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**BASIC QUESTIONS IN NATIONAL
ECONOMIC PLANNING IN SOCIALISM**

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**INTERREGIONAL TRAINING COURSE
ON INDUSTRIAL PLANNING**

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National economic planning in socialism and the comprehensive system of production and investment planning in industry at the level of the national economy, the industrial branches and the industrial enterprises as a component of national economic planning (long-term prognoses, long-term, medium-term and annual plans)

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National economic planning in socialism and the comprehensive system of production and investment planning in industry at the level of the national economy, the industrial branches and the industrial enterprises as a component of national economic planning (long-term prognoses, long-term, medium-term and annual plans)

1. Planning and the planned character of development constitute indispensable components and characteristic features of all phenomena and processes in a socialist society. This applies to the development of the productive forces and the relations of production as well as to all spheres of the social superstructure (the state, social organizations, ideology, education, culture etc.).

Planning and the planned character of development in the most comprehensive sense represent characteristic features of socialism.

These characteristics of planning and planned development evolve as the transition to socialism proceeds and as the building of socialism is being increasingly completed. This development involves creating the presuppositions and conditions necessary to develop and improve planning.

Some external attributes of planning - particularly those regarding the instruments and mathematical-economic techniques - may already develop in social systems prior to socialism. However, the social and economic benefits that can be derived from the application of such instruments and techniques are limited, if planning is understood exclusively as the application of any such techniques and if the set of social, political and socio-economic conditions renders planning in a comprehensive way impossible at all or restricts its application.

2. One of the general tasks of planning consists in elaborating the objectives as well as the ways and means of future economic and social development.

Though this is a perfectly correct statement, it does not comprise the political and socio-economic content of planning, moreover it results in a number of conclusions which are of general importance for planning the national economy as a whole as well as all its elements:

- A scientific forecast of the objectives as well as the ways and means of future economic development is only possible, provided that the laws underlying the social and economic development are known and increasingly made the subject of scientific investigation.

That presupposes recognition of the fact that such laws exist and that it is possible to understand them with a view to making conscious use of them in planning the national economic development.

- To recognise the need for more detailed knowledge of these laws makes great demands upon analytical activities.

Analysis as an integral part of national economic planning must not be restricted to a description of the current development of the national economic reproduction process and all its components (in its relevant aggregation or disaggregation) and of the level of development achieved so far (in particular by means of relevant statistical indicators). Analysis has to answer the question about the reasons for this development, it has to provide as full explanations as possible.

What particularly matters is the investigation of really existent and essential interrelationships of cause and effect and the factors influencing these interrelationships.

In order to reflect these interrelationships and their changes, national economic analysis has to utilize a system of qualitative indicators (coefficients) as well as methods of statistics

and operations research (e.g. analyses of correlation and regression, factor analysis, input-output tables etc.). The results of analyses enable economists to arrive at conclusions for the future development.

- The knowledge of causal and functional interdependencies in the process of reproduction as well as their changes, which is acquired in this way, comprises the totality of the mode of operation of the laws to be described; it does not, however, give full particulars as to the concrete operation under given circumstances. Information provided by analysis expresses but tendencies.

Consequently, planning based on these tendencies could provide only outline trends as to the economic development. For determining the targets this would necessarily involve taking into account comparatively large tolerances. The range of tolerances would become ever larger as planning extends to cover wider time horizons.

To some extent, such a procedure is justified in drawing up long-term plans (15 - 20 years), and in formulating the first draft outlines in the case of medium-term plans (5 years).

On the other hand, planning cannot be restricted to devise such tendencies.

- Analytical activities have to reveal how the concrete modes of operation have affected the economic laws and to what extent these laws have made themselves felt quantitatively under given circumstances. In addition to that, economists have to study whether, in these modes of operation, there are any changes apparent which may have some importance for the future operation of economic laws.

Thus it is possible to draw conclusions for the future economic development, which in turn makes it possible to reduce the ranges of tolerance in fixing targets.

At the same time, however, we have to recognize that a stochastic element is inherent in all processes of social and economic development. The demand to fix target function in any case and to meet exaggerated requirements with regard to accuracy is not in line with existing conditions.

Orientation data for long-term and medium-term planning which have been acquired in this way provide a sound basis to develop and perfect the pattern of standard norms for planning.

- In predetermining the targets of economic development, the ranges of tolerance can be further reduced by taking into consideration information on such processes that were started in the past and will be completed only in future; attention should also be paid to such processes which are characterized by continuity and long-term effects (the development of science and technology, population growth, reproduction of fixed assets, implementation of large-scale investment projects etc.).

The impact of decisions taken previously with regard to planning is the greater, the shorter the period is which is covered by the plan.

However, such activities are always likely to be selective in character and have to be limited to the major links in the national economic reproduction process.

- Lastly - and this is a point of vital importance - the mental anticipation of an economic development that does not yet exist in reality has to be accomplished bearing in mind the goal and the decisive tasks of overall social development, to complete the building of socialism and to gradually prepare the transition to communism.

The unity of the goals set and the means applied to achieve the objectives of social and economic development are expressed in the main tasks as adopted for example by the XXIV Party Congress of the Communist Party of the USSR and the VIII Party Congress of the Socialist Unity Party of Germany

in the German Democratic Republic. The conscious manner in which the major tasks were drafted, substantiated and have been implemented in planning expresses by means of planning the social interests of the working class and those classes and social strata in alliance with the workers.

It goes without saying that these interests are linked with the objectively existing laws of social and economic development, but, at the same time, they are also directed at making conscious use of these laws in the interest of building the socialist society.

This shows clearly that the subjective factor does play a role in planning and why planning is a task of vital political importance.

Recognising the existence and the operation of this factor and the necessity to take it into account in planning, we realize that the idea of reducing planning to a sequence of mathematical operations is not in keeping with reality and is, therefore, bound to fail.

This does, by no means, exclude that various fields of mathematics may be usefully employed as instruments in planning.

3. The tasks of planning as a real social phenomenon under socialism are not restricted to predetermine the objectives and means of the future economic and social development.

An essential feature of planning is the organizing and mobilizing role it plays - in the most general sense.

Essentially the objective foundation of this role of planning is based on the mode of operation of the economic laws of socialism:

Economic laws exist and manifest themselves in the activities of people and in the relations into which they enter with one another in the process of social production and reproduction, and which are of basic importance for all spheres of social

life. They are expressed in the individual activities of masses of individual personalities that society is composed of, as well as in such relationships between people that are typical of the society concerned.

Hence the utilization of the economic laws of socialism in planning the national economy demands

- to start from such social patterns of thinking and behaviour as are typical of socialism and
- to exert influence on these patterns of thinking and behaviour in order to provide a larger scope for the economic laws of socialism and with a view to ensuring ever fuller compliance with them. This aim is to be pursued in conjunction with complex, scientific, political-ideological and professional as well as technical education.

This leads to the following conclusions necessary to understand planning under socialism:

- The elaboration of the plan has to incorporate not only all the knowledge, experience and interests of classes and strata of society as well as those of large work teams and the people that they consist of but also the elaboration of the plan has to be borne by the working people themselves. This includes the representation of the interests of working people by the central state planning authorities as well as the submitting of plan proposals and improved current plans "from bottom to top".

The elaboration of the plan is a task for the whole of society, it is not a matter for a small number of specialists.

Viewed from this angle, plan elaboration is a gigantic task of organization and mobilization, the content of which is to predetermine the future economic and social development.

- Planning is not completed with the elaboration and approval of the plan documents. The utilization proper of the economic laws takes place within the realities of economic processes

and developments, i.e. in the process of implementing and fulfilling plans, which includes a constant follow-up and analysis of results achieved.

The every-day operative management and implementation of economic policies as well as the decisions made to this end are based on the plan; in fact they represent the final stage of finalizing and concretizing the plan and thus assume a planned character.

Within the process of actual economic development, the elaboration of the plan, its finalization and implementation coalesce, and this process requires the deliberate activities of the whole of society.

The structure and the mode of operation of management and planning under socialism have to meet these requirements. To ensure this, there must be one overall principle to act as a guideline for the further perfection of this system. That is the principle of democratic centralism.

The essence of democratic centralism is that, under socialism, the interests of society as a whole as well as collective and individual interests have both common objectives and common foundations; hence these interests can and must merge to form a unity in planning (planning being regarded here as the unity of elaborating and implementing plans) with the interests of society as a whole given the primacy.

There are concepts that amount to the erroneous alternative, namely, that in building and perfecting socialism the choice is between centrally managed and centrally planned economy or one that is functioning on a "decentralized" foundation. Such concepts result either from ignorance of the essence of democratic centralism or they endeavour to deny this principle. They either overlook or deliberately reject the fact that socialism and socialist economy constitute a homogenous and consistent system which is characterized by socialist ownership in the means of production and the elimination of the

exploitation of man by man and that this organism is not, unlike capitalism/imperialism, split by internal antagonistic contradictions.

If planning is to meet the requirement of acting as an organizing, mobilizing and stimulating factor, there has to be another organizing force that is borne by the working people themselves, thus forming an integral part of socialist society

In these countries where the working class has taken over political power and has been building socialism paving the way for the gradual transition to building communism, the nucleus of that force is represented by the communist and working-class parties. In addition to these there is the socialist state power in these countries, and lastly we have to refer, in this connection, to the mass organizations of the working people, particularly the trade unions.

4. National economic planning under socialism has to achieve far-reaching tasks in predetermining the objectives as well as the ways and means of economic development which includes organizing and stimulating all working people. To accomplish this, a well-organized planning system is required.

There are at least three angles from which to regard its basic structure:

- The object of planning is the national economic reproduction process as a whole including all its elements.

This requires planning the main proportions of the national economy and their development which is expressed in a system of national economic balances.

National economic planning and planning with reference to branches of industry and industrial enterprises also comprises, among other things

- . planning the output as well as the distribution of production,

- . planning labour force, its structure with regard to occupation, qualification and productivity,
- . planning the circulation and utilization of raw material, material and power as well as the development of stocks of raw material and other kinds of material,
- . planning the reproduction of fixed assets and investments,
- . planning research and development,
- . planning the effectiveness of social production,
- . planning wholesale and retail trade in the field of consumer goods and supplies to the population,
- . planning the spheres of social consumption and services and their development,
- . planning the development of living standards and social services for the population,
- . planning exports and imports,
- . planning prime costs and prices as well as the formation, redistribution and utilization of financial funds.

What matters in planning is not only to include all these partial spheres of reproduction, but above all the interrelations existing between them.

The planning of the national economy by sectors and branches in the fields mentioned is supplemented by planning according to the territorial structure.

In all fields the requirements and effects of rapidly developing socialist economic integration have to be taken into consideration.

- Planning is carried out by a system of management operating at different levels and comprising the whole of society:
- . At the top of this system there is central state planning, which is carried out by the supreme people's representation (parliament), the Council of Ministers and various

ministries on the basis of the decisions taken by the communist and working-class parties of the countries concerned which act as guidelines for future developments. The State Planning Commission is an organ of the Council of Ministers.

- . Classed next are those managerial bodies which are responsible for major economic units (branches of industry, industrial combines) or territorial structural units (regions, districts).
- . Classed next are enterprises and institutions which can carry out planning down to the specific job.

As the socialist planned economy has been developing, the basic structural pattern along the three levels outlined has become prevalent.

All these levels perform planning functions and cooperate in the process of elaborating and implementing plans.

In accordance with the principle of democratic centralism, the superior managerial body holds the right to give instructions to the one that is classed next. At the same time the latter is not only entitled and obliged to cooperate in planning at the higher level, but it is responsible, above all, for the efficient management of planning the reproduction process at its own level.

Cooperation between the various levels is effected by

- . such an allocation of responsibilities that the processes to be planned can be properly controlled and all problems arising can be settled in a complex way and with a high degree of competence,
 - . a variety of detailed mutual information during the process of plan elaboration, implementation and preparing the statement on plan implementation.
- Plans are elaborated for different time horizons - virtually on parallel lines.

The main categories of plans are

- . long-term plans covering a period of approximately 15 years,
- . medium-term plans covering five years,
- . annual national economic plans
- . operating plans for periods less than one year.

Whereas long-term and medium-term plans contain the strategy of economic development, annual and operating plans are instruments serving the immediate organization of economic activities. The former are necessary to provide a clear orientation and outlook for the latter. On the other hand, the latter are necessary so that planning does not end at the stage of drafting strategies but turns into a reality that will make for social and economic development.

The interrelation between the former and the latter is ensured, among other things, by subdividing the five-year plan into annual plans and by elaborating annual plans on the basis of statements from the five-year plan; at the same time such amendments as may have become necessary can be made, which in turn leads to improve the five-year plan.

Within the system of planning, five-year plans increasingly tend to hold a central position.

- The various structural aspects of the planning system as outlined above are interlocking and overlapping.

5. The mode of operation of this planning system has to be directed at maintaining or bringing about - ever better and faster - the conformity of collective and individual interests of the working people with social requirements, which play a primary role; this is to be accomplished on the basis of the requirements and possibilities provided by the social and economic development.

The social requirements concerning the development of the national economy are formulated in the all-inclusive national economic plan. The elaboration and implementation of a national economic plan, in which social requirements and the personal and collective interests agree widely, is possible only, if close connection is brought about between central state management and planning of the national economy, self-responsible planning at the level of enterprises and institutions and the initiatives of the working people. This interlocking demands that administrative and economic methods, in particular economic accounting, should be applied simultaneously and jointly in national economic planning.

To elaborate their plans, the industrial enterprises and other bodies responsible for managing economic units are provided by bodies at a higher level with

- basic orientation data on the development of their scope of responsibility in the plan period,
- state plan tasks,
- standard norms and indicators of economic accounting which indicate the conditions of economic efficiency in the sector concerned and
- specific instructions.

The basic task in the further development of the system of management and planning the national economy is to bring about the ever better integration of economic incentives into the planning system; thus all the orientation data, indicators and standard norms given will provide for high efficiency in the national economy without any contradictions. In this way those enterprises and working people that meet social requirements will derive economic advantages, while, on the other hand, deficiencies in plan implementation caused at the level concerned will entail economic disadvantages.

Such a procedure involves that decisions on the plan are compulsory; the plan has assumed the character of a directive after it has been drawn up in a democratic way. The same

applies to legal regulations on the planned use of material and moral incentives with a view to elaborating realistic and ambitious plans as well as to adhering to and overfulfilling the plan targets.

On the other hand the planning system is flexible enough to allow for new conditions that may turn up at short notice. Cases in point may be e.g. the short-term implementation of opportunities of rationalization, above all the differentiated fulfillment of plans in various spheres and branches of the national economy, and disturbances that may originate from foreign trade with other than socialist countries.

The assumption that planning is completed once the plan has been elaborated and that - after approval - it will be implemented no matter how social life keeps changing and developing is not in line with the realities of a socialist planned economy.

On the other hand flexibility does have its limits. These are fixed by the economic resources and potentialities available to the national economy. They may also result from fundamental political and economic objectives that are embedded in imperative demands regarding the social development and which therefore have to be met unconditionally.

6. The features of planning mentioned above may be summed up in three principles:

- the principle of the unity of politics and economy;

For national economic planning, observing the close connection of politics and economy implies that, in all phases of preparing, fixing, implementing and controlling economic tasks and targets, it is the interests of the working class and other working people that provide the starting point from which to proceed. A political approach has to be chosen in fixing and solving economic tasks. Each stage of national economic development is to be designed as part of overall policies.

- the principle of democratic centralism;

What matters here is above all to connect central state planning concerning the fundamental issues of social reproduction and self-responsible planning in enterprises and local government authorities with the initiatives of the working people in shaping and implementing plans. The social reproduction process can only be shaped in a conscious way provided that developed socialist democracy is closely connected with strictly enforced and precisely operating centralism in jointly establishing the targets, implementing the tasks and checking on their accomplishment.

In addition to that, the principle of individual management and personal responsibility of the manager has to be fully enforced in managerial and planning activities, combining with it the active participation of working people in managing and planning the part of the reproduction process concerned. The necessity of one-man management and personal responsibility is a direct result of the requirements of the cooperative labour process of social production. A large number of forms has developed for working people to participate in managing and planning the national economy, such as the collective deliberations to prepare decisions to be made, the delegation of authority to decision-making, the conscious cooperation in preparing and implementing plans, socialist emulation and democratic mass control.

- the principle of applying scientific methods in planning; Planning scientifically calls for consistent orientation on reality, the utilization of the economic laws of socialism operating, including the observance of the manifold requirements of proportionality in the national economy and orientation on the national economic optimum. To achieve this, it is imperative to make full use of the latest results produced by social sciences, economics as well as natural and technical sciences with a view to further improving the national economic plans and perfecting national economic planning, especially the methods and techniques applied.

7. The further development of the techniques used in planning is of essential importance for further developing the scientific foundations of national economic planning.

The quantitative statements made in the plan are presented in the form of indicators, standard norms, balances and models. They form the "frame" of national economic plans and ensure that

- plan tasks are formulated in a sufficiently precise, detailed and unambiguous manner,
- the plan tasks have a specific addressee,
- the consistency of the national economic plan is safeguarded while observing all targets set and paying due attention to given requirements of internal and external proportionality
- the efficiency of national economic development can be measured both as a whole and in its various spheres and
- the fulfilment of individual plan tasks can be controlled and given account of.

Some of the main problems to be solved at present consist in further developing the range of standard norms for plans, improving the efficiency of the system of balance-sheets of material (used to balance sources and uses with respect to specific material or commodities) and product balances (showing supply and use of a product); these forms of balancing have to be more closely connected with the process of decision-making; another case in point is to apply step by step modern techniques of national economic modelling to practical planning.

To illustrate this point, national economic planning in the GDR has gained substantial experience in national economic input-output tables. They comprise a magnitude ranging from 113 to 164 items and are utilized above all in five-year planning. Moreover, a lot of theoretical and experimental work is done here - as is the case in other countries - to

develop input-output balances covering several planning periods (dynamic input-output tables). Studies are also being made to create what is called a "natural - value - input-output balance". This balance is to show the output and the use of products or groups of products in physical terms and simultaneously the commodity production of the various branches expressed in terms of both value and price.

All activities to develop national economic balancing and modelling are subordinated to the demand that decisions and plan calculations covering various phases and spheres of the national economic reproduction process as well as those affecting various managerial levels should be coordinated ever more closely. In the Soviet Union studies are being made to solve this problem; these are of great importance for the development of national economic planning in the GDR, too. They are aimed at developing an automated system of plan calculations which is to be part of an overall concept to develop automated systems for managing and planning the national economy as a whole covering all levels. Other partial systems are designed to cover planning of production, the elements of the production process and other aspects of national economic planning.

8. Intensively extended reproduction is the form of proportional highly effective development of the national economy that is typical of socialism. It is the main way to raise the volume and the quality of output laying the foundation to satisfy the demands of the people better.

A variety of factors influence the intensification of the reproduction process. A direct influence is exerted by economizing the use of various elements of the reproduction process, namely,

- social working faculties
- means of work
- subjects of labour.

Special importance is attributed to those intensifying factors which make social working faculties, means of work and subjects of labour more effective.

They are, among others:

- scientific-technological advance
- the process of socialist economic integration of the CMEA countries.

All intensifying factors mentioned are inseparably linked with one another by a process of interaction. To use them as an enhancement to effectiveness means to improve the quality of planning their interaction as well as the planned application of every factor. This is one of the main current problems in developing further management and planning of the national economy. A comprehensive assessment of the results of all interacting factors of intensification makes high demands on all effectiveness or efficiency calculations in the process of planning. Comprehensive effectiveness calculations are to determine those national economic variants of development which make for an intensively extended reproduction of the national economy at the highest level of effectiveness.

As a result of a careful analysis as to the level of planning the effectiveness of the economy, supported by a thorough evaluation of international experience in the field, an overall concept was elaborated for the future development of effectiveness planning in the GDR. The major component of this overall concept is a pattern of indicators which is consistently applied to effectiveness calculations at all levels of management in the national economy, together with methodological rules for determining and applying these indicators. Thus higher degrees of consistency, comparability and comprehensiveness in establishing, assessing and planning economic effectiveness will be achieved. The effects produced by the different intensifying factors and their combined application are summed up in comprehensive effectiveness calculations. The most important criterion of intensification

is raising the social productivity of labour, i.e. to decrease the total expenditure of living and materialized labour needed to produce a certain share of the national income which must also meet the pattern of demand.

9. The implementation of the "Comprehensive Programme of Socialist Economic Integration of the Member Countries of the Council for Mutual Economic Aid" requires the adjustment of all national systems of management and planning which are concerned. This process is based on the identical political and economic foundation of all countries within the socialist community of states. The main trends consist in an adjustment of management structures and planning systems as well as in utilizing commodity-money relations.

This means

- the creation of comparable structures of information concerning planning and fulfilment reports, systems of indicators, nomenclatures, methodological systems, models and techniques,
- the adjustment of structures and sequences in planning and balancing the economy, the structure and operation of management as well as the means and methods of preparing and making decisions,
- the adjustment of the functions of economic accounting, the system of wages, salaries and monetary stimuli (bonuses), the formation and use of financial funds of enterprises and the corresponding formation of pricing and financial systems.

In the field of planning, the currently highest level of co-operation of the CMEA countries is being developed. This is the joint bilateral and multilateral planning of selected branches of industry and lines of production by the countries interested, which is an early form of joint international planning.

10. The development of socialist national economic planning and its steady improvement have to be understood as a historical process firmly and universally embedded in the process of building and completing the socialist order of society.

In the course of this process the objective foundation of planning is established and developed; its ultimately determining factors are:

- socialist ownership of the means of production as the core of the new socialist relations of production,
- socialist state power which is characterized by the rule of the working class led by its party and in alliance with the peasants and other strata of the working population, and
- the level of development of the productive forces typical of socialism including the formation of the material-technological basis of socialism.

The development and improvement of the foundations of planning is a steadily continuing rather than a limited process. This necessitates the continual improvement of planning.

This in turn is linked with a sustained accumulation of experience in the field of planning and a steadily advancing enlargement of the theory of national economic planning.

The experience gathered by the USSR in this field is of basic importance. The USSR is the country that first built up practical systems of national economic planning. It has always kept exploring new theoretical and practical areas in planning. The Soviet Union developed the planned management of the national economy immediately after the victory of the revolution on the foundation of nationalized big industry, banks, land, foreign trade, transport and communications as well as the biggest trading enterprises. The establishment of workers' control of all enterprises of the country was the first step towards a deliberately organized influence on the course of the national economy.

In the USSR, between 1921 and 1928, all major aspects, elements, forms of organization and methods of socialist planning were conceived in their essence and experimented in field work. One of the main pillars in doing this was to work out and implement the GOELRO plan. This plan, meant to cover a period of 10 to 15 years was not only the first long-term plan to exist in history, but it was also the first universal economic plan to include the country as a whole.

While the GOELRO plan was being worked out, Lenin drew a number of very important conclusions from it for principles and methods of socialist management of the economy, which has a basic effect on the socialist planning system to the present day.

These are

- the necessity of long-term planning covering many years ahead, focussing on decisive complex problems of economic and social development,
- the linking of long-term planning with current planning, which means that current plans have to be worked out on the basis of long-term planning,
- the safeguarding of consistency of the national economic plan, which strictly coordinates and links with one another all plans of the different branches of production and the overall plan covering the tasks of the production and the overall plan covering the tasks of the production branches as well as those of the regions in their respective coordination,
- the task that the calculations of the plan have not simply to be based on already existing proportions of the economy, but that they have to provide for new efficient proportions on the basis of technological-economic and social developments,

- the application of the balance principle as the foundation of the planning decision which is to be made,
- the observing of the principle of unity between natural (physical) and value terms in drafting the plan on the scale of the national economy as a whole, and
- the principle that, on the one hand, the plan is compulsory for everyone in its implementation but that, on the other hand, it has to be worked out in such a way as to enable working people to fulfil and overfulfil its targets, leaving room, however, for new experience or conditions to be included and thus become more specified.

In the history of planning, the full development of the socialist planning system was achieved when the first five-year plan (1928 - 1932) was worked out and made law. This was the beginning of the line of medium-term plans which has continued to the present day. The periods of operation of the second and third five-year plans (1933 - 1937, 1938 - 1942) brought a constant development and improvement of the planning system of the USSR. This is particularly related to the more comprehensive and specified inclusion in overall planning of all spheres of the economy, to the qualification of the balance method and the system of indicators as well as to the elaboration of a self-contained system of balances (on the basis of material balances, the balance of labour power, the financial balance and the comprehensive balance of national income) as an instrument of securing a planned proportional development of the economy.

The systematic linking of state and factory plans was achieved by stipulating a universally applicable regulation for factory planning in the form of the so-called "Techpromfin" plan. It provided for a self-contained, consistent regulation of technological, production and financial tasks in implementing the reproduction process of the factory concerned.

In the period after World War II new conditions of development appeared in the USSR. Their expression was an accelerated growth of social production and the productive forces used as well as a higher degree of specification in the requirements of society. New demands arose from accelerated mechanization of agriculture and the rapidly growing application of science to social production.

Internationally, the early stages of the scientific-technological revolution were beginning to be felt and added new aspects to the world-wide struggle between socialism and imperialism.

Considering these new conditions, it was necessary to utilize to the full all possibilities the socialist order of society has to offer by an efficient use of management, planning and economic stimuli as well as to concentrate on these possibilities to achieve the highest possible growth rates of labour productivity and the effectiveness of the national economy. This required a higher degree of versatility of planned management and orientation mainly towards qualitative indicators, but also a higher quality of linking top-level state planning and management of the national economy with the creative initiatives and responsibilities of factories, regions, collectives and individual workers. To achieve this objective, further development and broader application of economic accounting and material incentives as a constituent element of socialist planned economy was necessary. On the whole, a systematic approach was needed to improve the planned management of the national economy. This implied, to some degree, the exploration of a number of new fields.

Thus different steps towards improving the system of planned management of the national economy were theoretically studied and partly implemented in practice in the USSR between 1957 and 1964.

On the basis of the results obtained and supported by thorough scientific discussion the USSR, in the early 60's, prepared the elaboration of a comprehensive outline of a steady gradual improvement in the system of planned management of the national economy. The steps required were adopted in 1965. In essence, they were:

- more qualified application of the principle of democratic centralism in managing the economy using the production principle, reduction of the number of management levels together with increased individual responsibilities of economic units within the scope of state planning,
- increased role of long-term basic planning data, specifically the role of the five-year plan, while reducing the number of compulsory indicators in plans and strengthening the effects of indicators aiming at higher effectiveness and proportionality,
- more intense linking of planned management by the state with full application of economic accounting and wider utilization of material incentives,
- systematic and gradual introduction of the overall system of planned management of up-to-date means and methods in decision-making and the control of economic processes.

There is a close relationship between more improved systems of planned management and the creation and general introduction of automated management systems, coupled with the setting-up of an automated system of plan calculations.

11. As a result of World War II power was taken over by the people in a number of countries and - on that basis - the way of socialist development was chosen. For these countries, the study of experience gathered in the Soviet Union - together with its active help in many forms - meant a much easier way towards solving the problems of socialist construction.

In all these countries, elements of a planned economy developed. In Poland, a three-year plan 1946 - 1949 and a subsequent six-year plan were adopted, in Czechoslovakia it was the two-year plan 1946 - 1947 and five-year plan from 1949 onwards, in Bulgaria it was a two-year plan 1947 - 1948 followed by the five-year plan 1949 - 1953, in Hungary it was a three-year plan 1947 - 1949 with a five-year plan following between 1950 and 1954, Yugoslavia adopted a five-year plan for 1947 - 1952. In the GDR planning developed from the quarterly and monthly planning in the years 1946/47, which was carried on to the half-year plan of 1948 and the two-year plan of 1949 - 1950 to become homogeneous state national economic planning.

In accordance with the provisions of the Potsdam Agreement which stipulated the gradual establishment of a democratic state machinery, starting from the bottom level, in Germany, the first planning organs were set up as early as in the summer and autumn of 1945 as decentralized units working at the economic departments of the five provincial governments. In July, 1947 the first central economic management organ was founded, the Economic Commission for Germany, whose department of economic planning was responsible for coordinating the plans of the provincial governments. When the GDR was founded in 1949, first a Ministry of Planning was established, which was promoted to the State Planning Commission in November, 1959, thus distinguishing it from the other ministries.

This first period in the development of a GDR planned economy was characterized by quick and comprehensive acquisition of Soviet experience in the field of organisation and methodology of national economic planning. Thanks to the overall application of the balance method it was possible to establish a complex balance, on the basis of some 300 important product items, in the 1948 half-year plan and the two-year plan of 1949 - 1950.

Following a directive from the German Economic Commission in 1948, so-called planning committees were set up at the factories. Two-thirds of the seats on the committees were held by factory workers. The committees were given the task of organising the necessary steps derived from the plan targets and of working out plan proposals. As a result of this first generally organized form of workers' participation in planning and management activities a stock of experienced planning staff developed in nationally-owned factories. This made it possible, in the autumn of 1950, to link the pattern of national economic planning organically and systematically with planning at factory level by a decree on the introduction of factory plans for nationally-owned enterprises.

Similar ends were achieved by introducing, late in 1951, the so-called "general system of contracts" and, early in 1952, by the steps taken to introduce the principle of economic accounting in nationally-owned enterprises.

Since these years, the system of national economic planning in the GDR has been gradually enlarged while adapting it to the changing internal and external conditions. Milestones along this way were the final victory of socialist relations of production, in 1961/62, in all spheres of the national economy after the triumph of socialism also in agriculture and the closing, in 1961, of the Western state border of the GDR, which finally eliminated the serious imperialist disturbances directed to our economic and social development.

The decisions of the 8th Party Congress of the Socialist Unity Party of Germany (June 1971) are the starting point for a systematic and comprehensive future development of our planned socialist economy. This holds particularly true of the main objective of our policy that defines the steadily increasing satisfaction of the people's needs, the continuing rise in material and cultural living standards of the people, as the basis for all activities of planning and management in the economy. This economic main task has been formulated on

the foundation of the basic economic law of socialism. The above-mentioned facts are closely connected with the orientation towards intensification of production as the main way to increase the effectiveness of the national economy as well as towards organically linking the scientific-technological revolution with the advantages of the socialist economic system.

12. The ultimate criterion when judging the quality of planning under socialism is to assess the success the socialist countries have achieved in their social, socio-political and economic development.

It has been possible, on the basis of a growing and ever more efficient national economic potential, to achieve a continual rise in the material and cultural living standards of the people. Constantly high and rising rates of growth in production and productivity are matched by stable prices for consumer goods, a supply of consumer goods rising at a more-than-average rate and ever more comprehensive socio-political achievements.

The following figures illustrate this trend for the GDR:

Average rate of growth per annum

	<u>1961/1965</u>	<u>1966/1970</u>
	per cent	
produced national income	3.4	5.2
produced national income per capita	3.7	5.2
investments	4.9	9.9
volume of fixed assets (overall)	3.9	3.5
within productive sphere	6.1	4.9
total labour force (overall)	- 0.1	0.2
within productive sphere	- 0.3	0
retail sales (overall)	2.6	4.6
industrial consumer goods	2.8	5.5
foreign trade turnover	6.0	9.9
consumer retail prices	0	0

The trends deducible from this have continued in the years after 1970, and this development is taking place in conditions of absolute social security; unemployment, lagging or distorted education levels or similar phenomena are alien to socialism. The achievements of socialist planned economy are even more conspicuous when contrasted with the results of economic development under capitalism/imperialism. With inflation going strong for years and the wretched state of the capitalist world monetary system, with rising costs of living and heavy unemployment aggravated, particularly in 1974/1975, by a net decline in production and investments, there are typical signs of the inability of monopoly capital to master the pressing problems and tasks of the scientific-technological revolution and to guarantee to their peoples a quality of life that makes possible the unimpeded growth of man's creative spirits in the interest of a social development full of happiness and prosperity.

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The main characteristics of national economic planning under socialism and their main trends of improvement are reflected in detail e.g. in the fields of production and investment planning. Some of the main relevant aspects are:

1. Social production is the central sector of the reproduction process of the national economy. For this reason, planning social production has to play a central part in long-term and medium-term plans as well as in the annual national economic plans.

Its task is, among others,

- to plan and balance the supply of products and services considering the different kinds of products, branches of production and sources of supply as well as to plan and balance the distribution of production output considering the different branches of consumption and different uses (in production, consumption, export etc.) to which products go,

- to work out and stipulate, which volume and structure of labour, means of work (tools etc.) and subjects of labour (material) are required to achieve this production output.

Due to national economic interdependence, both tasks condition each other: Production output of different branches becomes production use of subjects of labour or it becomes the means of work in other branches (production of means of production), and, on the other hand, the production of consumer goods has to guarantee a rising level of consumption for people working in all branches and spheres of the national economy and for the entire population generally.

Thus the planning of production is a decisive condition of securing a proportional development of the national economy.

2. To accomplish this task, the main concern when planning production output has to be its material volume and the structure of the latter according to kinds or groups of products. In some cases, planning is possible in natural units (physical units) e.g. electric power, cement, lignite extraction etc.).

If this kind of planning is not applicable due to the variety of kinds of products within one product group, the volume of production must be stated in aggregate terms, i.e. in terms of prices. In national economic planning of the GDR, planned and fixed prices are used for this purpose which is the way to describe the development of the physical volume of production. Production plans are first worked out on the basis of planned and fixed prices which are then adjusted to actual prices.

3. The industrial branches and enterprises receive plan tasks and targets concerning the production output they have to contribute.

These are:

- overall indicators concerning production output as a whole and
- selective data concerning the output of certain kinds of products.

These tasks or targets have the character of restrictions in planning and practical economic activity in the industrial branches and enterprises.

In the course of planning it is the task of branches and enterprises to specify these data and to prepare the necessary detailed contractual agreements (sales or delivery contracts on products and services) with their prospective customers.

As a result of these activities the detailed production plan of the enterprise is composed. It is the main element of the plan of the enterprise as a whole, and is approved together with it.

The control of whether the production plan is being fulfilled is exercised, besides varied operative methods, through a wide-ranging system of production reports (production statistics).

4. To produce the output planned, corresponding production facilities are required. Their existence is in turn tied to the existence of corresponding fixed assets (equipment, buildings, installations).

Intensively extended reproduction of fixed assets is one of the major factors to be able to produce a growing material volume with rising productivity and falling costs per product unit. The planning of fixed assets reproduction cannot be limited to the planning of investments. It has to include such fields as

- the planning of the rate of utilization, and its increment in fixed assets,
- the planning of fixed assets maintenance in the interest of their permanent operation and their functional reliability,

- which has to be linked with modernizing existing fixed assets, and
- the planning of discarding in particular those fixed assets which are technologically obsolete or physically used up or which have been insufficiently utilized.

The different aspects of fixed assets reproduction (utilization, maintenance, discarding, investments) have to be efficiently coordinated so as to achieve the necessary production and productivity targets with minimum expenditure.

5. When planning investments, which is embedded in the complex planning of fixed assets, attention must be focussed on material-physical output to be achieved in the interest of the development and modernization of production capacities as well as the rise in productivity. This is similar to production planning.

In improving further national economic planning in the GDR, great efforts are being made to enlarge capacity planning in the factories in connection with fixed assets and investment planning. The intention is to extend this process to the other stages of the management and planning system up to top-level planning; there, however, it has to be concentrated on selected kinds of products. The establishment of a national economic system of capacity planning is aimed at finding better substantiated approaches to developing fixed assets and the investments required for the purpose.

To serve the interest of increasing orientation of investment towards productivity, the branches and enterprises receive data on the number of workers to be saved by investments. The labour power which is set free is needed to man new jobs which have been created by other investments.

On the other hand, the branches and enterprises are set tasks and targets concerning material goods and services (equipment and building work) which are made available to them to realize their investments in the plan period.

These tasks and targets too, have the character of restrictions on the branches and enterprises, from which they have to start when working out their respective plans.

6. Parallel to overall planning of investment for the national economy as a whole and its branches and enterprises or other economic units, and in close connection with it, the planning of preparation and realization of investment projects takes place.

The aim is not, however, to break down full long-term and medium-term plans into individual projects before the beginning of the plan period, this would unnecessarily restrict the flexibility of the plan.

Specification of medium-term plans regarding individual projects is only made, at the stage of working out the plan, in the case of projects which have far-reaching national economic importance and require special expenditure for their realization. They are specifically included in a plan of investment preparation as individual items and, at the later stages of the planning process, in so-called items lists. On the basis of the indicators in this plan it is possible to examine in advance, among other things:

- What effects these projects have on the development of the volume and structure of production as well as exports and imports,
- how many and which new jobs are created by these investments and whether these jobs can be manned,
- which raw and other materials are required to put the new equipment into production,
- which material and financial expenditure have to be made for implementing these projects,
- which effects do they have on the development of effectiveness in production of the branches and the national economy as a whole.

In this way these projects can be well aligned to national economic proportionality requirements and can thus be made part of the economic balance.

The example illustrates, however, that proper substantiation of necessity and expediency of investment projects and their implementation are in the last instance only possible when the national economic reproduction process in its full scope is planned in a complex way. Investment preparation plans are made more precise by the items lists, which are a central part of the national economic investment plan.

Investment projects are not included in the items lists before their preparation is completed to a high degree before the preparatory documentation is approved and a decision on principle is made on the investment project planned.

7. Preparation and implementation of investment projects may be managed and planned in different ways based on their national economic importance.

A number of investment projects is under the control of the Council of Ministers; for a greater number of projects responsibility rests with the ministers concerned. The factories make independent decisions on an even wider range of investments which often require relatively low expenditure, but may result in considerable effects in rationalizing social production.

This procedure makes sure that, on the one hand, smooth preparation and implementation of investment projects important to national economic structural development and to further raising productivity and efficiency of social production is guaranteed and that, on the other hand, based on the initiative and detailed knowledge of workers and enterprises, all opportunities of rationalizing the production process are made use of. It is one of the major concern of investment plans in the enterprises, branches and the national economy as a whole

to find the best combination of projects on large, medium and small scales and to align them properly to the proportionality of the national economy.

8. A continued improvement in the planning of fixed assets and investments necessitates the further enlargement of long-term planning which duly considers all requirements and consequences emanating from socialist economic integration.

Long-term planning is of specific importance to this field because

- the setting-up of new fixed assets may require considerable periods of time and
- the utilization of newly established fixed assets normally extends over several five-year plan periods.

The step-by-step extension of long-term planning too, is an expression as well as a result of the continual improvement of the scientific foundation of planning under socialism. This process is also linked with a permanent rise in the quality levels of compulsory and indicative planning indices which express fundamental requirements of national economic reproduction. These indicators are subject to steady improvement by means of long-term, medium-term and short-term planning, finally they become state plan tasks themselves. This is similar to extending the basis of standard norms of national economic planning which includes, of course, also the planning of production, fixed assets and investments.