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SELF-MANAGEMENT AND THE PLANNING SYSTEM
IN YUGOSLAVIA WITH SPECIAL REFERENCE
TO INDUSTRY

by

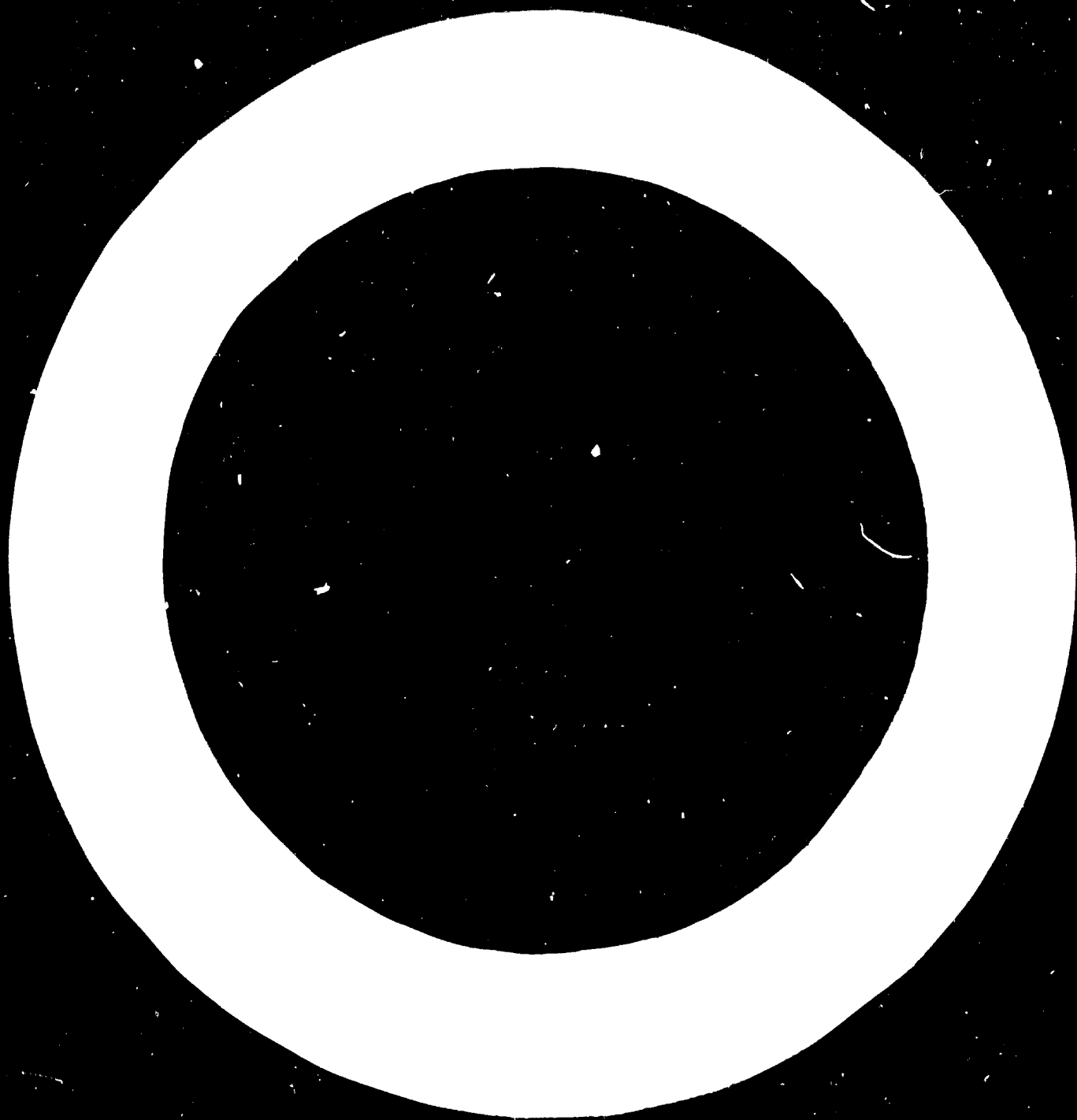
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The Influence of Workers' Management on the Development
of the Yugoslav Planning System

1. The overall planning system, i.e. its character, organization, methods of plan formulation and implementation, are determined by the régime of social ownership of the means of production, and by the system of workers' management, as the basic feature of socialist production relations. The economic system, based on similar relationships and adapted to them, and the economic policy objectives, which are an emanation of the direct interests of policy-makers, also influence the planning system.

2. Through planning, the economic policies are formulated so as to fit the concrete circumstances prevailing at the moment when the plan is drawn up, in accordance with the adopted concepts and economic policy objectives. Thereafter, these policies are elaborated more in detail, for particular fields of production and distribution /particular stages of the social reproduction system/; these policies are carried out in accordance with the activities performed under the existing economic system which is adapted to the existing production relationships. The building up of the system of workers' management is the basic characteristic of the socio-economic system of socialist Yugoslavia. During the twenty years of postwar development of Yugoslavia, more than 3/4 of this period are periods of the workers' management. The definitive introduction of

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the system of workers' management on the entire territory of Yugoslavia begins with the enactment, in 1950, of the Basic Law on the Management of State Enterprises and Trade Associations of a Higher Grade by the Staffs of Workers in Enterprises.

3. Irrespective of the difficulties, retards in development, and many other still existing problems, there is the established fact that workers' management has grown rapidly and become the dominant factor of the Yugoslav socio-economic system. Its material base grew constantly, along with the process of gradual and continuous decentralisation in the conduct of economic affairs and in the allocation of resources. In the wake of this process the functions of central authorities were gradually transferred to decentralised bodies concerned with economic policy matters and to enterprises. More and more the enterprises tended to become the decisive factor in economic life, empowered to make autonomous decisions within the framework of legal provisions. This necessarily led to qualitative changes in the entire economic system. The staffs of workers which began to manage the affairs of their enterprises, became true socialist commodity producers.

4. Under the new order the role of the federation in economic matters is reduced to that of a legislator in economic matters, fixing the main lines of economic legislation, also in financial and monetary matters and foreign trade. The federation's influence on economic development is related to the fact that it commands the instruments of intervention in order to regulate the main economic flows in the development process, and is also empowered to make interventions of a long-term character to speed up the development of less developed areas, and, exceptionally, the development of particular activities, which cannot be exclusively run by the decisions of enterprises.

5. In a setting where the workers' management began to gain the upperhand, the planning system was deprived of its administrative functions and had to be adjusted to new relationships in production. Along with the evolution of the planning system, the theoretical problems were gradually solved. In the Yugoslav economic as well

as political theory, it has been possible to find appropriate solutions to all problems which have arisen during the development process. Today it can be affirmed with many arguments that the basic theoretical solutions were appropriate, and their application gave concrete results.

6. At a relatively early period Marx' reproduction theory has been utilized in Yugoslav planning. In this context we have to deal with Marx' methods utilized in analyses of concrete situations, particular to a given country. The application of Marx' theoretical analysis /more particularly in connection with the incorporation of exports and imports into this analysis/ has enabled the solution of some practical questions, and of all methodological questions relating to the determination, in concreto, of basic analytical magnitudes, sectors and subsectors of the production scheme /utilization pattern and value structure of the gross social product etc./, as well as the method of determination of real savings, etc.

The use of this analysis in drawing up the plans has enabled a real insight into the mutual relationship between the commodity and the value structure of production, and, more particularly, the planning of real accumulation and real relationships between commodity stocks and the purchasing power.

7. In a purely organizational sense the Yugoslav system of social planning is gradually becoming adapted to the conditions prevailing under the system of workers' management, and this concerns both the categories of plans, their content and mutual interrelations, and the social control of plan implementation.

All the institutions and bodies having a say in the formulation of economic policies or those engaged in business have their own plans, but there still are considerable differences between the "social" plans and the plans of enterprises, both as regards their period of duration and their content. The plans of socio-political communities /federation, republics and communes/ are mainly medium-term and short-term plans, but the medium-term plans may also have a long-term foundation, while the role of short-term plans is to provide

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for the implementation of economic policies formulated in the medium-term plans, so that their main emphasis is on the so-called current economic policy measures, through which they may influence the implementation of economy policy objectives. The plans of the enterprises differ among them, dependent on the sector of the economy; in this matter all depends on the decision of the workers' staff.

8. Within the Yugoslav economic system conditions have already been created under which the interests of direct producers, and the realization of their rights in the management of affairs, exert a decisive influence on the country's economic policy, and, hence, on the content of social plans, their main objectives and their implementation. All the plans have the same starting point. This is, in the first place, the unique economic system and the basic common economic policy aims, which are inherent in the economic system, viz. in the system of socio-economic relationships. All the factors playing a role in the formulation of economic policies start from this system and, in connection with and in function of their own interests, formulate their own plans and determine the instruments of their implementation, insofar they are entitled to do this. As a rule there can be no other methods of interconnecting the various kinds of plans, except those freely agreed upon between various independent factors playing a role in the formulation of economic policies.

9. Between the two world wars Yugoslavia has been a backward agricultural country. The little industry she possessed was partly destroyed during the Second World War. Upon the rehabilitation of her economy, during 1945 and 1946, a new process of intensive industrialization set in. At the beginning, more particularly during the 1947-1956 period, industrialization was mainly centred on the construction of basic industry, a fact which has largely contributed to raise the country's capacity for capital accumulation and has enabled the country to build up a proper base for self-sustained growth. Thereafter the objective of economic policy was to achieve a better equilibrium, but industry continued to grow at the speediest rate. As a consequence of this, industry became the dominating sector of the eco-

onomy, with the largest share in national income, destined to grow even more.

Owing to the above importance of industry for the economic development of Yugoslavia after the Second World War, all the changes in the country's social order were closely connected with the system of management. During the first stage, the activities of the planning authorities were centred on industrial planning. At first, the system of workers' management was introduced in industry. As early as 1949 this system began to be introduced in some enterprises, as a trial, and thereafter it was extended to all the enterprises, first of all in manufacturing. Changes in planning methods which occurred under the impact of the system of workers' management were at first noticeable in industry. In fact, all solutions in matters of principle concerning the economic system and planning as such, which were taken under the impact of the workers' management system, appeared at first in industry, and were subject to verification. For this reason all what shall be said in this paper concerning planning under the system of workers' management refers in the first place to industry.

Organization of Planning under the System of Workers' Management

10. The entire organization of planning /procedure, planning organs, and preparation of documents/ is determined by the character of the socio-economic system, and by economic policy objectives. Both formulation and implementation of plans, and of economic policy measures in general, depend on the organization, the character and the content of the basic planning documents, the competence and the working methods utilized by special planning authorities.

11. The organization of planning changes in accordance with the modifications in the character of government administration, this being linked with the changes in its role in running the economy and even in planning. In this connection the entire organization of government is in fact relevant for planning.

In view of similarly close links between the organization of government and organization of planning, the legislation related to the organization of government, and particularly to its functions and to its particular organs concerned with economic matters, constitute the appropriate basis for planning.

Thus, the organization of planning, as a component part of organization of government and administration, exerts an influence upon all other basic elements of planning, i.e. methods utilized in the formulation and implementation of plans, because these both stages of planning depend on the internal organization of planning organs, and on their functions. This is why the organization of planning is of such a considerable importance in the edification of the entire planning system.

12. Along with the evolution of the system of workers' management the planning process continuously tends to become more democratic. Some organizational forms are being introduced involving the possibility for a thorough discussion of drafts and projects of economic plans, and in the wake of this process the plans of republics and communes acquire more importance. Plans and measures for plan implementation are exclusively enacted by the representative bodies, whereas the planning organs /at present the Planning Institutes/ are transformed into expert bodies exclusively concerned with the task of formulating and proposing for enactment the draft plans and the plan implementation measures. Plans have become social plans, five year and annual plans, with emphasis on basic proportions, so that they lose their former character of mandatory directives, and tend to become instruments whose task is to impart a basic orientation to the economy; they also contain some plan implementation measures, because, as a matter of fact, plan implementation presupposes an action of the economic system.

13. The organisation of planning involves organisational forms for the formulation, enactment and implementation of plans, organisation of planning organs and, finally, systematisation of plans according to their kind and their contents.

Dependent on differences in the character of planning under different socio-economic conditions, special procedures have been adopted for the various stages of planning /formulation, enactment and implementation of plans/. In that connection some differences are likely to arise in the organisation of planning. But, in view of the fact that this refers basically to the same object, there is a general scheme to which the organisation of planning must conform, because of the sequence of operations which is common to all the plans.

14. As a rule, the formulation of plans, viz. of other basic documents concerning economic policies, precedes the fixation of economic policy objectives, and the same relates to various research works of an analytical and methodological character. Only after the completion of these operations it will be possible to formulate the basic documents on economic policy measures or to make forecasts concerning development.

15. The formulation of plans, is, first of all, the technical part of planning operations, and, in fact, it is terminated when the corresponding proposals are submitted for adoption /plans, projections, programmes, and other analyses/, completed by other expert bodies. But, as a rule, these documents as such never become mandatory provisions, but are subject to discussions among the factors deciding on economic policy measures; their enactment often requires considerable modification in the drafts and proposals submitted by the experts, often they must be submitted in more than one variant. Only after this has been done the drafts or other documents are adopted and become mandatory rules, and constitute the foundation upon which the policies are built up.

16. Although the main policy-makers act as independent factors in the formulation and enactment of plans, the plans form a unity in the objective sense of the word, because they all are based on a unique economic system, and the staffs of workers in enterprises exert a decisive influence on the formulation and adoption of the plans. The mere fact that the staff of workers in an enterprise has

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the right to dispose of the major part of the earned income, calls for the necessity to start with an analysis of the possible behaviour of these policy-makers and of their interests when a social plan has to be formulated. But, in addition, there is a gradual formation of institutional frameworks, enabling the staffs of workers to decide either directly, or indirectly through their associations, at all the stages of enactment and adoption of the social plans.

17. The implementation of plans is closely linked with their formulation and enactment, because at these stages of the planning procedure the planners must make the necessary analysis of conditions under which the plan becomes the real foundation of economic policies. In this connection, the projections must not only be adjusted to the existing economic policy instruments /economic system/, but, at the same time, it will be necessary to determine what indispensable modifications will have to be brought into these instruments, and the planners must go on with the formulation of special additional measures directly connected with the plan, which are enacted together with the plan, or separately. The implementation of the plan continues to be closely connected with the analysis of effective movements which are compared with the planned targets, so that corresponding decisions must be taken if these movements do not correspond to the true intentions of policy-makers, and, if this is the case, it will be necessary to amend the plans, or to enact some new additional measures. In addition, along with the implementation of the plan it will be necessary to complete final analyses concerning the development of the economy during the corresponding period of the plan, which are of no practical value for current plans, but will serve as an approach to future plans and will be utilized in the formulation of the new plan.

From the above said we may conclude that planning is, by its very nature, a continuous and composite process, where all the stages are interwined. This calls for a corresponding organization capable of assuring the undisturbed march of these and other affairs, which must be carried out in an organised way, if we desire to obtain cor-

responding results in the conduct of general economic policies.

18. In the complex organization of planning a particular place belongs to industry. The planning institution is divided into several sectors and departments, but the central place is held by industry. Thus, for instance, in the Federal Planning Institute the industrial sectors always had the most numerous staff, possessing experts for each industrial branch. In addition, the ministries and, later on, the secretariats for industry are also engaged in planning, in co-operating with the Planning Institute in the formulation of plans. Since recently the economic chambers are also entrusted with some important functions in the formulation of the plan, first of all in assuring the necessary linkage between enterprises, more particularly in industry. Their main role is to arrange a confrontation of views and interests of the enterprises with the views and solutions laid down in the draft plan.

19. In the social plans and other documents where economic policies are formulated, a particular place belongs to industry. In the first place, also in the formulation of the main development targets industry plays a decisive role, and there can hardly be any modification in the structure of production and distribution if industry does not fulfill its targets. In addition, under a special heading or section of the plan, the main targets of industrial production are formulated in detail, as well as the main lines of industrial development, the development of particular branches of industry, the carrying out of investment projects, and the main targets of the most important sectors /for example, the energy sector, basic raw materials, the most important products of the engineering industry, of other manufacturing industry, etc./.

Methods of Plan Formulation

20. Within the planning procedures the formulation of a plan is the work of professionals, and is mainly performed by the experts of the planning institution. But the work of experts cannot be dissociated from the influence of social organs, participating in the planning

procedure, viz. in the process of plan enactment. In view of the fact that the plan is designed to become the basic document serving as a platform for economic policy measures or for measures which will be of some aid in the implementation of economic policies, the formulation of a plan necessitates a continuous cooperation between the experts of the planning institution and the policy-makers. This cooperation will be of diverse intensity during the various stages of plan formulation, dependent on the degree of completion, and this will undoubtedly exert some influence on the degree of independence of the experts, as well as on the methods utilized during the particular stages of the planning operations.

21. The basic stages in plan formulation are the following:

- collecting and preparation of statistical data and other documentation for planning,
- analyses of the economic structure and of economic development,
- projection, in the first approximation,
- final projections,
- dynamic and structural verification of projections,
- choice of variants
- formulation of the final documents of the plan.

22. Preparation of statistical and other documentation is not the fundamental duty of experts of the planning institution, but is the result of work of particular statistical services and other kindred organizations. In that connection, special bodies are concerned with data collecting and processing and with the preparation of the necessary documentation for planning purposes. But the formulation of a plan requires a previous preparation of statistical and other documentation, directly related to planning.

23. Analyses of economic development and of the economic structure are also called dynamic - structural analyses, and analyses of economic movements during the elapsed period. During the process of plan formulation these kinds of analyses are made by the experts of the planning institution, in cooperation with other professional and scientific in-

stitutions, particularly those concerned with some narrow sectors of the economy. A well prepared statistical and other documentation is an indispensable prerequisite for such analyses, as the analyses of economic development and of the economic structure, and a prerequisite for further planning procedures. This analysis has a qualitative and quantitative aspect. The first consists in the analysis of the main tendencies in economic development, and of structural problems, while the second consists in the quantification of the main structural relationships in time-series, on the basis of similar analytical results.

24. The determination of basic assumptions for development projections consists of several elements. There are, in the first place, the given economic-political assumptions, i.e. social objectives and development targets imparting a determined orientation to the experts of planning authorities. The determination of the above objectives and tasks is rendered possible by previous analyses of economic development processes and of the economic structure. Thereafter, assumptions concerning the further evolution of socio-economic relationships must be considered as given, regardless whether they are the result of analyses made by the experts of planning authorities or, what is more often the case, whether they can be attributed to other experts or political factors. Apart from given assumptions, economic and political, the experts of the planning institution work out themselves quantitative-analytical assumptions, which primarily refer to tendencies in the evolution of basic relationships among individual elements of the economic structure, viz. of the economic sector which has formulated the plan. These assumptions can be made in variants, dependent on various circumstances, but their number depends on the character of the plan and on the kind of techniques applied in analysis, which are used in the following planning stage, namely in making development projections.

25. The establishment of the projection in the first approximation is the beginning of the planning procedure in the true sense of the word. All the preceding operations are nothing else but determina-

tion of elements enabling to make the projection. The projections are made for the final stage of the planning period, and, as a general rule, for determined more narrow periods. If we start from the necessity that the plan must be made in several variants, the projections which constitute a first approximation must also be made in several variants. In addition, some variants may be made in various alternatives, and this can be the result of a different conceptual approach, or of different methods used in their formulation. The projections constituting a first approximation, can be either global or partial, so that the one stems from the other, and they can also be made parallelly when one has to deal with autonomous sectors of the economy. Projections constituting a first approximation are made for orientation purposes. Their very aim is to express quantitatively the orientation on development possibilities, viz. the possibilities to change the pattern of commodity production in accordance with the corresponding initial assumptions for various variants. On this basis we may make a choice of variants and mark our preference for one single variant, which shall receive its definitive version, and we may also obtain the elements for modifying the initial assumptions.

26. Final projections are made on the basis of modified assumptions only for those variants that have been accepted as a platform for the formulation of economic policies, so that, in this case, the same procedure, which has been used in making the first approximations to the projection, is used once again. The essential difference is that the final projections are broken down into their structural elements in order to obtain a projection for all the elements of the economic structure, which can latter be utilized as elements of the plan. In that connection changes may occur in global and partial projections, not only in connection with the above mentioned disaggregation, but also in connection with the incorporation of new elements into the global and the partial projections. Here we have included the previous harmonization of global and partial projections. The projection making procedure is, thus, terminated and we approach the final stages of the plan, i.e. the verification of projections, choice of variants and the preparation of final documents.

27. Dynamic and structural verifications of projections are made for all the elements of the economic structure. Dynamic verification is very important, because it helps to determine whether the projections are well founded from a material point of view, and this is done in having recourse to subsequent analyses of the real effects of production on the final results of the development process. Structural verification is a very complex procedure and has several aspects; one of them is the verification of material balances which refers to all areas of production and consumption /means of labour, objects of labours, and objects of consumption/. In addition, there is the financial verification, viz. the completion of a financial balance-sheet and, related to this, systematic verification, which is of major importance. This verification must show the way in which changes in material production entail changes in production relations, namely whether they may be brought into harmony with the existing socio-economic relations. In this way it will be possible to obtain the elements not only for the correction of projections, but also for the correction of several elements of the system itself, this being linked with methods of plan implementation.

28. The formulation and choice of basic variants of the plan is, in fact, the final stage of plan formulation, with the use of methods of quantitative analyses. Even when the final projections are made, associated with dynamic and structural verification, this does not mean, for several reasons, that all the variants of the plan have been worked out. In the first place, the entire procedure of plan formulation is a very composite and relatively long process, during which it is often necessary to determine some new elements, which can modify the assumptions. In doing this it is not indispensable to repeat the entire procedure from the beginning, but, after having completed the final projection, it will be possible to introduce the corresponding corrections. Furthermore, some of the variants consist merely in changing some basic elements of the economic structure, so that they may be completed through a very simple procedure, because a projection has been made for some basic variants. The choice of variants amounts to the determination of variants which will serve

for the formulation of the plan as an official economic policy document. This choice is likely to depend on various considerations, and is not made by the expert body of the planning organization, but by the policy-makers, in cooperation with the planning organs. We may note in this context, that here we have not to deal with variants based on different economic and political concepts. The differences refer to elements which are not of fundamental importance for a given economic policy, but represent various possibilities and alternatives within the complex of the same policies, so that it is an affair of policy-makers to take a final decision about it.

29. The stage of plan formulation is terminated with the drawing up of final documents, i.e. of the plan in the proper sense of the word, its documentation, various annexes, special analyses, etc. This, in the first place, is an affair of organization of planning, because it concerns the contents of the plan, but at the same time, it has a methodological aspect insofar as it concerns the way of formulating the economic policy objectives and tasks, given the public character of these documents. The character of these documents is, namely, such that it demands that the basic objectives, tasks and relationships be clearly defined, and well argued so that they may be understood by all the factors participating in the procedure of plan formulation and plan implementation.

30. During certain stages of plan formulation, planning in the industrial sector is particularly important. Already in the analyses of economic movements for the elapsed period, tendencies in industrial production and relationships in industry and other activities provide the initial elements for projections. Then, in the elaboration of first approximations to projections concerning global development, industry is a field which should be considered as autonomous. There is, namely, a relatively rightful correlation between the evolution in industry and agriculture, on the one hand, and other economic activities, on the other. In this connection the completion of autonomous projections for industry and agriculture enables the preparation of initial global projections for the economy as a whole.

31. Special methods are utilized for sectoral projects. In Yugoslavia, systematic efforts to relate methods of partial analysis and planning with global methods are just at the preliminary stages.

So far, analytical methods and proper methods for projections have been worked out for industry, agriculture, forestry, building industry, transportation, tourist trade, trade and handicraft trades. In addition, analytical methods and methods for making projections have been worked out for the basic categories of consumption: investment, private consumption, and social services, as well as analytical methods and methods for projections in the domain of external economic relations /exports and imports/.

32. As regards partial or sectoral projections, developments in industry hold the main place. Regardless of the degree of aggregation, and of the method which has been utilized in making structural projections, all other projections depend on those which have been prepared for industry. When rough structural projections are made, of the so-called seven-sectoral model, industry is treated as a single sector, but the already mentioned correlation with the evolution of other activities enables that the hypotheses concerning developments in industry determine the other elements in a similar structural projection. As far as structural projections are concerned, which are made on the basis of more elaborate models, in utilizing inter-sectoral input-output techniques, the disaggregated sector is industry. If we have to deal with a fifteen-sectoral model, industry encompasses seven sectors; in a forty-sectoral model twenty sectors are industrial, while in a hundred-sector model the number of industrial sectors is sixty. If we utilize the method of material balances, which generally deals with 150 or more production groups, industry encompasses the largest percentage of groups. Thanks to its central place in an economy, to the degree it is integrated into it, and to relationships of interdependence with other domains and groups through the structural projections referring to industry we may analyze and verify all the other sectors of the economy.

33. Projections concerning regional development constitute a compo-

ment part of the Yugoslav system of projections, and as such they are partly integrated into the general pattern. But in this way it is possible to obtain only the initial assumptions upon which the system of projections concerning regional development shall be based, and for the verification of the fact to what extent the system of general projections may help to implement the economic policy objectives and tasks also in this sphere of planning. Projections and economic plans for the country as a whole /federal plans/ include in themselves the basic elements of projections and plans for other socio-political communities. But, within the framework of Yugoslav economic policies a particular place is given to development policies in respect of less-developed areas, which are a particular field of Yugoslav projection-making and planning. Analytical methods and methods of projection-making applied in respect of these areas, as different from those related to the Yugoslav economy as a whole, are formulated separately. Favourable results have recently been achieved in this field, in view of the fact that original mathematical /econometric/ models have been worked out, which are very useful in concrete planning operations. In addition, in connection with regional planning, and the formulation of the medium-term plan for the period ending 1970, efforts were made to construct some location models for the most important branches. In the construction of these models, methods of linear programming were used. These models enable an objective approach to physical planning, particularly in connection with new constructions, a fact which helps the policy-makers to take rational investment decisions. These models are analytical in that sense that they help solving the problem of the optimum size and location of new plant, in relation to the market, as well as transportation problems concerning raw materials and finished products, so that this analysis can efficiently contribute to the insertion of necessary corrections into the formerly drafted global and partial projections for the economy as a whole.

34. In formulating the plans for regional development, industry holds the main place as in Yugoslav planning in general. If we throw a glance on the overall organization and planning methods, we will

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find a host of arguments for this general statement, because the main regional plans, such as the plans of component republics and communes were drafted in the same way as Yugoslav social plans. This is even more true of plans drafted for less-developed areas. Policies of accelerated development concerning the less-developed areas which are pursued in Yugoslavia since 1957, in using particular methods, are primarily centered on industrialization. Development of less-developed areas starts with the construction of large industrial enterprises in particular areas, which are the promoters of growth and, of the economic and social transformation of these areas. These location models, recently utilized in drafting plans for regional development mainly refer to particular sectors of industry, such as cement steel and aluminium, etc.

Plan Implementation Methods under the System of Workers' Management

35. The very purpose of planning, considered as an economic policy instrument and method, is the implementation of plans. For this reason plan implementation methods are not only an integral part of planning, but its essential, more important part. Namely, the economic policy objectives and tasks, the rate of growth, the shifts in production and consumption, or, in other words, all the elements of a development plan, become reality only through the process of plan implementation. But, as a rule, the results effectively obtained differ, under all the possible social systems, from the objectives set by the plan. This is a permanent feature, both under the system of "directive" and "indicative" planning; as well as under mixed systems. For this reason, the methods of plan implementation have their particular significance in the process of planning and steering economic development.

36. In fixing, through projections, the proportions of the plan one must start from the given system of production relations, and, hence, from the given economic system, through which the social community influences the entire process of social reproduction. In this case

the economic policy instruments are expressed in quantitative indicators, determined by the level of material production forces and by economic policy objectives and tasks. That means that at a higher level of economic development, changes must inevitably occur in the quantitative expression of economic policy instruments. The higher level of development also induces qualitative changes in economic policy instruments; but here we have to deal with problems which, in fact, involve changes in the socio-economic system, i.e. they refer to the "given system of production relations". Starting from this we arrive at the general conclusion that, despite the fact that the economic policy instruments determine, in principle, the proportions of the plan, each development planning of material production necessarily demands analyses and forecasts concerning quantitative changes in economic policy instruments, at the planned level of development. Only in this way it is possible to adjust the proportions of the plan so that they may be brought into harmony with economic policy instruments; this is the basic precondition and the basic method for a normal implementation of economic policy objectives and tasks, formulated in the plan, and quantified in a determined way.

37. Quantitative adjustment of planned proportions so as to fit the economic policy instruments is not of such a high significance in drafting multiannual plans, than in the case of short-term or annual plans. But, if plans with a duration of several years are devised, one must inevitably consider the need for qualitative changes in the economic system, and, in that connection, also the need for changes in economic policy instruments at the highest degree of economic development. If changes are necessary in this period, the initial assumptions in drafting multiannual projections for material production must also be changed, so that this approach needs a built-in quantitative adjustment of the proportions of the plan, to bring them in harmony with economic policy instruments. All the quantitative projections in multiannual plans are made for orientation purposes, and this is particularly true of economic policy instruments, let alone of instruments for plan implementation.

38. In drafting multiannual plans in whatever form this may be, it

will be possible to start from much safer assumptions in quantifying economic policy objectives and tasks, so that the platform for the quantification of economic policy instruments appears much more certain. For one year plans the qualitative aspects of economic policies are already given in the development plans, or through corresponding decisions concerning the economic system, or through other decisions or documents concerning the basic elements of economic policies. Apart from that, as far as the possible material development during the next annual period is concerned, the main factors determining development are given through previous development, so that the existing economic system or the changes which occur under previously taken decisions, determine the possibilities of utilizing these factors. Under similar circumstances the hard core of the plan are material proportions which, in the first place, serve as a basis for quantitative adjustments with economic policy instruments, and, hence, as a basis for the quantification of economic policy instruments. Although the emphasis is on this kind of quantification, one should not underestimate the projections of material production, because quantitative planning of economic policy instruments depends on the degree of their accuracy.

39. If we make analyses of quantitative adjustments of plan proportions in order that they may be brought into harmony with economic policy instruments, we must bear in mind the importance of economic policy instruments in shaping economic development. For this reason, when speaking of quantitative adjustments, and of quantification of economic policy instruments, we must have in view only the indispensable volume of changes, under the assumption that the foundations do not change, nor the quantitative expression of the majority of economic policy instruments. But even if we start from the unrealistic assumption, that there will be no changes even in a single economic policy instrument, it is indispensable to proceed with the harmonization of the plan proportions with economic policy means and instruments, because, at a higher level of development, the global ratios do not necessarily change, so that it will be necessary to determine what kind of changes are likely to occur, and what

kind of economic policy measures should be enacted in order to assure a harmonious development, and the implementation of economic policy objectives and tasks at a given stage of development.

40. Industrial production has the highest share in global production figures and in the formation of national income, and manufactures form the major part of the stock of commodities available for distribution and consumption. Industrial production also plays the major role in the harmonization of balances and of plan proportions with economic policy instruments. At the first stage of this process of harmonization it is important to make proper analyses showing the impact of income distribution decided by the enterprises on the evolution of global social resources, and, hence, on the implementation of the plan related to the formation and distribution of these resources. This system of distribution of the enterprises' revenues concerns primarily the industrial enterprises, and only if the need is felt for such a measure, income distribution in other branches is regulated by special provisions.

41. Quantitative harmonization of plan proportions with economic policy instruments is closely linked with the following plan implementation techniques - analysis of plan implementation, and, first of all, current short-term analysis. The latter provides the necessary elements for decisions concerning the use of economic policy instruments for plan implementation. This analysis may show that the difficulties arising during the implementation of the plan can be attributed to the weaknesses of the plan itself, or to the inadequacy of the economic policy instruments, or to both causes. In this case the corresponding policy-makers may take concrete measures in order to overcome these difficulties, irrespective of the fact whether this can be done in amending the plan itself or through modifications of economic policy means and instruments.

42. A complex analysis of plan implementation upon the termination of the plan period has an other significance. The purpose of this analysis is to help the planners to improve the planning methods in the future, in order to detect the nature of shortcomings which are

the cause that the effective results of planning rest behind the planned targets. We must underline the fact that this analysis basically differs from analyses of the former kind. An analysis of economic development offers concrete analytical elements for projections of economic development, while the analysis of plan implementation enables a critical analysis of planning methods, including the planning of economic policy instruments. Thus the first kind of analyses is devoted to real economic movements, while the second brings estimates on the implementation of the plan, as an economic policy instrument.

43. With quantitative adjustments of the proportions of the plan to fit the economic policy instruments, with analyses of plan implementation and the adoption of corresponding measures, the activities of policy-makers in the field of planning are not exhausted. The entire activity of economic policy-makers is directly connected with planning, insofar this term is related to the formulation of an economic policy document which constitutes a proper basis for the implementation of these policies. The activities of economic policy-makers consist in a systematic analytical work related to planning and plan implementation, in utilizing to this effect modern analytical methods. Apart from that, the policy-makers have to analyze the entire activity in the economic field and to make decisions concerning current problems, in accordance with legal provisions. But, analytical work designed to establish a link between the proportions of the plan and economic policy instruments, and to promote plan implementation, serves as a general platform for exerting influence upon the economic movements, in accordance with the rights and obligations of individual economic policy-makers.

44. In order to make an objective estimate of the results of plan implementation, and of economic policy measures in general, one must start with a comprehensive analysis of economic movements in trying, at the same time, to determine the very causes of developments which have made that the effective results rest behind the planned targets. In doing this it will be necessary to make a systematic classification of the main analytical elements which must be included in the analysis.

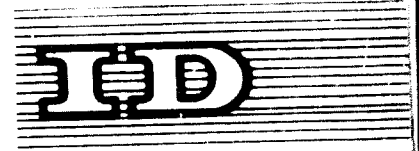
On the basis of analyses concerning the implementation of the basic objectives and tasks, of the tempo and the main directions in plan implementation, of the basic structural changes in the economic system and the conditions under which it is carried out, it will be possible to establish the causes of developments which have made that the effective results of plan implementation differ from planned targets. These causes may be qualified and this renders the analysis objective.

45. The analyses of plan implementation in Yugoslavia, expressed in global indicators, show that there has always been a considerable disparity between the effective results achieved in the process of economic development and planned objectives and tasks /in the quantitative sense/. If there is a lack of systematic, more thorough and more comprehensive analysis, it will not be possible to measure these facts, i.e. to determine to what extent the shortcomings can be attributed to the weaknesses of the plans, or of the economic system, and to what extent they have been conditioned by objective reasons.

But, in making long-term comparisons between the planned objectives, and the results obtained in increasing production, and in producing shifts in the economic structure, we may state the fact that, in the main lines, the planned tempo is attained /with exceptions concerning certain medium-term periods/, and also the planned shifts in the economic structure. The fields, where the plans are the least realistic, are those related to price formation and to the behaviour of market, both domestic and external. Price increases have always been higher than foreseen, and very often the effective flows of exports and imports differed from the planned flows. This can be attributed to a series of factors, but the main cause are the deficiencies of the economic system, and the use of inadequate analytical methods in planning prices and foreign trade. In this field, too, changes for better can be anticipated, after the recent modifications of the economic system.

46. Although the analyses which so far have been made in Yugoslavia

point at the differences between actual economic movements and planned targets, in the domain of industrial production these differences have not been important, except in some cases where they are due to the impact of extra-economic factors. We may conclude from this that planning in industry has been more successful than planning in any other domain. This is particularly shown by the increase in the value of industrial assets. If we consider that the present level of economic development /with a per capita income of 550 US dollars/ substantially differs from the level from which postwar economic development has started, while the economy's capacity for capital accumulation is four times higher than it used to be, and the way in which Yugoslavia is integrated into the international pattern of division of labour differs very much in quality from the former, and if, in addition, we take into account that agricultural production utilizes more modern techniques /so that it will be less exposed to the adverse effects of climatic and other natural elements/, we may be sure that the material conditions under which the Yugoslav industry operates today will most certainly improve, and, as a consequence of this industry will hold an even more important place within the framework of the Yugoslav economy, than it holds today. The conclusion is that planning of industrial production will have an even larger impact on Yugoslav development planning. Within the framework of the Yugoslav system of workers management, the system of incentives is increasingly being expanded, and, owing to this, planning is becoming more and more oriented towards a continuous improvement of living standards; or, in other words, policies are being pursued whose objective is to achieve a continuous improvement of material conditions and of the cultural life of the working people. The existing material conditions and social environment in industry can entail a more rational utilization of available production factors, and facilitate the orientation towards a more successful realization of proclaimed economic policy objectives. The most decisive factor in this domain is the fact that the policy-makers in enterprises are increasingly becoming interested in the success of these policies.



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SELF-MANAGEMENT AND THE PLANNING SYSTEM IN YUGOSLAVIA WITH SPECIAL
REFERENCE TO INDUSTRY

SUMMARY

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Submitted by the Government of Yugoslavia

1. In view of the importance of industrial production in the economic development of Yugoslavia after the Second World War, all changes in the social system of the country have been primarily associated with changes in the system of management of industrial production. In the first phase of development the emphasis of planning was directed to industry. The system of self-management was first promoted in industry as early as 1949 when it was introduced experimentally in some enterprises, to be adopted in all of them in the 1950's. Industry has led in the implementation of the system and consequently, the changes in planning influenced by self-management were to manifest themselves first in relation to industry. Actually, all the general solutions of the economic and planning systems which grew out of the application of self-management were introduced and tested in the sphere of industry first. Therefore, everything contained in this Paper on the subject of planning and self-management primarily relates to industrial production.
2. In the overall organization of planning a special place has been occupied by industry. The planning agencies have a number of sections and departments, and the section on industry holds a central position. For example, in the Federal Institute for Economic (Social) Planning the Industry Sector has always been the most numerous, being staffed with experts for every branch of industrial production. In addition, separate ministries and, later, secretariats, have also concerned themselves with planning and have co-operated with the Institute in the preparation of plans. In recent years chambers of economic development have been prominent in the sphere of planning in co-ordinating the attitudes and interests of economic organizations, especially industrial ones, in connexion with the drafting of economic plans.
3. In the social plans and other documents in which Yugoslav economic policy is formulated special attention is invariably given to industry. In the elaboration of the basic development programme industry holds a

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a crucial place and all the essential structural changes affecting total production and distribution depend in overwhelming measure on the fulfillment of the industrial tasks. Besides, a separate chapter or section of the plan is devoted to elucidating the development tasks involving industrial production, the basic directions of development, the development of particular branches, the realization of various investment projects, and the basic tasks relating to output increases affecting the most important industrial groups (electricity supply, basic raw materials, the most important products of machine building, of processing industries, etc.).

4. The sphere of industry commands particular attention in the different phases of the preparation of social plans. In analysing the economic trends recorded in the elapsed period, the measure of industrial output and its relation to other sectors of the economy provides the guide-lines for projection of the work programme. In preparing the initial projections for overall development, industry is among the domains which are treated autonomously. There is a relatively regular correlation between the movements of industry and agriculture, on the one hand, and the remaining sectors of the economy, on the other. Thus the preparation of autonomous projections for industry and agriculture enables the preparation of aggregate projections for the economy as a whole.

5. In the structural and partial projections areas of planning industry occupies a central place. Whatever the degree of aggregation and the method applied to make the structural projections, all the projections depend upon those for industry. In the case of rough structural projections involving the seven-sector model, industry is only treated as one of the sectors, yet the correlation about the movement of industry and the movement of other domains conditions the remaining elements in such a structural projection. In the case of structural projections prepared on the basis of elaborated models with the application of the intersector (input-output) technique,

industry is dwelled on the most. In the case of a 15-sector model, industry encompasses about 7 of the sectors; in the case of a 40-sector model industry encompasses about 20 of the sectors; and in the case of a 100-sector model industry encompasses over 60 of the sectors. In applying the method of material balancing, which usually involves over 150 or several hundred production groupings, industry covers over 60 per cent of the groupings even in this system of structural itemization and testing of the plan. Its central status and its degree of integration with the national economy, its interdependence with other sectors and groupings provides possibilities for elaborating and testing all the remaining sectors of the economy by means of the structural projections of industry.

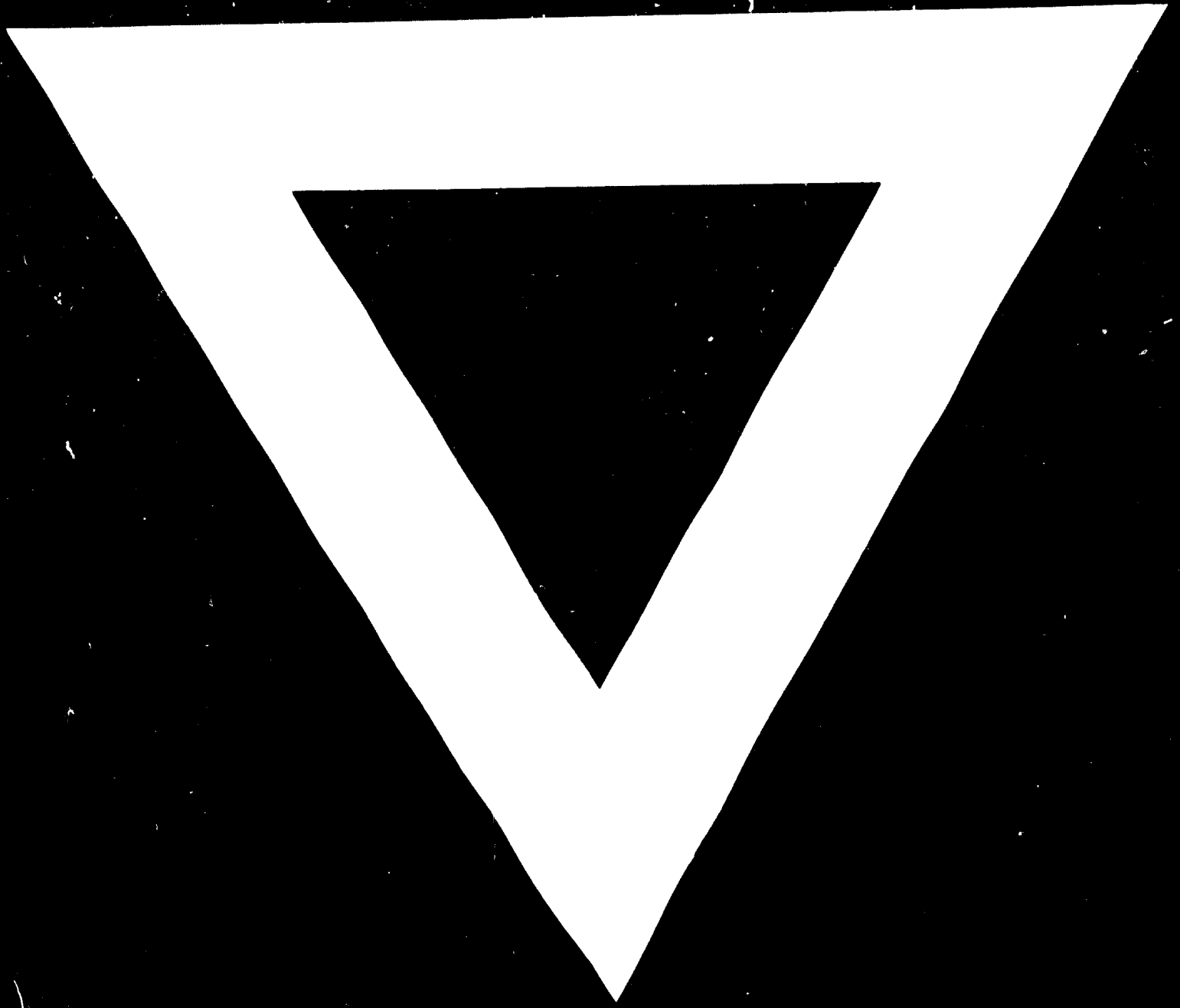
6. In the elaboration of regional development plans industry appears as the most important domain. The general pattern of the planning organization **itself** and the method used explains this fact. The basic regional plans — those affecting the republics, the districts, and the communes — are drawn up on lines similar to those of the all Yugoslavia plans, so that industry appears prominently. However, industry is highlighted even more in preparing development plans for the underdeveloped regions of the country. The policy of quickened development of the underdeveloped regions, which has been pursued in Yugoslavia since 1957 relying on special methods, is primarily based on industry. The development of the underdeveloped regions in Yugoslavia begins with the construction of major industrial projects in particular locations which become the protagonists of a continuing economic development and the economic and social transformation of the region.

7. By virtue of the dominant position of industrial output in the total production and in the national income, and particularly by virtue of the fact that in the net available social means for distribution and consumption the greatest contribution by far is that of industry, it is industry therefore, that commands the greatest importance in balancing and co-ordinating

the proportions of the plan and the instruments of economic policy. In the first phase of keeping the plan in balance the most important consideration is to analyse the effects of the system of distribution of economic organizations' income upon the total available social means and, by extension, upon the realization of the plan of the formation and distribution of this means. This income distribution system of economic organizations primarily refers to industrial enterprises, and such distribution in other sectors is regulated by separate formulae when necessary.

8. Planning has been more successful in the sphere of industrial production than in any other sector. Besides, it is pertinent to stress that industrial production has increased at a very rapid rate since the last war, and has exhibited a comparative stability and steadiness in the process. Considering that the present level of economic development differs essentially from the old post-war one, the savings accumulation power today being about four times higher, the specialization in industry qualitatively different, and farm output experiencing an increasingly modern development, less and less influenced by extra-economic factors, particularly the climatic ones, the established material conditions in the sphere of industrial production are bound to assume a growing importance in the further development of Yugoslav economy. It follows that planning for industrial output will increasingly influence planning for the overall development. The stimulating system of economic operations which is promoted through the Yugoslav self-management system is causing planning to seek more and more the realization of the policy of improving living standards, and the policy of the continuing improvement of the material and cultural conditions of the life of the working people. The existing material and social conditions in the field of industrial production can contribute to an even more rational utilization of the available production factors and to an even more direct orientation of the whole economy towards the realization of the declared aims of economic policy. The decisive factor in this context is the direct interest of the basic protagonists of economic policy in the economic organization established to bring about a realization of that policy.





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