

hotka iz zajednički ostvarenog dohotka (po osnovu udruživanja rada i sredstava) i slobodnu razmenu rada (za društvene delatnosti). U načelu, ovi su osnovni ravnopravni, iako njihova zastupljenost nije ista.

U drugoj fazi dohodak koji je osnovna organizacija stekla raspodeljuje se na deo kojim samostalno raspolaže sama osnovna organizacija (čist dohodak) i deo o čijoj upotrebi odlučuju zajedno s drugim subjektima u društvenoj reprodukciji. Pre toga, utvrđuje se veličina samog dohotka, koji se u pojavnom obliku izražava kao razlika između ostvarenog prihoda i izdatih materijalnih troškova i amortizacije. U procesu raspoređivanja dohotka izdvajanje dela dohotka za zajedničke potrebe izvan osnovne organizacije (socijalno osiguranje, zdravstvo, obrazovanje, nauka, kultura i sl.), kao i za opšte društvene potrebe (odbrana, uprava, sudstvo i dr.) ostvaruje se zajedno s radnicima osnovnih organizacija iz oblasti društvenih delatnosti, kao i skupštinama društveno-političkih zajednica. Zato ova raspodela sve više gubi fiskalni karakter i postaje svojevrsan vid slobodne razmene rada raznih delatnosti.

U trećoj fazi radnici osnovne organizacije raspoređuju čist dohodak na osnovne namene kojima služi — na sredstva za lične dohotke i zajedničku potrošnju, sredstva za proširenje i unapređenje materijalne, osnove rada i sredstva rezervi. Poslednje dve klase zajedno se nazivaju akumulacijom. O raspoređivanju čistog dohotka radnici odlučuju na osnovu merila koja moraju prethodno utvrditi, s tim što ta merila moraju biti usklađena s merilima koja su utvrđena šire, u radnoj organizaciji i društvu kao celini. Društveno verifikovanim merilima raspoređivanja čistog dohotka ostvaruje se društveni karakter dohotka i obezbeđuje proširivanje fonda društvene svojine.

Raspodela se završava raspodelom sredstava za lične dohotke i zajedničku potrošnju, pri čemu za lične dohotke primarni princip predstavlja raspodela prema radu, a za drugu princip solidarnosti. Bliža merila raspodele i jednih i drugih utvrđuju radnici osnovne organizacije, s tim što i ona moraju biti usaglašena s merilima koja su utvrđena u radnoj organizaciji i široj društvenoj zajednici.

U Jugoslaviji se smatra da ovako koncipiran sistem formiranja i raspodele dohotka osnovne organizacije pruža mogućnost da svaki proizvođač i radni čovek uopšte praksom prevladava položaj prostog izvršioaca određenog kruga radnih operacija i postepeno postaje subjekt koji odlučuje o svim pitanjima svoga života i rada.

THE ROLE AND EFFECTIVENESS OF SOCIAL AND SELF-MANAGEMENT AGREEMENTS

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1. INTRODUCTION

Yugoslavia is perhaps the only country in which the idea of the withering away of the state has become much more than a theoretical abstraction. Indeed the very idea of self-management is officially taken to imply the elimination of the state as a representative of public interest and an institution regulating social affairs. The philosophy of discarding the state apparatus in many spheres of social activity and replacing it by more direct and more democratic forms of participatory decision-making is quite simple. It has been recognized that the state will not automatically, and by itself, become a devoted agent of public interest and that the state machinery is not the only, perhaps even not the most efficient and certainly not the most democratic institutional device for steering economic and social development. Instead, it could easily turn out to be an instrument for promotion of the very narrow, particularistic interests of some social groups, i. e., a means for exploitation of the working masses by those holding the state power and taking advantage of it. Moreover, since the state, by its nature and social function, necessarily amasses a considerable amount of power, there is a substantial danger of its becoming an instrument of oppression and of reducing, if not eliminating, the democratic rights of the people. As Kardelj (1976) pointed out, the dismantling of the state machinery is a necessary precondition for overcoming the separation between workers, on the one hand, and social capital on the other. This separation has, according to Kardelj (1976, p. 494), always been the source of social tension and the cause of many conservative tendencies and significant deviations in the course of the development of socialism. Thus, replacing the state by direct and broadly-conceived forms of participatory democracy is interpreted as one of the social actions which have to be taken in order to abolish all kinds of monopoly over the means of production. This, in turn, is considered necessary for the abolition of exploitation and the domination of man by

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man. Direct control by workers over social capital as a basic condition of their economic activity becomes one of the routes leading to what is considered to be one of the fundamental tenets of socialism — the economic liberation of man.

2. THE SCOPE OF SOCIAL AND SELF-MANAGEMENT AGREEMENTS

The practical implementation of the withering away of the state was given a new impetus by enacting the new Constitution in 1974 and the Associated Labour Act in 1976.¹⁾ These two important documents, together with other basic system-related acts (on social planning, price policy, credit and monetary system and several others) have decisively advanced a relatively new, de-statalized set of institutional devices based on direct decision-making by the concerned economic and social agents, which will replace various forms of state and state-like mechanisms in managing different social affairs. All these devices could be conveniently classified into two basic categories: social agreements (officially called social compacts) and self-management agreements.

Self-management agreements are conceived as a very versatile and highly flexible form of combining independent decision-making units in the economy and in other fields of social activity into larger, more-or-less firmly organized entities with the purpose of performing certain operations or conducting some activities in which joint and coordinated efforts yield a higher efficiency than isolated, individually-undertaken actions. Typical examples of actions which are regulated by self-management agreements would be the pooling of financial resources in order to implement certain investment projects of common interest or getting together in order to organize the regular and reliable supply of some critical raw materials or semi-manufactures. Marketing operations are also frequently regulated by self-management agreements of several interested economic agents from such fields as production, transport, trade (foreign or domestic), banking and insurance. Numerous and very different kinds of decision-making units could, in principle and in actual practice, be parties to self-management agreements — individual workers, basic organizations of associated labour (i. e., independent organizations in economic and non-economic activities), communities of interest (special organizations created for the satisfaction of collective needs and based on mutual agreement by the interested parties, producers and consumers of given services), socio-political communities (different forms of government, local and other), etc. Self-management agreements make it possible to regulate many relations between interested parties without (or with minimum) state intervention.

¹⁾ The appendix to the English edition of the Associated Labour Act (edition of The Secretariat of Information of the Assembly of SFR Yugoslavia, Beograd) and *Ekonomika analiza*, Vol. VIII, No. 3—4, pp. 362—65 offer very useful glossaries of terms relating to new institutional forms and devices in the Yugoslav economic system.

Equally diversified and flexible are the social agreements. As opposed to self-management agreements, which regulate the affairs and the relations of a relatively small number of units and which concern only those who have signed them, social agreements have a much wider scope and regulate the affairs which concern large numbers of individuals and their organizations. The parties to social agreements are again numerous and versatile: basic organizations of associated labour and their communities, self-managing communities of interest, socio-political communities, political organizations, trade unions, . . . As will be shown in the sequel to this paper, social agreements regulate certain key propositions of economic and social development and some parameters which should affect the decisions taken by a large number of individuals and their multifarious organizations. The regulative clauses of social agreements should, in principle, be taken as constraints on the lower levels of decision-making. Again, as a means of reaching understanding between interested parties in a more-or-less direct way, social agreements replace, to a large extent, the state as a mediator of social affairs. Thus, both social agreements and self-management agreements are designed to regulate many spheres of social activity which have traditionally been considered the province of state intervention; it is hoped that in such a way the elements of coercion in the system could be minimized and a more democratic set of arrangements, based on voluntary participation, achieved.

Social and self-management agreements could be classified on the basis of several criteria. Manjšević (1976, p. 523) suggests two such criteria: the type of agents who enter the agreements and the type of problems which are being regulated by them. Since agreements by their very nature should encompass many different types of agents and, therefore, could not easily be classified on the basis of the first criterion, the second classification seems to be much more helpful. Since social and self-management agreements differ with respect to the activities which they regulate, a separate categorization for each of these two types of enactments is obviously warranted.

According to the criterion of the matter that is being regulated, the first category of self-management agreement comprises those which define various organizational forms of associated labour in the economy and elsewhere. These agreements define, among other things, the structure, magnitude and internal relations of the basic organization of associated labour (the parties to them are individual workers), as well as higher, more complex forms of organization such as work organizations, self-managing associations and self-managing communities in the economy (and elsewhere) which consist of several (sometimes many) basic organizations of associated labour. The second category consists of those self-management agreements which specify the rights and duties of a certain number of economic agents and other decision-making units which jointly undertake and finance a development project or programme. This is intended to be one of the basic institutional forms of planning in an economic system which fully incorporates the principles of self-management. Radinila Stojanović (1976, pp. 75—

81, 300—1) advanced the view that project planning, accompanied and regulated by the corresponding system of widely ramified self-management agreements, should represent the backbone of the planning system of a self-managed society. The third category of self-management agreement relates to what is called „the free exchange of labour” — arrangements by means of which certain non-marketable or only partly-marketable services, such as scientific research or cultural services, are being provided to a given set of beneficiaries by a certain number of institutions producing these services. The self-management agreements under which a certain number of agents carries out a number of operations or activities of common interest (e. g., market research or working on some technological improvements) could be classified into a separate, fourth category.

Similar classification could be given for social agreements. The first group covers those which regulate income distribution — the division of income into retained earnings, collective consumption within organizations of associated labour, and the sum of personal incomes on the one hand, and the distribution of these incomes among the workers, on the other. The second group contains agreements about the key elements, so-called „foundations” of social plans. These agreements regulate all those important aspects of planning which are intimately connected with the interests of certain social groups, which may give rise to conflicts and which have to be resolved before social plans could be worked out. By this type of agreement, constraints are defined which have to be respected in the process of drawing up the actual plans. They should guarantee the full consistency of social plans with underlying configurations of social interests and thus assure the fully democratic character of the whole planning system. The third category of social agreement is analogous to the corresponding category of self-management agreement and regulates „the free exchange of labour”, i. e., the system of provision of public goods and services (such as health, education, scientific research, culture...) at the level of regionally or otherwise-defined large segments of society, as well as at the level of the society as a whole. The social agreements between different socio-political communities, i. e., Federal government and state and local governments, coordinating certain components of economic and social policy — could be classified into a separate, fourth category.

Since self-management and social agreements represent such a diversified set of institutional arrangements, no classification can hope to be exhaustive and there will always be a residual category of agreements which do not fit any of the above-mentioned categories. It should also be borne in mind that any of the analyzed types of social agreements could be concluded at various levels; for example, social agreements on income distribution have been concluded not only for the country as a whole but also for each of the six constituent republics, and social agreements on the foundations of social plans are made at the Federal and the republican levels while, in principle they could be made at lower levels as well.

3. THE EXPECTED EFFECTS OF SOCIAL AND SELF-MANAGEMENT AGREEMENTS

The dismantling of the state machinery in several important spheres of regulation of economic activity and the non-acceptability of corresponding institutional mechanisms typical of the capitalist market economies has left a certain institutional vacuum in the Yugoslav economy — a lack of appropriate institutions and policy instruments by means of which the current functioning of the economy could be controlled and economic development efficiently steered. It is hoped that several of these problems could be solved by a complex and ramified system of social and self-management agreements. In this section these problems will be sketched and the manner of their intended solution outlined.

1. *Regulating the saving potential of the economy.* The diminution of central control over the functional distribution of income — particularly over its division into retained earnings and the sum of personal incomes — has been one of the salient characteristics of the institutional development of Yugoslav economy. Up to 1957, personal incomes were essentially centrally-regulated, and up to 1971 there remained some elements of central regulation through a widely differentiated and steadily diminishing — but nevertheless existing — tax on business assets. A high propensity to distribute personal incomes at the expense of retained earnings became dominant as soon as the central control was eliminated (Madžar, 1974), and a trend of steady decline of the saving potential (or „accumulative capacity”, as it is called in Yugoslav professional literature) was established. Relatively diminishing business savings were to a large extent compensated for by the increasing share of household and workers' remittances from abroad in total savings, but it seems that the overall decline of the rate of savings of the whole society has finally been unquestionably demonstrated. This, among other, things has produced unfavourable effects on the long-run rate of growth and a significant dependence of the country upon foreign loans. Another undesirable consequence of the declining savings potential of the economy is its heavy dependence upon the sources of external finance, contrary to the strongly-voiced preference for internal financing which is considered a necessary precondition for making self-management a prevailing and universal organizational principle. Of some importance are the unfavorable effects of relatively declining business savings on the allocation of investible resources: a significant share of steadily growing household savings is being allocated to luxury housing and other forms of unproductive or low productive investment. It was expected that social and self-management agreements could serve as an efficient instrument for regulating income distribution and controlling the rate and volume of business savings.

2. *Increasing the mobility of accumulation.* The system of central investment funds was, in principle, a perfect institutional mechanism assuring the mobility of savings in the social sectors of the economy. By an assortment of fiscal and semi-fiscal instruments, the savings were accumulated in different funds which were hierarchically structu-

red, in close correspondence with the structure of government (local, state, Federal). Out of these funds, the investible resources could be allocated to those segments of the economy where the need for them was most urgent and where they could give the highest effects from the point of view of the society as a whole. However, it turned out that such a system of funds was politically unacceptable because it implied a pronounced concentration of power in certain decision-making centres. It was officially proclaimed that such a concentration could lead to the domination of these powerful centres and even endanger the very course of the socialist development of the country. The investment funds were liquidated in 1963 and the banking system — by rechanneling the private (household) savings and the remnants of the state capital — had to act as a provisional and imperfect substitute for the system of funds. Other institutional alternatives for obtaining the necessary mobility of social savings — the capital market — were even less acceptable on political and ideological grounds because they implied property incomes, an element clearly inconsistent with the basic premises of socialism. Thus, an institutional vacuum was obtained, causing a low mobility of social savings and clearly contributing to structural disparities in the economy and its consistently growing dependence on imports of raw materials and semi-manufactures. After a prolonged duration of this institutional vacuum, the social and self-management agreements were supposed to solve the problem. Social agreements are intended to be instrumental in choosing broad developmental priorities and reserving necessary resources for the purpose. Selfmanagement agreements were and are expected to provide a network of connections between economic agents through which their savings would be pooled together and could freely flow, being allocated in such a way as to promote their *common* interest and *at the same time* the interests of the society as a whole. As will be shown in the sequel, there are some problems in implementing this concept; it will also be shown that they are not of a purely technical nature.

3. *Coordinating investment decision.* Economic planning in Yugoslavia was not as effective as one could expect on the basis of the fact that social ownership over the means of production and other preconditions for its successful implementation were secured. Institutional developments went independently and, not infrequently, contrary to the social priorities as set out in the plans, and the wide discrepancy between planned and actual changes became one of the steady characteristics of the economy. This undesirable feature of the functioning of the economy was clearly seen by the authorities responsible for improving the system and shaping economic policy. The defect was to be removed by agreements through which the most varied types of decision-making agents and institutions will identify their true long-run interests, pool their resources and initiative and, in a coordinated way, implement projects and programmes which optimally satisfy their own needs and at the same time serve best the social interest. Duplication of capacity, a lasting deficiency of Yugoslav development policy, was to be removed by such coordination.

4. *The free exchange of labour.* As already pointed out, state mediation became undesirable in the process of provision of public goods

because of reasons which are practically identical with the reasons that led to the rejection of the central investment funds. A democratic decision-making mechanism became necessary and was provided by social and self-management agreements, through which the interested parties — beneficiaries and organizations providing services — will directly and to their mutual satisfaction regulate their relationships. Again, such arrangements were to serve the needs of the society large in an optimal way.

5. *Other matters.* The proposed system of agreements is conceived to be so flexible and diversified that it could regulate almost any social function. The system — related acts, especially the Associated Labour Act, rely so heavily on the network of agreements that this word is probably among the most frequently used in corresponding texts. Thus, many problems in the field of foreign trade, the problems of environmental protection, preservation of natural and historical beauties and monuments etc. — are regulated by a large number of agreements. Indeed, their number is too large and their purpose and character so varied that their complete description is probably impossible and certainly beyond the reach of this paper.

4. SOME CHARACTERISTICS OF THE FUNCTIONING OF THE SYSTEM OF AGREEMENTS

As it is conceived, the system contains certain elements which connect it rather closely to the market mechanism: the terms of the agreements regulating economic relationships will undoubtedly reflect the market forces because every party will, in principle, always have the alternative of isolated actions and of relying on the existing market situation without entering into any direct arrangements. One could perhaps conclude that the effects which could be achieved separately, without any formalized cooperation with other organizations, should provide the lower limit on what any party should obtain through any sort of agreement. Thus, the market will steadily influence the number and the type of agreements and, especially, the terms under which they are made. It seems obvious that they should be made only in those situations in which total effects are higher than the sum of the separate effects that could be achieved by individual actions on the market, so that each party could, through them, be made better off. The interplay of the market forces does permanently change the number and type of such situations, and in that way influences the system of agreements. On the other hand, the system has certain common characteristics with planning. Pooling of resources, joint actions, coordinated decisions and direct procedures of distributing the gains resulting from these actions and decisions — all these features make it very similar to economic planning and reduce it, in fact, to some kind of decentralized planning which is not tightly integrated into a consistent system but which performs many functions traditionally reserved for the planning mechanism.

There is considerable overlapping between the market and the system of agreements; some market relations have in fact been repla-

ced by or incorporated into various kinds of agreements. It should be pointed out that the market mechanism is in some respects considerably simpler than the system of agreements: it simplifies relations between economic agents by providing more or less uniform parameters in the form of product and factor prices, whereas these relations are regulated separately and in a highly diversified way under the system of agreements. Moreover, agreements are reached through a process of bargaining which may last a long time and which may or may not lead to a generally-acceptable solution. Diversity of arrangements, reflecting — among others — unequal and steadily-changing bargaining power, makes the system not only more flexible and more encompassing, but also more complicated and probably more unstable. This complexity has important theoretical implications. One cannot hope to construct simple and easily-manageable models by means of which economic behaviour under the system of agreements could be analyzed. Existing models of bargaining situations are based on overly-restrictive assumptions and are therefore of limited value. One has to resort to less rigorous, qualitative analyses.

Combining certain features of the market and the planning mechanism, the system of agreements has some undeniable advantages. Its democratic character is among the first. Without any coercion, guided by their own interests, knowledge and information, economic agents and other decision-making units freely enter the arrangements which they find most suitable and are probably highly motivated to make them workable and efficient. There should be no risk of any external institution imposing upon them certain patterns of behaviour and interpreting their "interests" in an arbitrary and voluntaristic way. In the sphere of the "free exchange of labour" it is believed that producers and consumers of public services will be able to determine the truly optimal volume and structure of public services since their needs and capabilities will be revealed in the most direct way. Widely ramified bargaining activities will open up an equally rich set of learning processes through which the whole society will be able to get to know more about its real needs as well as about the most efficient ways of satisfying these needs. Since agreements frequently relate to future courses of events and coordinated actions, they provide information which is not contained on the market signals and thus may have some dynamic advantages over conventional modes of independent, i. e., atomized decision-making. Another advantage is the flexibility of the whole set-up. Depending upon the concrete situation, one agent may enter many different kinds of agreements and through each of them satisfy a particular need or set of needs. There are no constraints upon duration of the agreements and very few constraints upon anything else, so that they could almost at will be tailored to any given constellation in which a decision-making unit may find itself. Many activities, like scientific or market research, which are important but too bulky to be organized by isolated units, could easily be taken care of through the joint efforts of several units which enter the agreements.

Along with potential advantages there are certain problems in the functioning of the system of agreements. These problems could have

been anticipated *a priori* and have already been revealed in actual practice. The most serious problem stems from the fact that agreements provide a certain coordinating mechanism within the set of units bound by them, but not — or at least not to a sufficient degree — between different sets associated around and by different agreements. That leads directly to a lack of coordination at the level of the large segments of the economy and at the level of the society as a whole. To be efficient from the point of view of the whole system, the processes of bargaining leading to different sorts of agreements should be coordinated at this highest level and the corresponding coordinating mechanism leaves much to be desired. Moreover, the very idea of the necessity of such a system is not officially and otherwise recognized to a degree which would warrant practical action leading — at least in the foreseeable future — to an efficient coordinating mechanism. Without some overall coordination the system, like any other system of decentralized, non-coordinated decision-making, runs the risk of producing cyclical fluctuations and causing considerable waste of resources.

There is also the question of the mode of the functioning of the system in rather typical constellations characterized by a conflict of interests and an unequal bargaining power of different units entering the agreements. The elements of domination are then unavoidable and without some permanent and consistent overall social policy the resulting solutions will be inefficient both from the individual and the social point of view. On the other hand, nothing in the system precludes making agreements at the expense and to the detriment of the interests of the third parties, which further complicates the whole situation. For example, agreements leading to monopoly arrangements are prohibited by the Constitution, but there is no trace of practical and workable institutional solutions which could prevent making such arrangements. The present philosophy of leaving (decentralized) decision-making units to themselves and expecting that they will somehow coordinate themselves and work out efficient, just and socially-acceptable solutions — will probably have to be somewhat revised.

In such a large system as the whole society, different decisions have different importance since they affect different numbers of people and their organizations. Hierarchical structuring of the decision-making system is obviously essential. Strategic decisions at the higher level — higher in the sense of affecting more people — should be interpreted as constraints in decision-making at the lower levels. In terms of our terminology, social agreements for the country as a whole should define constraints for the lower-level social agreements as well as for all kinds of self-management agreements. It is also obvious that there is no way of allowing all the agents to participate in shaping all the agreements which have some bearing on their activities; some sort of delegating the power and indirect decision-making seems to be unavoidable. In the Yugoslav system, however, agreements are obligatory only for those individuals, organizations, communities and associations who sign them. Thus, it is, for instance, not possible for the republican governments to make an agreement for the whole country which

would be obligatory for all agents in all republics; this agreement would be binding for the republican executive councils (governments which sign it) but not for the basic organizations of associated labour on their respective territories! In addition to this, the (binding) agreements are characterized by a conspicuous lack of effective sanctions, even for those agents who have signed them. On the other hand, it is impossible to create higher-level social agreements on the basis of the participation of thousands of subjects whom they concern (such massive direct participation is not feasible from the point of view of the »technology« of decision-making) and, on the other hand, agreements brought by indirect procedures are not enforceable in the sense of defining clear and unambiguous constraints upon all lower levels of decision-making. An organization may neglect an agreement signed by its government if it chooses to do so. Therefore, there are no sanctions attached to many agreements and anybody could depart from them if that turns out to be consistent with his momentary interest.

Such legal formalization of agreements introduces many elements of instability into the system. Wherever sanctions are absent, the parties to the agreement may be willing to conclude it on the basis of their own strictly-observed interests. However, market and other constellations change and the relative profitability of alternative actions changes as well. This creates strong temptations on the part of some parties to change the terms of the agreements, even to break them and, perhaps, to enter into new ones. If and when the agreements are not strictly binding and accompanied by the sanctions, they will be frequently broken, many conflicts may thereby arise and the stability of the whole system could be significantly affected. It is also important to distinguish between general provisions and principles in the agreements and many individual actions that have to be taken in order to implement them. As pointed out by Horvat et al., (1970) and, in a different context, by Gorupić (1977), in the stage of implementation there should be no bargaining and no attempts to (permanently) reexamine what has been previously agreed upon. Especially dangerous would be attempts to disregard or to distort previously-stipulated provisions and, as Gorupić (1977) rightly emphasizes, if anything of the sort proved to be desirable or necessary, the corresponding changes could be made only through the same kind of procedure through which the agreements themselves were created.

Another difficulty which showed up in the functioning of the system is connected with what was referred to as »technology of bargaining«. There are some temporal and other physical limitations upon the number of participants in a bargaining process. Experience has shown that with an increase of this number, the difficulties of reaching a solution which will be acceptable to everybody multiply at a progressive rate and that the amount of time necessary to quickly complete the bargaining becomes prohibitive. This important aspect was very frequently disregarded in the present system. Of course, that was caused by an extraordinary and, perhaps, excessive urge to democratize decision-making processes as much as possible. Since this desire, as it frequently happens in economic and other affairs inevitably stumbles against all kinds of constraints, disregard of these constraints can

only produce diminution of the degree to which the desire itself is being satisfied. As it happened, the processes of reaching agreements in actual practice took too much time. That caused significant delays in many important decisions, and corresponding allocational and other losses can, as of now, only be guessed.

For the system to function smoothly, it is essential that the set of subjects which will participate in any given agreement be carefully defined. Only thus will it be assured that each agent decides on the set of problems for which he has sufficient competence, information and, especially, interest. In this respect, the system will undoubtedly need some improvements since the parties to many agreements are rather numerous and, on that ground alone, the criterion of rational distribution of the subjects over different agreements is not entirely satisfied.

Another feature of the system is a considerable duplication of time, effort and cost in solving essentially the same, or at least closely related, kind of problems. The case in point are numerous agreements on income distribution by means of which, in thousands and thousands of basic organizations of associated labour, the personal incomes of the same qualification categories of workers are being independently determined. For instance, the personal income of a professor at the university is determined by the self-management agreement of his department, so that the same problem — determining that category of income — is simultaneously being solved at hundreds of different places by entirely different procedures and on the basis of different algorithms. This arrangement tremendously increases the costs of information, computation and decision-making in general, and the allocational deficiencies stemming from highly diversified and unequal valuation of resources are probably even more important.

5. SOCIAL AGREEMENTS ON INCOME DISTRIBUTION AND ON »FOUNDATIONS« OF SOCIAL PLANS

These two categories of agreements are certainly among the most important because they regulate the key proportions of economic development. Income distribution has always been one of the central preoccupations of economic policy in the whole period of the rather vigorous and the times convulsive institutional development of the Yugoslav society. The lively interest in the problems of distribution was stimulated not only by obvious necessity to follow up and regulate inter-personal, inter-sectoral, inter-regional and many other differences in income, but also by the ever-present awareness of the fact that the savings potential of the society depends on the way in which income is being distributed among persons, sectors, regions, occupational categories... The importance of the agreements on the »foundations« of social planning stems from the never-declining interest in reaching rapid and stable long-run development where planning, evidently, has to play a significant role. The purpose of this section is to describe some empirical and practical aspects of the system of agreements and thus to highlight some of the points which were emphasized in the preceding sections. It is also intended to provide a preliminary empiri-

cal verification of the general propositions advanced in the first part of the paper.

1. *Social agreements on income distribution.* Basic proportions of income distribution are presently intended to be regulated by a system of seven social agreements, one for the country as a whole and one for each of the constituent republics. All the agreements regulate three sets of problems: 1. so-called primary distribution of income relating mostly to the conditions under which total revenue is being earned by different organizations and having to do mostly with the prices at which inputs are bought and finished products marketed; 2. division of income into personal incomes, collective consumption (within organizations), and (different forms of) business savings; and 3. distribution of personal incomes among the workers.

One common characteristic of all agreements is the lumping together of the factor shares in total income, a feature which has been typical of the Yugoslav system for a long time. None of the agreements makes systematic attempts to isolate the exogenously conditioned components of income per worker (such as capital intensity, the fertility of soil and availability of other natural resources, the degree of monopoly power, differences in the sectoral rates of technical progress, etc.) and to exempt them from personal income formation. As a consequence, personal income per worker is rather closely tied to the total income per worker so that a considerable part of income which is functionally-related to complementary (i.e., non-labour) factors of production gets distributed into personal incomes. Since the significance of these exogenous components of income — because of technological and other objective reasons — widely differs from one organization to the other, it is only to be expected that considerable differences should appear in the remuneration for the same kind and quantity of work. S. Popov (1976) found unexpectedly large differences in income per «conditionally unskilled worker» (empirical equivalent of the Marx's concept of simple labour) at the level of such large aggregates as industrial branches (the whole manufacturing industry together with mining is divided into some twenty branches). The ratio between the highest and the lowest branch average was as high as 1.58 in the period 1969-74 (Popov, 1976, p. 288) and, of course, the ratio for the more narrowly-defined aggregates went much higher. For instance, the ratio between the highest and the lowest income per conditionally unskilled worker at the level of so-called industrial groupings (the social sectors of the economy is divided into some 270 such groupings) amounted in 1976 to 3.3! (Horvat et. al. 1977, pp. 101-9). A distinct tendency of further increase of differences in remuneration for the same kind and amount of work was reported recently (Korošić, 1977).

One should not be surprised to find out that the regulative power of the agreements which do not clearly distinguish between exogenous components of income and those that could be ascribed to labour and superior organization and entrepreneurship — turns out to be low. All agreements accept — without modification — the proposition from the Associated Labour Act about the necessity for organizations having higher-than-average income per worker to allocate a higher pro-

portion of their total income to business savings and that, at the same time, they could have personal incomes above the average for the economy as a whole. A symmetric proposition is also taken over from the Associated Labour Act: organizations having an income per worker below the overall average may distribute a higher-than-average share of total income into personal incomes, but their personal incomes should be below average. These propositions are not precise enough to be effective, as shown by Madžar (1978). Two organizations may form drastically different personal incomes by differently dividing total income into retained earnings and the sum of personal incomes and, in spite of that, be able to prove that they had not broken the clauses of the agreements if only their savings rates turn out to be above average. Such an arrangement obviously gives plenty of room for inflating personal incomes by reallocating to them non-labour components of income which are functionally related to other factors of production.

In addition to this, the above propositions are not operational. At the moment of taking decisions about the division of income into personal incomes and retained earnings, an organization may not know whether its own income per worker is above or below the economy-wide average and, therefore, whether it should try to form its rate of savings above or below the corresponding average for the whole economy. Disregarding this difficulty, at the moment of taking the decision the average savings rate, as a point of reference, must be known. However, it cannot be known at that moment because it depends on the individual rates themselves and represents their aggregate result.

Another difficulty is associated with the fact that social agreements on income distribution do not have legal force: breaking them does not represent a ground for the application of any sanctions. Implementation of the agreements relies, therefore, on ethical constraints and political ties, and this mechanism has not so far been sufficiently effective in bringing about socially desirable changes in income distribution.

All agreements have also taken over the category of «income realized under exceptionally favourable circumstances» from the Associated Labour Act and repeated the clause according to which this part of income may not be allocated to personal incomes. However, no way of computing this component of income has been found. Moreover, even if it had been found, its effects upon the behaviour of organizations would probably be small: having allocated this «exceptional» component of income to retained earnings, the organizations could and would be more liberal in reallocating the «regular» part of income towards personal incomes.

There are substantial differences between republican agreements. The coordinative role of the Federal agreement was absent because — among others — some of the republican agreements were brought prior to it. As pointed out earlier, these differences give rise to wide disparities in the valuation of resources and must have some unfavourable effects on allocation of resources. Moreover, because of the modest regulative power of these agreements, it was possible to create extremely different lower-level agreements on income distribution so that different organizations have entirely different remuneration systems,

not only in practical detail but even in matters of principle. Some of these differences have been analyzed by Madžar (1978) as well as their possible allocational and other implications (Madžar, 1976). One should add that the just-mentioned disparities in personal income formation, which have been institutionally built into the system, might have strong inflationary effects. By enabling certain sectors to secure relatively high personal incomes, they create dangerous segments in the society which may trigger off a general rise of personal incomes, in excess of the rise of productivity, leading to the well-known cost-push inflation in Yugoslavia.

2. *Social agreements on the foundations of social plans.* The purpose of these agreements is to secure democratic choice between dynamic alternatives in the planning process and to resolve eventual conflicts of interests in a way which will be both socially acceptable and economically efficient. This set of agreements was designed to affirm and strengthen what is in Yugoslav literature called social dimension of planning — the direct influence of working people, their organizations and all concerned economic and social agents on the course of future development. There is a whole hierarchy of — indeed very numerous — agreements on the foundations of social plans, starting with self-management agreements at the level of the basic organizations of associated labour and ending with corresponding social agreements at the Federal level. The whole planning procedure is rather involved and is not yet completely worked out, but the making of agreements precedes the elaboration of actual plans. Basic democratic choices, which are fixed by the agreements, are to be interpreted as the constraints in the process of shaping social plans, so that the really important aspects of development are not being decided on by the planning authorities, but ultimately by those social groups whose interests are affected by the plans.

At the level of the republics and at the Federal level, social agreements are usually made about the future development of the sectors which are of particular social interest and, as such, labeled »the sectors of high priority«. The agreements form the basis and define the constraints for the republican and Federal five-year plans. In order to avoid discontinuities which could be caused by planning in separate, successive five-year periods and to assure uninterrupted building of those capacities which cut across some planning periods, a separate category of agreements, so-called »agreements on the continuity of development« are being concluded for chosen sectors.

The general and probably most significant common feature of the agreements on the foundations of social plans are a very large number of these agreements, a relatively large number of subjects which take part in their creation, a rather impressive number of details which have to be covered by them and, as a consequence, a rather prolonged procedure of their conclusion. A rational distribution of the matters that have to be decided on by the decision-making agents and a more systematic grouping of these agents around different agreements seems to be one of the most promising ways of increasing the efficiency of the system. That implies a careful selection of really re-

levant problems that have to be resolved by the agreements at different levels and, by implication, reducing the number of the problems which are being resolved in this way.

The magnitude and complexity of the system are rather easy to explain. The basic goal of the system's architects was to make it utterly democratic and to include the maximum number of economic and social agents into corresponding decision-making processes. However, some physical and other constraints of these very processes seem to have been partly disregarded. The technology of decision-making imposes obviously its own unavoidable constraints. The experience has shown that with an increase in the number of agents taking part in shaping any given agreement the time and real resource costs grow — at least beyond a certain point — more than proportionately and it is highly questionable whether the resulting improvement of the quality of decisions — if any — does justify these costs.

Especially significant are considerable delays in the process of reaching the agreements which must produce great delays in general decision-making if these agreements are to be of any consequence. The significance of these delays could be inferred from the following simple facts. It was stipulated that seventeen agreements on the foundation of the social plan had to be brought prior to the current five-year plan 1976—1980. These agreements were to be concluded between the governments of the six republics and the Federal government, after which they were to be confirmed by the Federal Assembly. Sixteen agreements regulate some aspects of the future development of corresponding sectors which give more than 50 per cent of the social product in the social sector of the economy, and one of them is supposed to specify criteria for the allocation of supplementary investible resources obtained through foreign credits. Despite the fact that the logic of the system requires that the agreements be completed prior to the enactment of the social plans, two out of the mentioned seventeen agreements have not yet been concluded at the time of writing this text (May, 1978), after half of the planning period to which they relate had already elapsed. The »delay structure« of the agreements is the following: five agreements were confirmed by the Federal Assembly at the end of 1976, one year after the beginning of the current five-year planning period, three of them in June 1977, one of them in October 1977, three of them in December 1977 and two of them are still in the stage of making but will probably be confirmed in a couple of weeks. One should notice that along with these »Federal« agreements, similar agreements should be concluded at the level of the republics and, possibly, at the lower levels. In spite of the fact that higher-level agreements are intended to grow out of the lower-level agreements, and to reflect (democratically) their basic choices, some of the republican agreements had to wait until the corresponding Federal agreements were enacted. This, in turn, would have produced great delays in the republican plans had they not been enacted independently of the agreements and somewhat contrary to the logic of the system. A more detailed analysis of the time aspect of the agreements on the foundations of social plans is given in a recent article by Madžar and Ostracácin (1978).

Prolonged bargaining and delayed enactment of the agreements created serious problems relevant to their coordination. Brought at different times and shaped more-or-less separately, without taking systematic account of the wider repercussions of the proposed sectoral development, the agreements do not quite guarantee the reaching of a consistent and socially-rational overall path of development of the economy. The planning procedure which could duly encompass all relevant interdependencies in the system — had not yet been worked out. Another problem of coordination is how to succeed in deriving overall social plans, and the agreements on the foundations of these plans, from an enormous multitude of lower-level plans and agreements. Usual iterative procedures are not envisaged as integral parts of the planning process and the solution of the problem of coordination of the really large number of planning decisions remains to be found. The proposed procedure of the basic choices at the level of the society as a whole, resulting from numerous choices at lower levels, will somehow have to be made operational if the truly important and potentially significant democratic values of the system are to be affirmed and universally established.

The preceding discussion about the scope and effectiveness of the system of social and self-management agreements can be briefly summarized as follows. The system probably potentially represents the most democratic decision-making mechanism that has ever been tried out in actual practice. Its basic goal is the creation of an environment in which large numbers of different economic and social agents will be fully involved in shaping their own destiny. This represents an undeniable value and great potential advantage of the system. However, in order to realize these values in actual practice, the system — to put it simply — will have to be so structured that it could work. Moreover, it will have to work with reasonable efficiency. This implies a far-reaching simplification of many of its decision-making mechanisms. Among other things, the choices made at different levels will have to be reduced to a small number of really important problems. The number of subjects taking part in different agreements will also have to be delegated and some forms of indirect decision-making will have to be developed. It is essential that certain basic parameters, like the ones in the sphere of income distribution, be regulated for the system as a whole in a uniform way. The problems of coordination of many kinds of decisions are not yet satisfactorily solved and that represents one of the most urgent tasks in the further shaping of the system. Equally important are the problems of implementation: once taken, any democratic decision should be obligatory for all concerned and that means giving some agreements the power of legal acts and providing necessary sanctions.

There are many possibilities of improving the system. This is only to be expected since it is in the very first stage of its development. One should hope that it will evolve so as to satisfy both the criteria of economic efficiency and the needs of democratic control over development of the society.

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ULOGA I EFIKASNOST DRUŠTVENOG DOGOVARANJA
I SAMOUPRAVNOG SPORAZUMEVANJA

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R e z i m e

Društveno dogovaranje i samoupravno sporazumevanje nastalo je kao rezultat nastojanja da se procesi i mehanizmi neposrednog, demokratskog odlučivanja izgrade i van usko shvaćene sfere društvenog života i da se afirmišu i u onim oblastima koje su tradicionalno bile rezervisane za posredno, na državnim institucijama zasnovano regulisanje brojnih društvenih poslova i aktivnosti. Društveni dogovori i samoupravni sporazumi javljaju se u velikom broju različitih oblika, okupljaju mnoštvo raznih subjekata i stvaraju se sa namerom da regulišu važne aspekte razvoja i tekućeg funkcionisanja brojnih delatnosti. Stoga se javlja potreba njihovog klasifikovanja. Od dva moguća klasifikaciona kriterija — tip subjekata koji su obuhvaćeni dogovorima, odnosno sporazumima i tip problema na koje se odnose dogovori i sporazumi — ovaj drugi istaknut je kao prikladniji. Na osnovu ovog kriterijuma samoupravni sporazumi klasifikovani su u tri grupe: 1. sporazumi koji definišu razne organizacione oblike udruženog rada, 2. sporazumi vezani za zajedničko finansiranje investicionih projekata,

i 3. sporazumi koji regulišu slobodnu razmenu rada. Analogno se daju klasifikovati i društveni dogovori: 1. dogovori o raspodeli dohotka, 2. dogovori o osnovama društvenih planova i 3. dogovori o slobodnoj razmeni rada na višim nivoima.

Svrha dogovora i sporazuma sastoji se ne samo u tome da osiguraju korenitu transformaciju celokupnog sistema odlučivanja u privredi i društvu, nego i u tome da omoguću i osiguraju uklanjanje nekih već hroničnih slabosti u jugoslovenskom privrednom sistemu. Očekuje se naime, da će oni omogućiti regulisanje akumulativne sposobnosti privrede, povećati mobilnost društvene akumulacije, osigurati koordinaciju investicionih odluka, pružiti okvir za demokratsko i racionalno usmeravanje opšte potrošnje i doprineti efikasnom rešavanju većeg broja drugih problema.

Široko postavljen i zamišljen kao sredstvo za upravljanje brojnim i značajnim segmentima društvenog bića, sistem dogovaranja i sporazumevanja sadrži brojne elemente sistema planiranja, ali istovremeno održava i stalno promenljive konstelacije tržišnih kretanja i odnosa. To je zbog toga što tržišni odnosi pod određenim uslovima definišu granice unutar kojih treba da se nađu neki važni parametri samoupravnih sporazuma.

Sistem se karakteriše izvesnim brojem potencijalnih prednosti koje ga u nekim važnim aspektima čine superiornim kako u odnosu na standardne varijante sistema centralnog planiranja tako i u odnosu na tržišni mehanizam. Sistem je, pre svega, demokratski. S druge strane, s obzirom da se veliki broj dogovora i sporazuma odnosi na buduće akcije i poduhvate, on ima neke poželjne karakteristike sistema planiranja i pruža informacije koje tržišni mehanizam u principu ne može da pruži. Sistem je izuzetno fleksibilan i omogućava gotovo neograničeno kombinovanje raznih subjekata, raznih aktivnosti i različitih interesa.

Sistem nije lišen ni mogućih defekata, pa i ozbiljnijih nedostataka. Prvo, dogovori i sporazumi sklapaju se na osnovu brojnih decentralizovanih inicijativa, njihovo oblikovanje vrši se često u odsustvu inače neophodnih informacija o dogovorima i sporazumima koji se u isto vreme sklapaju na drugim mestima i u drugim delatnostima, a nepostojanje institucionalnog mehanizma koji bi osigurao koordinaciju odluka — posebno onih najvažnijih — na nivou sistema kao celine može da dovede do bitnog smanjenja efikasnosti. U, inače tipičnim, situacijama koje se karakterišu konfliktom interesa, nejednake pregovaračke pozicije pojedinih aktera mogu da dovedu do pojava dominacije koje su inkompatibilne sa fundamentalnim opredeljenjima društva. Broj subjekata koji učestvuju u nekim dogovorima i sporazumima isuviše je velik, što rezultira u sporom donošenju odluka i velikim troškovima informacija, dogovaranja i odlučivanja. Naglo povećanje broja zaposlenih u administraciji i srodnim aktivnostima može se delimično objasniti informacionom neefikasnošću sistema i njegovom preteranom složnošću na pojedinim punktovima. Očigledno je da će se ubuduće morati više voditi računa o rasporedu subjekata na razne dogovore i sporazume kao i o rasporedu funkcija odlučivanja na pojedine subjekte. Dogovori i sporazumi su takođe prilično nestabilni

pošto promena tržišnih i drugih uslova čini njihovo revidiranje, pa i raskidanje, atraktivnim, a odsustvo čvrstih zakonskih garantija čini to raskidanje lako izvodljivim.

Analiza nekih do sada zaključenih društvenih dogovora pokazuje da se izvestan broj defekata javlja u praksi na način koji je prilično konzistentan sa rezultatima čisto teorijske analize i koji se tom analizom, zapravo, mogao i a priori predvideti.