negotiations, again emerge. The organizations of associated labor manifest cooperation in the process of reaching agreements, but in practice they act as commodity producers.

Third, it is impossible to provide the informational basis for accurate forecasting based on comprehensive agreements and contracts. Neither is the complete control of information by the participants in the process of agreeing and contracting, which represents the basic social context of self-management planning, possible. Either essential information is lacking, or the volume of information is too large and unselective, so that in both cases there is no objective basis for a valid choice among development solutions with which the participants in the process of agreement and planning are confronted.

Fourth, the participants in agreement, contracting, and planning have unequal economic power and opportunities. When republics (and autonomous provinces) negotiate at the federal level or independently of the federation, the equality of the participants is guaranteed by the political system. These guarantees are absent in negotiations among organizations of associated labor, and as a rule those with greater power and capabilities are in a position to dictate the conditions under which the process unfolds, and to impose solutions.

Fifth, agreements and the planning based on them are a very expensive social process. First of all, it requires the collection of an enormous mass of information, which in itself already imposes large costs. This engages enormous human potential in the processing of information and defining on the basis of it their own negotiating positions. It further requires the engagement of the most creative personnel of the organizations of associated labor in the very process of finding compromise solutions in which all interests can be included. If, however, even the best agreement or contract is not carried out, then all the costs of its formulation and adoption appear as a pure loss, as a dissipation of social labor and resources.

Self-management agreement and social contracting on the bases of the plans of self-managed organizations and sociopolitical communities have the function in the planning system of placing total social reproduction under control, leaving no room for manifestation of the market. Thus, parallel with the prevention of the spontaneous influence and negative consequences of the market, its function of rational economic pressure for more efficient economic activity is also prevented. Not only is the appearance of the organization of associated labor in a unified Yugoslav economic space limited by agreements and contracts, but its choice of partners for business buying and selling transactions is also limited even within narrower regional entities. Once concluded, the agreement limits business transactions to the partners—the signa-

ories of the agreement—thus limiting the freedom of each of them to behave economically as commodity producers. Since the market being is built into them already by the very totality of conditions that commodity production makes inevitable, failure to honor agreements also appears as an inevitable manifestation of a market economy.

It would be redundant to mention how the comprehensiveness of agreement and contracting through the negation of the market in general also negates Yugoslav unity.

Sixth, in view of the overall status of planning in organizations of associated labor, and among other things the fact that many basic and work organizations which are unintegrated (unassociated and isolated) adopt plans only in order to satisfy legal obligations, planning at the level of sociopolitical communities, above all republics and provinces, is not in essence a function and result of the planning activity of associated labor.

Seventh, the plan at the level of the federation is an agreement of the republics and provinces on the social development of the country for a five-year period. It is further based on the agreements on the foundations of the social plans of republics and autonomous provinces, on the agreements and contracts on the bases of the plans, and on the plans of the organizations of associated labor and local communities. In the same way, agreements on the plan foundations, and the plans themselves of self-managed organizations and of "lower" sociopolitical communities, underlie the plans of other sociopolitical communities. The entire system, therefore, flows gradually from associated labor and from its basic cell and ends at the federal level. The principle of simultaneity nevertheless appears as the prior adoption of plans at the "lower" levels of organization to the adoption of plans at the "higher" levels. This naturally has unfavorable consequences for the quality of the plans at both the "higher" and "lower" levels. The entire planning system according to the above procedure in its essential values is determined by the quality of the plans of organizations of associated labor. Bearing in mind that the organizations of associated labor do not control surplus labor, that they are themselves insufficiently linked, that self-managed association of labor and resources is undeveloped, so in essence planning in practice deviates from its basic concept: the sociopolitical communities, and not associated labor, play the major role in it.

At the federal level, the plan, as cited in the Law on the Foundations of the Planning System and on the Social Plan of Yugoslavia (Article 100), presupposes the unity of the Yugoslav market. In the same article,

the areas that must be covered by the plan are cited: the development of self-management, harmonious and dynamic economic development, equality and stability of the conditions of economic activity, inclusion of the country in the international division of labor, etc. The contents of the plan thus remain imprecisely defined. Some essential economic categories and relations in the domains of production and distribution are not an obligatory element of the plan's content.

Finally, priorities to a great extent in and of themselves give sense to planning to the degree that the object of planning is development. The Law on the Foundations of the System of Social Planning and on the Social Plan of Yugoslavia does not devote attention to them.

It is obvious that the state of planning cannot be satisfactory insofar as the basic concept of planning is not appropriate to the actual condition of relations in society. If plans do not mobilize the planners for their implementation, if developmental trends move autonomously and at variance with the planned trends, if no one is responsible for carrying out plans (that is, if all the planners are collectively responsible and no one in particular or individually), then planning in essence represents a huge cost for the economy, which, like every expense without results, has a destabilizing effect.

It is hardly possible in such conditions to expect good results from the planning system in strengthening and developing the unity of the Yugoslav market. Let us mention in this connection only the lateness of the social contracts of the republics and provinces on which the federal plan is supposed to be based, and the uncertainty in attaining these contracts even after the adoption of the "federal" plan which nonetheless presupposes them.

1.2. On the object of planning and the content of plans

The object of planning emerges from the very nature of the economic system, which is consistently carried over to the planning system. Logically, the basic planning unit is the basic organization of associated labor, and the object of its planning is the income which yields the sense and goal of its economic activity, and whose achievement is the condition of its survival. Another object of planning cited in the above mentioned law is the "conditions and foundations for earning and increasing income," and the categories derived from income, such as personal incomes, allocations for communal and general consumption, and for broadening the material basis of associated labor [i.e., new investment—*Trans.*]. It goes without saying that within the framework

of the conditions for earning income, the planning system particularly emphasizes the self-managed association of labor and resources and makes this the focus of the plans of the organizations of associated labor. This naturally can and should be the basic factor as well of inter-republic-provincial economic flows as the expression of the unity of the Yugoslav market. Sociopolitical communities must honor that factor and forecast a policy in their plans by which this would be achieved.

It remains the case, however, that macroeconomic categories and relations are not precisely included in the Law on the Foundations of the Planning System and on the Social Plan of Yugoslavia. General macroeconomic regulations of the planning objectives such as the "development of society's productive forces," "inclusion in the international division of labor," "the whole of social reproduction," etc., cannot be a substitute for such categories as employment and basic production funds, the relationships of saving and consumption, the overall regional and sectoral structure of investment, the proportions of economic and noneconomic fixed investment, and the proportions between exports and imports. Changes in the cited variables should be forecasted in the law as its obligatory macroeconomic content both in nominal terms (in current prices, which also presupposes the planning of price changes) and in real terms (constant prices of the year preceding the planning period or some other chosen year). By this means, of course, the unity of the Yugoslav economy would be confirmed in the planning itself, that is in the federal plan, but the same categories ought to enter the content of the plans (as an object of planning) of the republics, provinces, regional local government associations and the local governments themselves.¹

It would be of particular importance to the unity of the Yugoslav market for inter-republic-provincial commercial flows to become an object of planning at the federal level.

Finally, at the level of the organizations of associated labor, planning should separate the sources of income into those which are an expression of real factors (increases of employment and productivity of labor, introduction of new and fuller utilization of existing capacities of production) and those which derive from price increases, changes (nominal or actual) in product assortments, income shares derived from the pooling of finances, interest, exchange rate variations, etc. Most important of all is to "free" the income of the organization of associated labor from the attribute that it derives from work when its

acquisition is not dependent upon the current work of the labor collective. All this need not have direct significance for the influence of planning on the unity of the Yugoslav market, but to the extent that it increases the "managerial capacity" of planning, it would surely contribute toward planning by bringing about, at least indirectly, clearer relationships and the economic linking of organizations of associated labor in a unified Yugoslav economic arena.

1.3. Some other "gaps" in the planning system

The obligation of the Federal Executive Council to prescribe the planning methodology and the minimum planning indicators is provided for in the Law on the Foundations of the Planning System and on the Social Plan of Yugoslavia. This was discussed above in part 1 of this article.

Here, however, we would like to call attention to the neglect of a scholarly foundation for economic planning at the national level. The expert and scholarly aspects of planning lie in the shadow of the agreements of republics and provinces and under the pressure of their interests. Hence, the unified Yugoslav interest appears in the federal plan merely as the derivative of the equality of interests of the republics and provinces.

Scholarly institutions which could and ought to be active participants in preparing the social plans are under the sponsorship of republic and provincial bodies (including the republic and provincial self-managed interest communities for scholarship). Research is ordered from them according to ad hoc needs. There is not a single "federal" economic analysis organization which would have the Yugoslav economy as a whole as the subject of research work and which would systematically engage in the study of its developmental processes and the functioning of its institutional mechanisms. Consequently, Yugoslavia lacks developed forecasting activity as well as futuristic studies of development for two or three decades ahead.² Without developed forecasting, there can be no effective planning at macroeconomic levels, nor at the level of regions or sectors. Only forecasting opens up options of development and offers planning the possibility of choice, and economic policy the possibility of supporting the chosen solutions. Only forecasting can be a more or less reliable basis for the long-term planning of the economic and social development of the country. Article 11 of the Law on the Foundations of the Planning System and on the Social Plan of Yugoslavia provides for the adoption of long-term devel-

opment plans for a period of ten or more years. Long-term plans ought to be a "basic and general orientation for determining the medium-term plans and for the behavior of all those responsible for social planning." Since, however, we have no economic research organization at the Yugoslav level for the study of Yugoslav development and for forecasting its trends, naturally neither do we have this for the long-term development of the country.

The principle of continuous planning presupposes a continuous system for monitoring the fulfillment of the medium-term plan, but simultaneously also the extension of developmental horizons for a year at the end of every year. This naturally does not mean that every year we would have to adopt a new medium-term plan that would move the period to which the current medium-term plan relates by one year. It is a matter, however, of needing every year to have a vision of the future for at least five years to underlie forecasting. Likewise, in the case of long run plans, it would be worthwhile at the end of every medium-term planning period to extend the vision of long-term development by a forecast of economic possibilities and trends for five years.

Economic forecasting would thus improve the quality of planning and enable its continuity.

Naturally, we can also explain in part the segmentation of Yugoslavia's economic space, the regional barriers and structural disproportions, the insufficiently utilized domestic sources and high import dependence and through that the disunity of the Yugoslav market, by the absence of long-term forecasting and on that basis also of long-term planning of the growth and development of the Yugoslav economy.³

The problem is by no means solved by individual republics or provinces occasionally undertaking the elaboration, in "republic" or "provincial" institutes, of long-term conceptions of their economic and social development. These efforts undoubtedly deserve attention and recognition. However, they are not the fruit of systematic and continuous work, but rather are the responses of institutes to the commissions of the planning institutions of republics and autonomous provinces and of their representative and executive bodies. Even if they were the result of lasting and systematic work, they could not be a substitute for similar work at the Yugoslav level. This work of an institute at the Yugoslav level, which would be relieved of the political influences of republics and provinces and whose staffing would be based exclusively on scholarly qualifications and capabilities (without

any kind of regional and ethnic quota), would also be of great importance for the strengthening of the unity of the Yugoslav economy and market. All objections concerning the possible centralistic and unitaristic character of such an institution disappear by the mere fact that major economic decisions are not made in institutes, and the institute's responsibility is limited to providing reliable information to the decision makers. We shall not dwell on this idea further, except to emphasize that our federal structure and organization do not have to, and should not, be unconditionally transferred to scholarly work.

2. (Non)fulfillment of planning goals and the (dis)unity of the Yugoslav market

1. We have already emphasized above that planning is a correlate of the economic system and, as such, can be effective to the extent that the economic system in its narrower sense (as a system and conditions of economic activity) is generally efficient. To that extent, all factors with respect to the achievement of plans (positive or negative) can be ascribed to the strengths or inadequacies in the planning system itself. The above presentation, however, has shown that part of the difficulties in implementing plans lies in the planning system itself.

It would be redundant to demonstrate that the planned and actual economic trends are at variance. For the previous five-year period (1976-1980), when the current system of planning was not yet in force, there was an approximate correspondence of planned and achieved growth rates of social product and industrial production.⁴

Growth of social product was planned at an average annual level of 7%, and in exceptionally difficult conditions at 5%. The achieved growth rate was 5.7%. The same indicators for industrial production amounted to 8, 6, and 6.9%, respectively. The planned growth rates for employment were exceeded (3.5% and 4%). The planned growth rate of agricultural production was underfulfilled (4 and 1.9%).⁵

Economic growth in the previous five-year period up to 1979 proceeded very rapidly. Growth rates in successive years were 3.9, 8.0, 6.0, and 7.0%. The planned growth rate for the five-year period would have been exceeded had it not fallen to 2.3% in 1980.⁶ However, growth in the previous five-year period proceeded along with a high deficit in the balance of payments, which in all years (except 1976) exceeded a billion dollars and in 1979 even amounted to 3.7 billion dollars.⁷ This is the result of the large variance between planned and

actual growth rates of exports and imports of goods and services (the planned rate of growth for exports was 14%, and the actual rate 2.9%; the same figures for imports were 10 and 0.2%*).

Changes in the structure of production were not achieved in a satisfactory way, and the problems were carried over in a more severe form to the period 1981–1985. Particular attention was devoted in the plan to the development of a unified Yugoslav market, but the course of plan implementation with its sharpening of structural disproportions proved unfavorable for that. A whole series of declarative positions about support for the development of the Yugoslav market's unity were not confirmed in practice. Indeed, greater reliance on the market failed to develop, the role of associated labor in the sphere of expanded reproduction did not increase, self-managed association of labor and resources was not more completely confirmed as social practice, and more harmonious relationships between supplies of goods and purchasing power did not take shape, although perceptible improvements in the overall status of these problems were announced in the Social Plan.

In view of the slowdown of growth in 1980 and the accumulation of foreign debt during four years of the last five-year plan (in 1976 the balance of payments was positive), and the ever-decreasing possibilities of basing economic growth on a high balance of payments deficit in the Social Plan for the Development of Yugoslavia for the Period 1981–1985, rather modest developmental tasks were posited in comparison with earlier social plans. Nevertheless, they were unrealistically ambitious in view of the possibilities for their achievement. Thus, the plan anticipated that social product and industrial and agricultural production would grow at an average annual rate of 4.5, 5.0, and 4.5%, respectively. The growth of social product would be derived from the growth in employment—2.5%—and an increase in productivity—2.5%. It was anticipated in the plan that exports would grow by 8% annually in real terms, and imports by only 1%. There exists a severely restrictive relationship toward all indicators of domestic final consumption in the plan, although a selective approach is taken. An average annual growth of total final consumption of 2.7% would be significantly slower than the planned growth of social product (4.0%). This difference is dictated by the reduced possibilities of using foreign capital and the maturation of relatively large repayments of earlier

**Translator's note*—It is not clear which figure represents exports and which represents imports; the original text mistakenly prints export twice.

debts. In the framework of the above growth of total final consumption, it was anticipated that its individual categories would on the average grow according to the following annual rates: standard of living—2.7%, material costs of communal consumption—2.5%, general consumption—1.5%, economic investments—2.3%. Noneconomic investments were to remain at the level of 1980, while contributions to material reserves were to increase by an annual average of 4.1%.⁸

Economic trends in the first three years of the plan's "implementation" rendered the above-planned forecasts entirely irrelevant.

That is, the plan is not being carried out. The following indicators will serve as evidence: (a) social product in 1981 and 1982 grew by 1.5 and 0.8%, respectively, and fell by 1.3% in 1983; (b) after modest growth in 1981, industrial production stagnated in 1982, and in 1983 rose again (but only by 1.3%); (c) agricultural production contributed by its growth in 1981 and 1982 to the positive growth rate of total social product, but in 1983 its physical volume was less than in 1982 by 2.1%; (d) employment in the socialized sector increased during 1982-1983 at growth rates of 2.8, 2.3, and 2.0%. In the same order, the growth rates of social product in the socialized sector of the economy amounted to 1.3, 0.1, and 1.3%. It follows, of course, that negative growth rates of labor productivity in the socialized sector of the economy resulted, amounting in "ascending" order to 1.5, 2.2, and 3.3%; (e) negative growth rates were recorded in fixed investment, personal consumption, and the social standard (that is, the standard of living as a whole); and (f) in foreign trade, exports rose faster than imports, resulting in deficit reductions in 1981 and 1982 and a minimal surplus in the balance of payments in 1983.⁹

A certain variance between planned and actual flows of social reproduction is a "normal" and unavoidable phenomenon. It "testifies" to the stochastic, that is objectively unpredictable, character of economic processes and, as such, is characteristic of all countries, no matter how developed their planning mechanisms are. However, variances of flows that have the same direction of movement are objectively conditioned. When variances occur with the opposite directions of movement, then indeed planning and the overall managerial and guidance mechanisms of the economy have serious weaknesses.

In the case of the current medium-term development plan for our country, not only are the actual economic flows out of step with the planned flows, but in some important aspects even the directions of the planned and actual flows are opposite. Society and the economy are no longer preoccupied with carrying out the current medium-term plan

but with implementing the Long-Term Program of Economic Stabilization. In an offprint of that program, "Strategy and Bases of Development Policy," there is already included a "revision" of the medium-term social plan in the most important developmental parameters for the 1981-1985 period. Indeed, in that offprint there is a "preliminary estimate" that social product and industrial and agricultural production should have average annual growth rates of 1.6, 2.4, and 3.9%. An average annual decline is forecasted for investment (5.5%), the standard of living (0.5%), and material costs of general consumption (3.3%). A modest growth of social product in the socialized sector of the economy (1.4%) should be composed of employment growth (2.7%) and a decline of productivity (1.3%). Exports should increase at a rate of 6.4% and imports at a rate of 2.2%.¹⁰ We will leave these developmental parameters without comment. We cited them only as an illustration of the abandonment of the prevailing medium-term plan of social development.

In the following part of this text, we shall briefly indicate some of the causes for the nonfulfillment of the current medium-term plan. Before that we will call attention to the consequences of that nonfulfillment for a unified Yugoslav market.

First of all, the entire Yugoslav economy embarked on the current medium-term period with huge disproportions in the production and supply structure and with a general disparity between supply and demand. In the period 1976-1980, effective domestic demand exceeded domestic production by 7% (in 1979 this figure was 10%). The essential factors in bridging the gap between supply and demand by increasing supply lagged in the first three years of "implementation" of the plan. First of all, the expected rate of growth of production lagged, then the need to export impoverished both the structure and volume of supply, and finally, the limited possibilities for importing led to its lagging behind demand. Limitations on the side of demand were of less intensity, and because of that effective demand exceeded domestic production by 3.2, 2, and 1% in the first three years of the current medium-term period.¹¹

An overall shortage and structural disequilibrium on the part of supply under market conditions require realistic economic categories of income, amortization, interest rates, and foreign exchange rates. They also require a selective approach to investments. This presupposes the reorientation of producers motivated by income to production of scarce goods, elimination of inefficient production, and liquidation

of those organizations that in harsher conditions of economic activity cannot meet the competition. None of this happens in the Yugoslav economy. On the contrary, in the broken connections in the relationship of economic efficiency—*income*, all producers have a right to existence regardless of their work and efficiency. This right can be acquired and realized only if voluntarism is substituted for the market—by the state of self-managed agreements. This is what happens in our country. Accordingly, we cannot speak of the unity of the Yugoslav market, for it presupposes above all a positive relationship toward the market in general and the risk of the commodity producer, and only then all the other manifestations that represent the unity of the Yugoslav market as the essential form of Yugoslav economic unity.

Since the market has to a great extent been replaced by the operation of sociopolitical communities and by agreements, under conditions of numerous deficits the more lasting, long-term, and general Yugoslav interests have been placed in the shadow of short run, cyclical, and local (communal) and regional (provincial and republic) interests. In such conditions, the total Yugoslav market appears as a complex mosaic of a large number of small, local markets hedged about by the boundaries of communes, autonomous provinces, and republics. In such “markets,” numerous and varied monopolies appear (and monopsonies as well) that always reduce production below what is possible and guarantee income independently of the volume and efficiency of production.

3. Deformations in implementing the system of expanded reproduction and their influence on planning practice

The title of the last part of this article bespeaks the main cause of the nonachievement of (a) the concept of planning; (b) the plans themselves; and (c) the functional difficulties of a unified Yugoslav market. We shall turn our attention to these questions in the part that follows.

(a) The basic content of planning is expanded reproduction, and the basis of the system of expanded reproduction according to our determinations should be the self-managed associations of labor and resources. The organizations of associated labor are the decision-making units for self-managed associations of labor and resources. Through the self-managed associations of labor and resources, the influence of associated labor on all of social reproduction is supposed to be achieved. It is a matter, that is, of linking basic organizations of associated labor, by

means of self-managed associations of labor and resources, into more complex associations of associated labor—work and complex organizations and through them into business associations, associations for planning and business cooperation, self-managed interest communities, various forms and levels of financial organizations, etc. Only associated labor thus organized can carry out the planning functions, and only by such planning in the economy can its macroeconomic and microeconomic dimensions be linked. In this regard we have in mind that an economy is planned to the extent that planning includes the entirety of economic flows (hence, in macroeconomic dimensions), and it is self-management-planned to the extent that associated labor covers the macroeconomic dimension by its planning. Even a superficial glance at the organizational structure of the Yugoslav economy shows that it consists of a complicated mosaic of about 20,000 basic organizations of associated labor (2,450 in 1980, 20,935 in 1982, and 20,519 in 1983) and about 400 complex organizations (373 in 1980, 424 in 1982, and 425 in 1983).¹² For the majority of basic organizations, association is limited to the framework of the work organization, and the majority of work organizations is not at all associated in complex organizations of associated labor. A tendency suddenly sprang up of reducing the role and function of basic and complex organizations of associated labor by strengthening work organizations.

Emphasizing the organizational structure as the precondition of successful self-management planning, not only microeconomic but also macroeconomic, insofar as it is important, above all in more complex forms of organization—in any case larger than the work organization—enables achievement of the communal development program of associated labor and the essential mobility and concentration of accumulation on the bases of self-managed association of labor and resources.

It is obvious that the fragmented organizational structure with loose connections among its units is not suitable for carrying out the concept of self-management planning. Here we are confronted with two undesirable phenomena. One is that a number of organizations of associated labor—those that are not associated with others—do not carry out planning at all. The second is that planning in these organizations is carried out for formal reasons in order to satisfy the obligations imposed on them by the Law on the Foundations of the Planning System. The consequence of this is that the plans of associated labor organizations either are not plans at all, or are not a reliable basis for the plans of sociopolitical communities. It follows that planning at the

level of the sociopolitical communities appears as an autonomous social process independent of the planning of associated labor organizations. This factor is doubly relevant to the question we are considering. First, it contradicts the concept of planning, and second, it contributes to the unreality of social plans. Both these factors have been considered above.

We have already emphasized that the concept of planning from the standpoint of its overall social relevance to a large extent also expresses other social conditions under which planning unfolds. In that sense, the self-managed association of labor and resources represents the institutional and general social starting point of self-management planning. However, for this to unfold in more significant dimensions presupposes (a) that the questions of capital formation are regulated (and unified in the country as a whole); (b) that organizations of associated labor dispose of the major part of accumulation; and (c) that in their investment involvement in the territory of the entire country they are not hindered in any respect by sociopolitical communities. A large number of studies, analyses, and simple observations, as well as the corresponding part of this study, show that the above preconditions are not satisfied. Because these preconditions are not satisfied, self-managed association of labor and resources is undeveloped as a socioeconomic process, and by this fact alone the most important condition for the concept of planning we have adopted to grow into a social practice of planning is lacking.

(b) The noncorrespondence of planned and real development trends is inherent in the economy and society in general, regardless of the extent to which planning has been perfected. Planning is a steering mechanism which the economy and society use to overcome the uncertainty of future economic flows.

As a rule, the planning units must also be responsible for carrying out the plans. They must have the authority to undertake actions that will lead to the approximate achievement of the planned goals. Finally, planning as a development guidance mechanism also presupposes the possibility of the reexamination and changing of plans insofar as changed circumstances make the planned goals and proportions of development unachievable and thus irrelevant.

In our conditions, some essential assumptions for the implementation of plans are not valid. First, plans are not achievable because they are adopted by sociopolitical communities without reference to the plans of associated labor organizations. Second, there is also insuffi-

cient cooperation among sociopolitical communities in the elaboration, adoption, and implementation of plans. Third, there are no social mechanisms in the economic system that would guarantee (a) capital formation in the desired and objectively possible and necessary level for achieving the planned growth of production and (b) the directing of capital (in investment activities) into priority sectors of development. The shortage of domestic capital is covered by borrowing abroad, and the undeveloped self-managed association of labor and resources surrenders the guidance of investment into priority sectors to agreements of republics and provinces. The results are unrealistic planning and the unfulfillment of plans. Planning is a social and economic activity that imposes costs on the economy. When economic movements take the opposite direction from those planned, these costs appear as purely unproductive expenditures of social labor and resources, which is economically and socially more unfavorable than if there hadn't been such planning. And fourth, planning is carried out in conditions of very high inflation as the general expression and barometer of the economy's instability. Slowing the rise of prices is a constant preoccupation of those in society who conduct economic policy. In addition to the unpredictability of inflation, forecasts of its reduction are also unreliable. Planning in such circumstances, both at the level of the associated labor organization and of the sociopolitical communities, already under the influence of that factor, cannot be realistic. This is all the more so since material flows (at least at the level of the associated labor organization) are not suitable as the object of planning, but rather income as a value category. It is sufficient to mention in support of the latter position the fictitious (inflationary) rise in income under conditions of slowing growth of production during recent years and its decline last year.

(c) The disparity between the adopted concept and practice of planning and the large gap between planned and actual developmental trends in and of themselves have a negative influence on the unity of the Yugoslav market. Above all, such unity is practically impossible without effective planning. Without it, the Yugoslav market is reduced to a common market, that is, to the classical freedom assumed by a market for commodity producers (a) to buy and sell goods and services; (b) to undertake investments; and (c) to choose the banks in which they deposit their monetary assets and from which they receive credit—within the entire Yugoslav territory. It is also reduced to the workers' freedom to find employment anywhere in Yugoslavia. It follows from the entire preceding presentation, as well as from the introductory part

of this study in which the constitutional concept of the unity of the Yugoslav market was presented, that it means much more than market freedoms.

It is difficult to treat deformations in the system of expanded reproduction as only phenomena of excesses, as deviations from the system and its norms. The system of expanded reproduction as the entirety of social relations in which associated labor forms capital and other sources of investment financing, and in which investment is based on the self-managed association of labor and resources, does not function in a satisfactory way. It lacks the factors discussed above (uniform criteria of capital formation and use). A unified mechanism for stimulating self-managed associations of labor and resources has not been worked out. Neither is the fragmented structure of the economy suitable. With 2,647 financial organizations and associations in 1983 (in 1976 there were 1,996), the financial organization of associated labor is also fragmented.¹³ It goes without saying that all this makes the sociopolitical communities (each separately) the most organized element of the Yugoslav social structure and the most secure institutional point for the manifestation and defense of various interests. Hence their dominant influence on the totality of decision-making about expanded reproduction. This, naturally, has as its consequence various formal and informal types of interference with the spatial mobility of capital through self-managed associations of labor and resources and, on that basis, the destruction of the unity of the Yugoslav market.

Since the self-managed association of labor and resources as the economic-ideological focus of the system of expanded reproduction has not attained satisfactory scope, the credit relationship has filled the gap, but this has not manifested itself in the form presumed by a market economy. Unrealistic interest rates made room for investments in organizations of associated labor in amounts which significantly exceeded the volume of their capital formation. They also were a disincentive to retaining larger amounts from income for capital accumulation. An unselective approach to investments can be ascribed to them, because of which unprofitable economic projects sprang up. In contrast to the widespread belief that a realistic interest rate would have an inflationary impact, unprofitable investment was caused by unrealistic interest rates. Varied assaults on personal consumption were carried out by an unrealistic interest rate by reducing the value of personal incomes through the rise in the cost of living. Through the unrealistic interest rate and the hypertrophy of credit based on it, the domain of decision-

making about expanded reproduction was shifted from the organization of associated labor to the banks and sociopolitical communities. In a word, the credit relationship appeared in a deformed shape, and instead of being a basis for choice, investment became the way by which unselective investing was made possible. On this basis, disproportions in the economic structure were reproduced. Proliferation of unprofitable projects incapable of competing in the market by the logic of things led to the closing off of the market to local areas, thereby destroying its national unity.

4. Conclusion

The above discussion shows that the implementation of the existing concept of planning founded on the supposition that by it workers in organizations of associated labor should master all of social reproduction, that they control the conditions and results of their own work, represents a long term social process that will occupy an entire epoch in the development of self-management. The operational application of this concept of planning is only partially possible. This naturally means that from the standpoint of the needs of the economy and society, that concept of planning should be changed considerably.

1. The changes ought to include the most important planning problems: decision-makers, mechanisms, objectives, methodology, responsibility, etc. Changes in planning cannot be carried out in isolation. Some important reexaminations of the economic system are called for.

2. For an economy to be planned at all, planning in it must be also macroeconomic and, as such, include the whole of economic flows. Self-management planning assumes that the basic decision-makers of society's economic organization are mutually associated. Only in their association can they be confirmed in the role of planning that surpasses microeconomic frameworks. About 14,000 work organizations in our country lack basic organizations in their structure, which bespeaks the economy's state of disassociation. An insignificant number of work organizations, of which there were 18,317 in our economy in 1983, is associated with a total of 325 complex organizations. This truly indicates the need (a) to situate planning obligations in large business systems and reproduction entireties; (b) to favor association in cases where it is economically justified and abolish its obligatoriness where it is not dictated by the unity of technology, work, and organization (production and commerce); and (c) to guide the rational economic

behavior of unassociated and fragmented basic and work organizations by economic policy and reliance on the market. Each of the three cited factors would contribute more to the unity of the Yugoslav market than the existing solutions in the planning system.

3. The planning mechanism rests on self-management agreement on the bases of the plans of associated labor organizations and on social contracting on the bases of the plans of sociopolitical communities. Formulation of the plans is carried out according to the principle of simultaneity, although in this framework the plans of the "higher levels" rest on the plans of the "lower levels" whose adoption precedes them. The planning procedure is very long, expensive, and (as experience shows) ineffective. The planning system ought to activate to the maximum possible extent the research institutions (especially in the area of economics), who would supply planners with information on the possible dynamics and directions of development. On that basis, long-term forecasting should be developed within the planning system. In that way research would also offer alternative development solutions, on the basis of which associated labor organizations and sociopolitical communities could plan development. In general, it is essential to establish economic forecasting and long-term planning of development. In that light, the principle of the continuity of planning should be developed more fully, as was suggested in the relevant part of the above discussion. Such an approach to planning at the same time also marks the planning of the Yugoslav economy's unity, and by the same token the unity of its market as well.

4. In Yugoslavia there does not exist a single scholarly institution whose subject of research is the Yugoslav economy. Such a scholarly organization should be founded and the corresponding task of constantly studying, forecasting, and projecting the economic development of Yugoslavia entrusted to it. The relevance of this factor to the unity of the Yugoslav economy and market is self-evident.

5. At the macroeconomic level, it is necessary to establish more definitively a system of planning indicators and above all to include in it the proportion of the division of national income into saving and consumption. More important than this is the need to define precisely by the plans the way in which the achievement of this proportion is guaranteed. The Long-Term Program of Economic Stabilization announced the linkage of saving to the volume of social funds; this should also be applied in planning.

6. It would be favorable for planning at the level of the federation,

but also republics and provinces, to include inter-republic and provincial goods flows. This would contribute to a more complete perception of the achievement of a unified Yugoslav market and of the unity of the Yugoslav economy in general.

7. Income and the conditions of acquiring it and individual categories of its earmarked distribution form the object of planning in organizations of associated labor. Income is the result of the operation of numerous factors under whose influence organizations of associated labor conduct business. It would be necessary to reaffirm the indicators of the physical volume of production and of productivity of labor in the plans of organizations of associated labor. In that way they would have to separate the increase in income on the basis of price increases, income from interest, exchange rate differences and, in general, nominal income growth from the increase in income based on the growth of the physical volume of production and higher productivity of labor. This, to be sure, does not have direct importance for the unity of the Yugoslav market, but it can be important for a more realistic perspective of the position of the organization of associated labor in the total economic and social environment, and by that alone also in the unified Yugoslav market.

Notes

1. Social plans contain many of these indicators. Article 27 of the Law on the Foundations of the Planning System and on the Social Plan of Yugoslavia specifies that the "Federal Executive Council . . . prescribes an obligatory uniform methodology and minimum uniform indicators necessary for preparing, adopting, and implementing the plans of self-managed organizations and communities and the plans of sociopolitical communities." Nevertheless, the need remains to define more precisely in the cited Law the object of social planning and the content of social plans.

2. We have not overlooked the fact that a study by O. Kovač, Lj. Madžar, Z. Popov, and D. Stanišić, *Privredni razvoj Jugoslavije do 2000. godine*, was carried out in the Institute of Economic Studies in Belgrade and published by "Ekonomika." As an individual product of a small number of authors and as a one-time act of research, and not a lasting preoccupation, this does not alter the above assertion. Neither did we overlook the "eyeball" judgment of development possibilities in the offprint of the Long-Term Program of Economic Stabilization, *Strategija i osnove politike razvoja*. Nevertheless, we found that this offprint did not arise as the result of more thorough research.

3. We should mention that a conception of the long-term development of Yugoslavia for the period to 1985 was worked out by a consortium of economics institutes at the beginning of the 1970s. The book, *Koncepcija dugoročnog razvoja Jugoslavije za period do 1985. godine*, was published in 1974. That work, however, was not continued, and just at the time when the cited Conception was elaborated, major changes occurred in the international economic environment whose influence

on our economy should have been studied and reacted to in a timely fashion.

4. Naturally, this correspondence can in no way be ascribed to the effectiveness of the planning system that was then in force. High economic growth was achieved thanks above all to uncontrolled importing, whose consequences we were then not aware of either as an economy or a society.

5. Source: *Društveni plan razvoja Jugoslavije za period 1976-1980*, Belgrad: "Službeni list" Publishers, 1976, pp. 18, 20; and *Društveni plan Jug. za period 1981-1985*, Belgrad: "Službeni list" Publishers, 1981, p. 5.

6. Source: *Statistički godišnjak Jugoslavije, 1982*, p. 85.

7. Source: *Bilten Narodne banke Jugoslavije, 1983*, 11, p. 97.

8. *Društveni plan Jugoslavije za period od 1981. do 1985. godine*, section 3.1, pp. 18-21.

9. Source: *Saopštenja Saveznog zavoda za statistiku iz 1983. godine, 1983*, nos. 82, 239, 273; *Ibid.*, 1984, no. 94. See also Tanjug [Press Service] information in *Politika*, January 4, 1984, based on announcements of the Federal Bureau of Statistics.

10. *Četvrta knjiga dokumenata Komisije Saveznih društvenih saveta za probleme ekonomske stabilizacije*, Belgrade: Center for Workers' Self-Management, 1983, p. 232.

11. *Saopštenje Saveznog zavoda za statistiku, 1984*, no. 94.

12. *Ibid.*, 1984, no. 148.

13. *Ibid.*

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