

izvodnih snaga) u okvirima privrede koja je po svojoj suštini kapitalistička, tako je u svojim manifestacionim oblicima, modifikovana državnom regulativom (intervencijama). Uprkos reformama ostvarenje industrijske demokratije još uvek je stvar daleke budućnosti. Stanje danas još uvek karakteriše nemoć, a ekonomska demokratija u praksi je svedena na vladinu budžetsku politiku.

Centralno mesto članka predstavlja tvrdnja da se javlja određena dilema sa uvođenjem aranžmana radničkog predstavljanja u pravcu odlučivanja u kapitalističkom preduzeću. Ova dilema ishodi iz činjenice da se koncept interesa radnika može diferencirati u tri tipa interesa. Radnik je član preduzeća kao ekonomsko-tehničkog sistema. U ovom kontekstu radnici su nužno subjekti (agensi) ovih interesa:

1. Kao prvo, od fundamentalnog je značaja biti zaposlen. Radnik ima neposredni interes da zadrži svoje radno mesto (svoj posao). Kao klasa radnici imaju interes da održe zaposlenost. Istovremeno ovaj interes podrazumeva instituciju najamnog rada kao takvog. Reprodukcijski kapital zavisi od postojanja radničke klase. Stoga je moguće označiti ovaj tip interesa kao konformistički interes.

2. Drugo, radnička klasa ima interes za reforme koje poboljšavaju radne uslove u preduzeću i životne uslove u društvu. Borba za tekuće radno vreme, poboljšano radno okruženje i više nadnice, spadaju u tradicionalnu oblast ispoljavanja ovih interesa. Ovi reformistički interesi odnose se na promene osnovnih struktura na nivou preduzeća i na nivou društva u celini.

3. Treće, radnička klasa ima interese zasnovane na razvoju višedimenzionalnih, bogatih ljudskih potreba i društvene sigurnosti u dugom roku. Ovaj interes podrazumeva transformaciju fundamentalnih proizvodnih odnosa u kapitalističkom društvu.

Uvođenje participativnih reformi u kapitalističkom preduzeću predstavlja institucionalizaciju klasnog konflikta na mikronivou, što može da stvori niz teškoća s obzirom na pomenute različite aspekte interesa.

Dilema na koju autori ukazuju može proizaći iz situacija u kojima interesi različitog karaktera dolaze u sukob. Konformistički interesi mogu biti u suprotnosti sa progresivnim reformama, a konformistički i reformski interesi mogu politisnuti razmatranje "transformacionih" (revolucionarnih) interesa. Kao što se može videti na primeru norveških proizvodnih komiteta, proširenje demokratija i povezivanje ekonomske i industrijske demokratije rigorozno je podređeno povećanju produktivnosti.

## A NOTE ON THE MERITS AND DEMERITS OF TWO ALTERNATIVE MODELS OF SELF-MANAGEMENT IN STATE ECONOMIC ENTERPRISES

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1. The transition to self-management of the State Economic Enterprises (SEE) in a mixed economy would be desired by the political organ to achieve certain specific goals. In order to discuss the optimal form of self-management in the SEE and the path of transition toward it, the goal to be achieved by this reform should be set down. In other words, the political organ should spell out the arguments of its objective utility function to be maximized in order to determine the optimal self-management model. In this paper, I shall first determine the factors that are likely to affect the utility function of the political organ. Then I shall specify two extreme forms of self-management in order to discuss their respective impact on the utility function of the political organ.

2. The major factors that affect the political organ's preference among various self-management models can be aggregated in five proxy variables. In the context of the Turkish economic structure and political system, I think that these factors (or variables) can be reduced to five major proxies. They can be defined as the arguments of the political organ's utility function to be maximized under the constraint of self-management rule in the SEE.

The first argument is the maximization of new employment ( $E_n$ ). This is a proxy that represents the surplus in the SEE available for re-investment. In the context of a labour surplus economy, it would be realistic enough to represent the profits (surplus) of the SEE as new employment. Although new employment can also be created through technology choice, we can omit this possibility by assuming that the discretion of self-managers regarding technology choice is not an important factor in employment creation, or by assuming that the choice of technology can be affected by some other policy means that is in the control of the political organ, and therefore, unrelated to the form of self-management.

The surplus of the SEE is determined by the difference between sales proceeds and wages withdrawn from the enterprise, the interest char-

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ge on the net worth of the enterprise being determined by the political organ. Therefore, the impact of self-management on the wages bill will simultaneously determine the creation of new jobs.

The second argument of the objective function is the degree of command of the political organ on the forms of existing employment ( $E_c$ ). This argument represents the degree of discretion of the political organ upon the hiring, firing or promoting of the existing employees in the SEE.

The third argument of the objective utility function of the political organ is the output level of the enterprise ( $O$ ). The fourth argument is the pricing policy ( $P$ ) of the SEE, which includes both the end product prices and material input prices. The latter are relevant particularly when the SEE possess some degree of monopsony power.

Finally, the fifth argument is a proxy for workers consensus vis-à-vis the management and workers satisfaction in the place of work ( $X$ ). This variable includes not only the extreme form of dissatisfaction (strike), but also all other forms of unrest (protests, complaints, boredom), whether this affects the output or not. The objective function of the political organ vis-à-vis self-management design can therefore be written down as follows:

$$U = f(E_n, E_c, O, P, X)$$

The policy variables  $E_n$ ,  $O$  and  $X$  are positively related to the utility function of the political organ, that is,  $dU/dE_n$ ,  $dU/dO$ ,  $dU/dX$  are all positive, but  $E_c$  and  $P$  are negatively related to the utility function, that is,  $dU/dE_c$  and  $dU/dP$  are negative. Although a price mark-up the SEEs affects the political organ's utility function negatively, the reverse would occur in case of material input prices.

3. It is of the utmost importance to bear in mind the present and past status of the SEEs in a mixed economy before exploring the optimal self-management design and resolving the problems related to the transition period. In Turkey, the present status of the SEEs subordinate the management to the political organ. The SEE's autonomy vis-à-vis the political organ is de facto and de jure very restricted. The management can be dismissed if it does not conform to the general terms of reference or specific directives of the political organ. The SEEs are bound to various ministries roughly according to the principle of sectoral correspondance (transport companies are attached to the Ministry of Transport and Communications, power and mining companies to the Ministry of Energy and Natural Resources, state farms to the Ministry of Agriculture, heavy industries to the Ministry of Industry and state enterprises that are in competition with the private sector to the Ministry of Enterprises and so on).

The SEEs are organized in the form of state holdings. At the bottom, the workplaces (plants) which are called "establishment", are managed by a state holding (SEE). Some state-owned enterprises are created according to the law of Commerce as private common stock enterprises. Since 1963, there is a workers' representative on the board of directors of the SEEs (holding) and the directing committee of the "establishment". These representatives are not directly elected by workers,

but nominated by the workers' union that has the prerogative of negotiating the collective contract with the management of the "establishment" or holding. This form of participation in the management does not produce any active workers' involvement in the policy of SEEs, and does not alter the essentially bureaucratic and politicised management of SEEs.

4. The problems related to the transition to a self-management rule the SEEs also depend on the self-management model that the political organ wants to attain at the end of the transition period. I think that, among other possible classifications, the models of self-management can be grouped according to the degree of power delegation into smaller work units within the self-managed SEEs.

The model with extreme power delegation to the lower units of production would organise the workers into separate teams according to the product of their activity. Thus in each stage of production, a workers' team shares the benefits of the output. Each team sells its product to other teams in the production line. This model introduces a market mechanism among production teams within the firm.

The other extreme model of self-management keeps the production process intact, and concentrates on the process of power delegation of the workers from the bottom up to the board of directors through elections. This form of enterprise would replace the one-share-one-vote-decision model of a capitalist enterprise with the one-worker-one-vote decision model of a self-managed firm. This is the "sand-glass model" of Professor Branko Horvat.

5. The transition problems are strictly related to both the *status quo ante* of the SEEs (starting point), and to the model that will be achieved at the end of transition (terminal station). The path of transition is affected both by historical inheritance and the target model of self-management. Therefore, the details of the transition can only be discussed when the pertinent characteristics of the initial and terminal stages are known. Therefore, I don't see any use in discussing the problems related to the transition period, without reference to these characteristics. However, I want to mention here two important issues regarding the transition strategy.

One choice regarding the transition strategy is on the scope of self-management in the SEEs. An alternative is the transition into self-management on an experimental basis in some appropriate SEEs. After gaining experience and insight into the problems that are likely to arise, the experience can then be extended to other SEEs. The other alternative is the simultaneous implementation of self-management in all SEEs.

Another choice in regards to the strategy of transition is related to the duration of the transition period i.e. how to determine the length of time in which the transition into self-management will be completed. In this respect, the choice is between a gradual transition and a sudden or overnight transition. Gradual transition has the advantage of providing time for educating workers to prepare them for their new responsibilities, and to set up other institutions that will help the success of self-management.

A factor that is vitally important in the transition strategy is the constraint imposed by the political election year. In a multiparty de-

mocracy, the government has to adjust the timing of its reform program to the election year. To be acceptable, a self-management reform must yield some of its benefits in the election year. For this reason, the government should pick up those SEEs that best fit self-management rule to obtain positive results before the elections. This constraint leads to a partial transition policy in the appropriate SEEs that is good producing positive results within a time span of two or three years.

5. The model of extreme power delegation is based on the principle of making every worker's remuneration proportional to his contribution. The more the activity of the SEEs divided into smaller units of homogeneous and measurable jobs, the higher the workers' incentive for better performance is. This model prevents or limits free-ride behaviour among workers; because each worker's compensation closely corresponds to his performance. But since in practice many activities are performed jointly by the team members, group remuneration will persist. Within the teams, workers will behave cooperatively, but the conflict behaviour will prevail as among groups.

One difficulty in the implementation of this type of self-management is the identification of independent, homogenous products on the production line, and the determination of the number of workers that will be in charge of their production. The most important difficulty, however, is the assignment of the total value added by the enterprise to each separate team's activity. The determination of the value of each team's product will be a subject of conflict among workers' teams. When each team's product exists in the market with observable market prices, the problem of value assignment can be resolved by reference to these prices. But for most products there are no such market reference prices. To resolve both the problem of optimal fragmentation of the SEEs activity, and to determine the relative value of each team's work a decision power from above will be needed.

The model of division of the workers as producers of specific jobs presents many obvious merits. It improves the workers' productivity. Such improvement can either be absorbed in wage increase or in surplus increase, that is, new employment. The SEEs absolute output would also increase thanks to better use of the existing manpower. The prices of the SEEs in this self-management model would tend to increase if the enterprise has some monopoly (the material input prices would tend to decline if it has a monopsony power). Wage increases secured by the elimination of free riders would contribute to a greater consensus among the workers. However, the conflict in the optimal mapping of jobs and teams, and the value assignment to the jobs of teams can only be eliminated at high transaction costs, particularly in the absence of reference market prices. The political organ would lose considerably its control over the hiring and firing of employees ( $E_e$ ). Since work teams have no interest (ownership) in the investment of the surplus except when productivity increases through capital deepening, work teams would tend to distribute the surplus in the form of wages. It is essential that the government earmark a fraction of the wages to a surplus fund for the formation of an investment pool.

6. In the self-management that operates on the basis of the one-worker-one-vote model, workers take over the function of shareholders, that is, the political organ in the context of the SEEs. Workers will be interested in the creation of a surplus if they have ownership rights over it. If the yield of the reinvested surplus is appropriated by the workers individually, they will be encouraged to create a surplus. If the workers are given the alternatives of taking out their shares in the surplus, or reinvesting them in the enterprise collectively, many will withdraw. This is likely to occur because of the workers' preference for present consumption or for more attractive personal investment. But the total surplus (investment) is likely to be higher if the surplus is owned and invested by a collective workers' fund that would distribute the yield of reinvestment to them at the time they leave the enterprise (see the Appendix).

The one-worker-one-vote system leaves the door open to free riding behaviour. Such behaviour leads to a decline in the potential individual wages and/or surplus. Unless the problem of the value assignment to work teams is resolved, the productivity in the one-worker-one-vote-model would be inferior to the alternative market-simulated job remuneration model. This would lower the absolute output ( $O$ ). In these two models, the political organs decision power over the hiring and firing of workers ( $E_e$ ) is reduced or eliminated.

Consensus in the place of work ( $X$ ) is likely to be high in the sand-glass model, but not higher than in the alternative decentralized job performance model. However, the transaction costs of agreement on value assignment to jobs performed by each team is avoided in this model.

This sketchy comparison of the two extreme models of self-management suggests that the sand-glass model can, and should, be complemented to a certain extent with an activity division model. Such a hybrid model is likely to secure a higher consensus, productivity, and output relative to the two extreme models. The creation of new employment (surplus) meets similar hardships both in the extreme models and in the hybrid system.

#### Appendix

When workers of a self-managed firm have the choice between taking out their share in the surplus or reinvesting it either in their own firm or in other investment opportunities in the market, their investment choice can be illustrated as in Diagram 1.

The horizontal axis shows worker's share in the surplus at present (time 0) and the vertical axis the amount of income he can consume in the future (time 1) if he reinvests his share in the surplus ( $S_0$ ). The line  $FS_0$  represents the transformation possibility of the present income into future income for the worker within his self-managed firm. The worker will attain optimal division of his share of surplus between present (consumption) and future income (saving including his share in future surplus) by equating the slope of his indifference curve between present and future incomes to that of the surplus budget line ( $FS_0$ ), that is, at the point  $P_f$  where his consumption will be  $OC_0$  and his future consumption

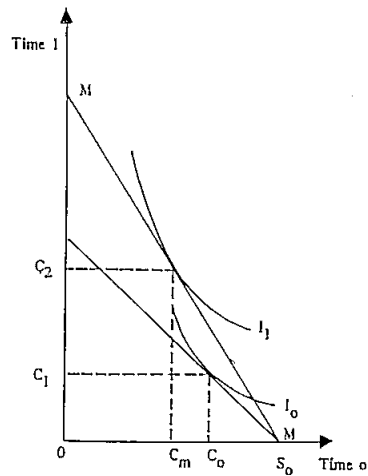


DIAGRAM I

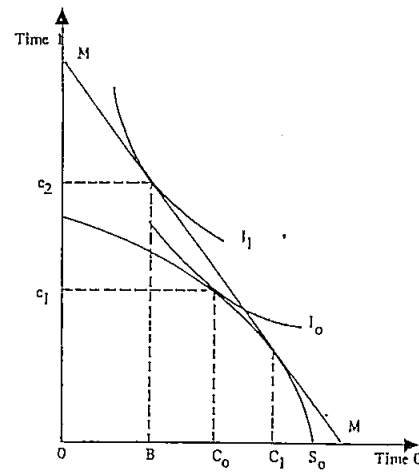


DIAGRAM II

$OC_1$ . But if market investment opportunities with a higher return are open to the worker he will not invest a single lira in his own firm, and will cash all of his share in the surplus. He will then invest a part of his surplus income in the market by equating his indifference curve ( $I_1$ ) to the market investment opportunity line (MM). Thus he will consume less ( $OC_m$ ) and invest more ( $OC_2$ ).

Supposing that the workers own the surplus of their enterprise collectively the possibility of turning present surplus into future surplus would be represented by the FF line, which is no longer a straight line but a curve. (Diagram II). This accounts for the diminishing return to the reinvestment of the surplus in the self-managed enterprise. If the only investment opportunity available for the workers is reinvestment in their own firm, they will consume  $OC_0$ , invest the amount  $C_0S_0$ , and obtain the income  $C_1O$  in the next period. If the management of the fund can also invest in other opportunities in the market, they will invest less ( $S_0C_2$ ) in their own firm, and will invest the amount  $C_2B$  in the market by borrowing from the capital market the amount  $BC_0$ , thereby attaining a higher future income ( $OC_2$ ) and higher satisfaction level ( $I_1$ ). Therefore, when the workers own the surplus collectively instead of individually they will invest more in their own business.

## THE TURKISH ROAD TOWARDS A SELF-MANAGED SOCIETY

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In January 1978, Turkey underwent a governmental change which is important to the understanding of Turkey and of other less-developed countries which share similar social, economic and political problems. This paper, after a brief introduction (Section 1), will treat the historical background of this change (Section 2).<sup>1)</sup> General principles of the Republican People's Party (R.P.P.) which facilitated this change will constitute Section 3. The prospects toward a more democratic and participative society (Section 4) and the difficulties facing the new government (Section 5) will make up the rest of the paper.

### I. INTRODUCTION

In the first week of this year, Turkey had a new government headed by Bulent Ecevit, leader of the R.P.P. Ecevit is sharing the power with eleven independent deputies who resigned from the Justice Party of Suleyman Demirel and the Democratic Party by only one member in the National Assembly.

The very significant increase in the percentage of the votes that R.P. P. won in the last three general elections is strong enough to show the desire of the Turkish people for change. Shown below (Table 1) are the proportion of votes received by the two largest political parties, the Republican Peoples Party and the Justice Party (J. P.).

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<sup>1)</sup> It is very difficult to understand the present and to predict the future without understanding the past. To see the mistakes made in the past by the Turkish intelligentsia may help other countries' intellectuals and politicians not to repeat the same. To give the flavour of the events, this section is the longest part of the paper.