

# **YUGOSLAV WORKERS' SELF- MANAGEMENT**

**Edited by M. J. BROEKMEYER**

**Proceedings  
of a Symposium  
held in  
Amsterdam  
7-9 January, 1970**

**D. REIDEL PUBLISHING COMPANY  
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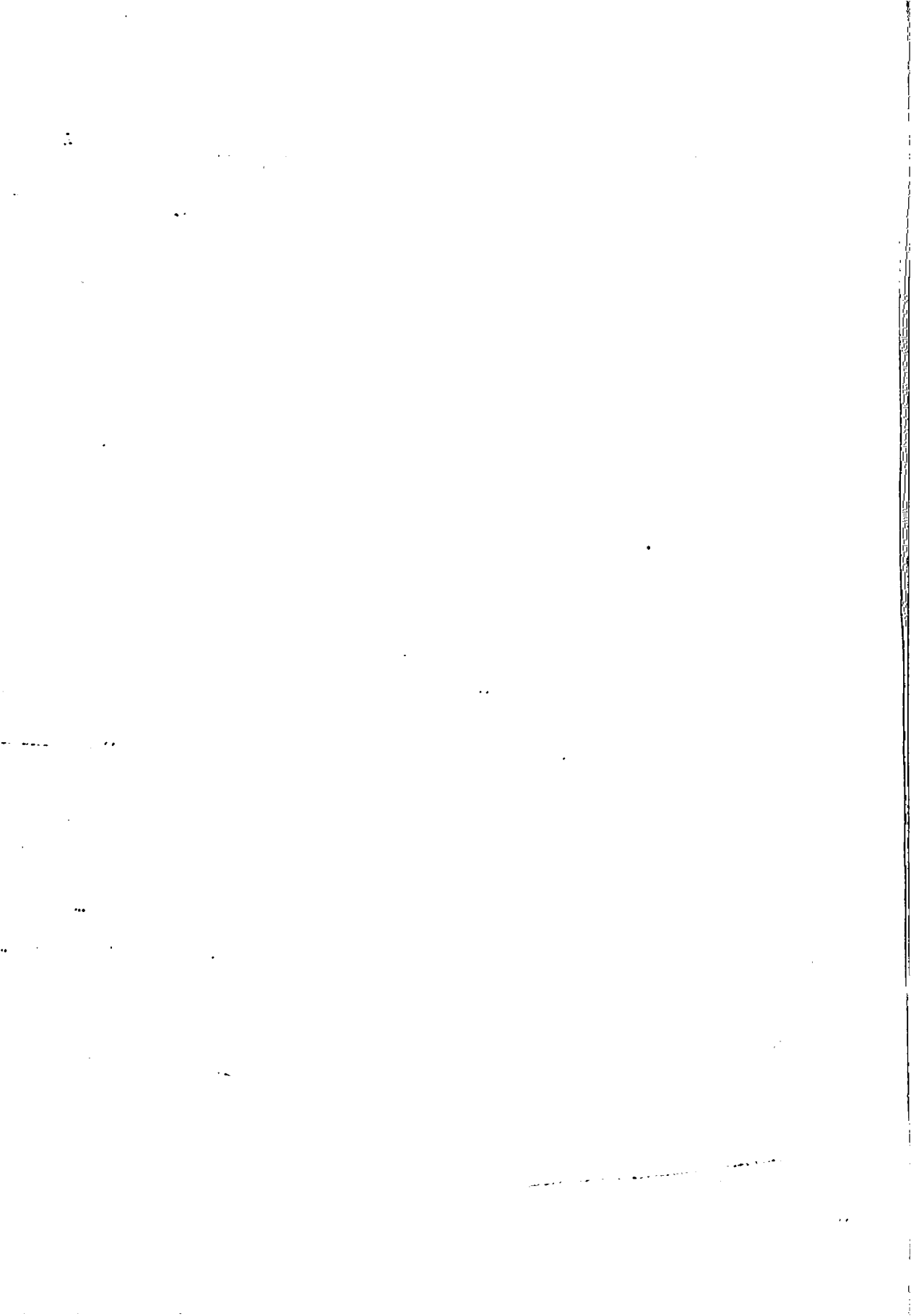
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The Yugoslav writers were selected according to the criteria that they are competent in their field and that they have different viewpoints in their assessment of the system.

We hope that the threefold purpose of this book will be attained, namely to provide a clearer insight for the Western reader into the Yugoslav system; secondly to confront Yugoslav society with the questions asked and the criticism voiced here with regard to the practice of workers' selfmanagement; and, lastly, to pay a modest tribute to the 20th anniversary of Yugoslav workers' selfmanagement.

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PROCEEDINGS OF A SYMPOSIUM  
HELD IN AMSTERDAM, 7-9 JANUARY, 1970

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## PREFACE

This book contains the Proceedings of a Conference held on 7-9 January 1970 in Amsterdam on the problems and perspectives of Yugoslav workers' selfmanagement.

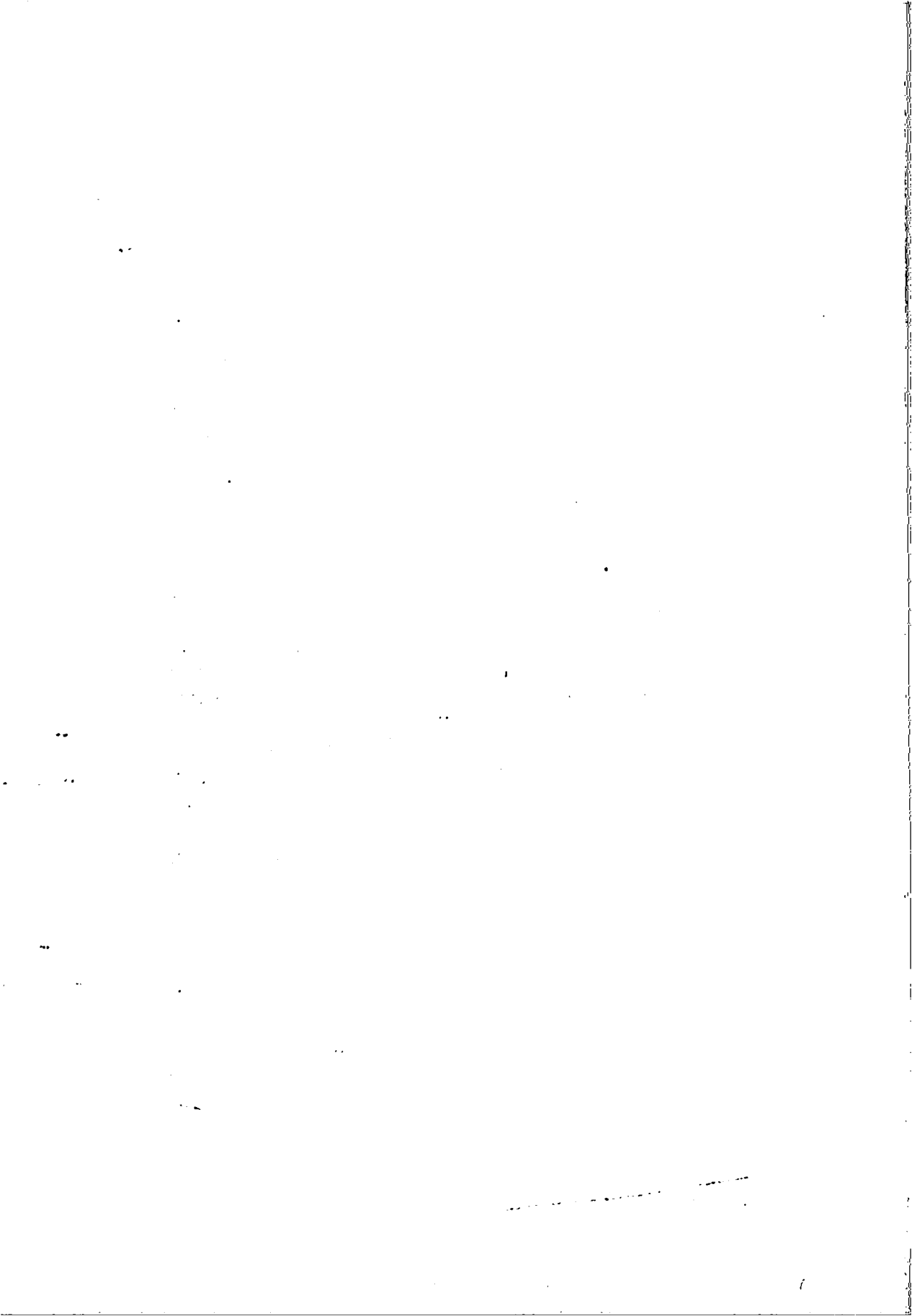
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To be sure, the range of subjects treated in Amsterdam might seem to be rather wide, but one should bear in mind that this was unavoidable in the first large-scale confrontation of two different social systems outside Yugoslavia.

Although the language used in this book may not always correspond with the official standards, we trust that the published texts will be easily readable for the benevolent reader.

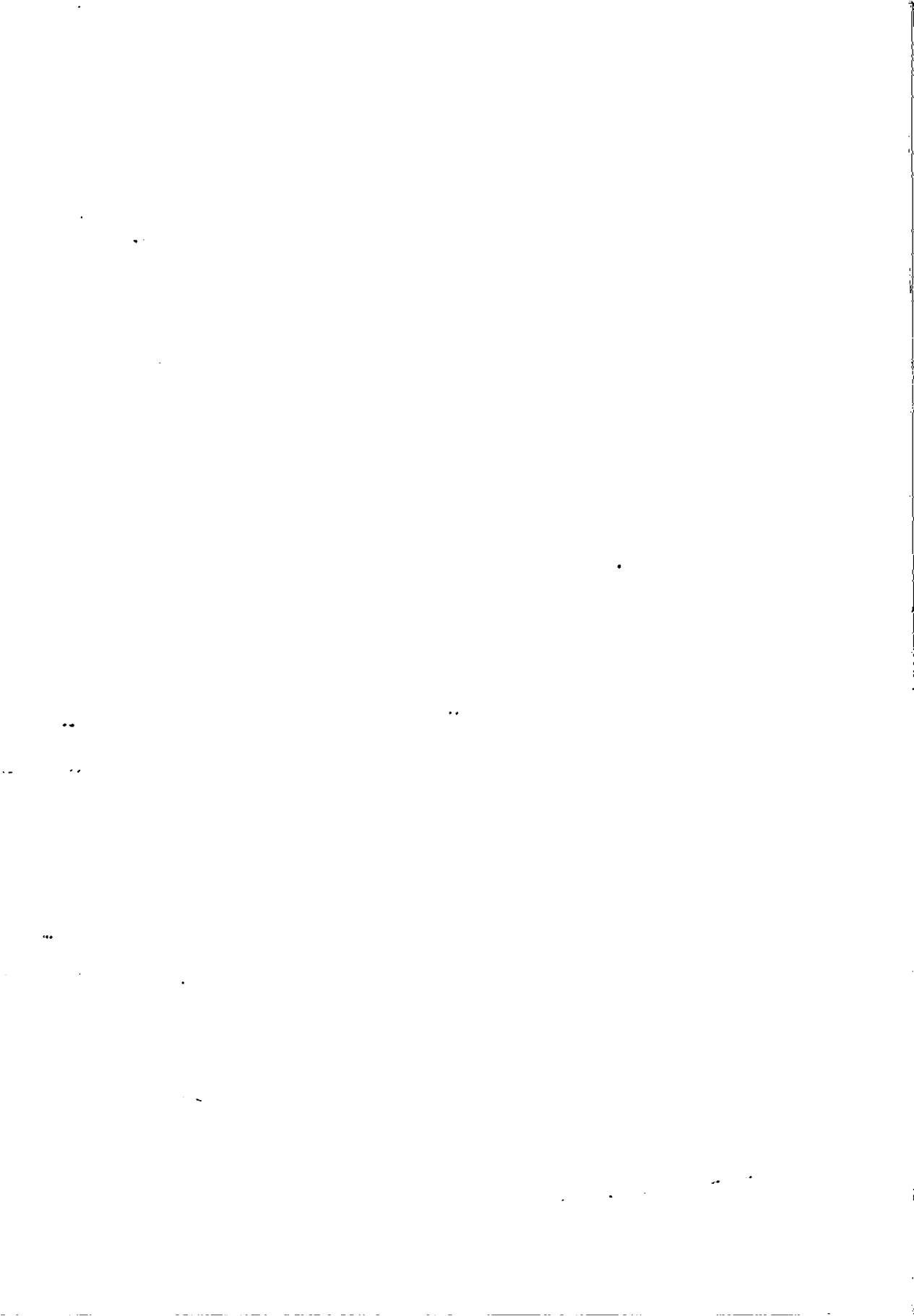
M. J. BROEKMEYER



## TABLE OF CONTENTS

<b>PREFACE</b>	<b>v</b>
<b>NAJDAN PAŠIĆ: Selfmanagement as an Integral Political System</b>	<b>1</b>
<b>T. B. BOTTOMORE: Comment on Dr. Pašić's Paper</b>	<b>30</b>
<b>Discussion</b>	<b>33</b>
<b>ZORAN VIDA KOVIĆ: The Function of the Trade Unions in the Process of Establishing the Structure of the Yugoslav Society on a Basis of Workers' Selfmanagement</b>	<b>42</b>
<b>P. H. HUGENHOLTZ: The Task of the Trade Unions in a System of Workers' Selfmanagement. Comment on Vidaković's Paper</b>	<b>61</b>
<b>Discussion</b>	<b>70</b>
<b>MITJA KAMUŠIČ: Economic Efficiency and Workers' Selfmanagement</b>	<b>76</b>
<b>JAN TINBERGEN: Does Selfmanagement Approach the Optimum Order? Comments on Professor Kamušić's Paper</b>	<b>117</b>
<b>IVAN MAKSIMOVIĆ: The Economic System and Workers' Selfmanagement in Yugoslavia</b>	<b>128</b>
<b>PETER WILES: A Descent towards Particulars</b>	<b>154</b>
<b>Discussion</b>	<b>161</b>
<b>EMERIK BLUM: The Director and Workers' Management</b>	<b>172</b>
<b>A. STIKKER: Comments on Mr. Blum's Paper</b>	<b>193</b>
<b>Discussion</b>	<b>208</b>
<b>RUDI SUPEK: Problems and Perspectives of Workers' Selfmanagement in Yugoslavia</b>	<b>216</b>
<b>P. NAVILLE: On the Report by R. Supek concerning the Conditions of Selfmanagement</b>	<b>242</b>
<b>Discussion</b>	<b>251</b>





NAJDAN PAŠIĆ

## SELFMANAGEMENT AS AN INTEGRAL POLITICAL SYSTEM

Yugoslavia is rather widely known throughout the world as a country of workers' councils. In the popular view, this general and rather indeterminate image is frequently taken to mean all that this country has done and undertaken in the 20-year effort to find an original approach to the solution of the specific and general problems of building a socialist society on the basis of selfmanagement. Of course, reducing the 'Yugoslav experiment' to workers' councils cannot be attributed solely to insufficient knowledge or underestimation of everything that is happening in the development of this relatively small Balkan country. Other reasons would appear to be more important.

The highly complex systems of production and management characterizing contemporary industrial and 'post-industrial' society have intensified the widespread feeling of dissatisfaction and the resignation of people as to their own subordinate or depersonalized position, the absence of any real possibility of participating effectively in decision-making and managing affairs directly concerning their existence as workers and social beings. Thence the numerous attempts and projects – initiated by organized labor (trade unions, workers' parties) and other social factors, or engendered more or less spontaneously – to solve this problem or at least to ameliorate it by creating various forms of consultation involving workers and office employees and allowing for their participation, even if restricted, in decision-making through workers' councils, production consultations, committees for 'joint consultation', enterprise councils, organs for coordination and consensus, etc. There is an understandable tendency to conceive of and deal with workers' councils in Yugoslavia simply as one of these attempts to improve and humanize labor relations through the participation of the workers in management. Frequently, however, the broader historical context for the creation of workers' councils in Yugoslavia is neglected as are its far-reaching revolutionary effects and implications for the development and character of the socio-political system in its entirety.

Secondly, the processes of transformation of social relations in Yugoslavia in terms of selfmanagement are frequently regarded through the narrow prism of workers' councils also for the reason that their formation in 1950 was the first decisive step in the direction of changing radically the social position of associated labor. However, with the advancement of selfmanaging relations both in the economy and in other spheres of the society, and with the gradual transformation of selfmanagement into the fundamental principle of the entire organization of society, workers' councils became only one of the institutions through which the working people exercise the rights of selfmanagement.

The successes and failures, the achievements and misfires of selfmanagement in Yugoslavia may be perceived in their entirety only against the background of their broad socio-historical dimensions and their significance in terms of the overall organization and nature of the social system. By dint of historical circumstance, Yugoslavia found herself in a situation in which the question of selfmanagement was posed before the revolutionary forces which were the standard-bearers of her socialist development, as a vital question of the historic alternative between the statist conception and practice of socialist advancement and the conception of selfmanagement. There is no doubt that the conflict with Stalinism and the attending defense of the right to pursue an independent path of socialist development was highly influential in orienting the socialist forces in Yugoslavia to the construction of a system of selfmanagement, which increasingly acquired the significance of a critique of Stalinism in the sphere of revolutionary social practice. In any case, the conflict between the Yugoslav Communist Party and the Cominform was one of the first clear symptoms of the crisis of that system of relations in the international workers' movement, and between socialist countries, which had been founded on the statist conception of socialism and the corresponding political practices.

On the other hand, selfmanagement could progress only to the extent to which statist relations were surmounted and suppressed in the internal economic and political organization of Yugoslav society, which could not, overnight, wrench itself free from the statist shell in which it itself had been developing. For all these reasons, the development of selfmanagement in Yugoslavia (regardless of how we assess its results) raises in acute form some of the general questions and dilemmas confronting

the development of contemporary societies, especially the socialist, and therefore deserves to be the subject of broad critical consideration and analysis.

In this article, an attempt is made – taking as a point of departure several basic ideas characterizing the Yugoslav conception of socialism and selfmanagement, and the experience that has accumulated in its realization – to indicate in the most concise possible manner some of the key problems and measures and some of the unsettled dilemmas attending the constituting of a society on the lines of selfmanagement.

#### I. THE IDEA OF DIRECT SELFMANAGING DEMOCRACY AND SOCIALIZATION OF POLICY-MAKING

The social emancipation of labor in the sphere of material production and income distribution is the point of departure for the historic process of socializing policy-making. In the organization of production and distribution on the lines of selfmanagement, all the basic social forces and powers – forces whose actual source lies in associated, combined human labor – themselves come under the control of the associated workers rather than bossing them. According to Marxist theory, the forced alienation of the product of social labor from the producers, under a system of exploitation, lies at the root of pitting the common and general social interests against the concrete and personal interests of individual citizens (man as a private person in the specific system of production and social relations and man as an abstract citizen, a member of the 'body politic'), consequently at the very root of the alienation of public power (the state) from society.

Placing the associated producer in the position of directly and jointly controlling the social conditions of his labour and his material existence, selfmanagement *ipso facto* removes the principal social causes and roots not only of authoritarian forms of political organization but also all forms of rule and 'bossing' by aloof political forces above the working man and the social conditions of his existence. In consequence, the self-managing transformation of production relationships opens up for society the prospect of such consistent democratization of managing society's affairs, of the merger of selfmanaged organization of labor with the global organization of society, as will logically lead to the

withering away of the state, that is, to the complete socialization of policy-making.

Such and similar Marxist conceptions on the revolutionary change to which the social emancipation of labor regularly leads throughout the entire fabric of society, and particularly in the forms of its constituting itself politically, is the theoretical basis taken as the starting-point by all conscious socialist forces in Yugoslavia in the development of the political system on the basis of selfmanagement. The central focal point of the new political system becomes man in associated labor, to an increasing degree. Through the system of selfmanaging relationships in the working organization itself and through association between working organizations amongst themselves and also with the community at large, labor and the management of labor, production and appropriation and the disposal of the products of labor are linked together. Thereby the democratization of the political system, the democratization of the management of joint social affairs, regularly and inevitably transcends institutional forms and the limits of political-representative democracy which has been and remains the only possible form of democracy under conditions of the division and opposition of public power and society, of those who rule and those who are ruled.

As the development of selfmanagement and the resulting liquidation of the causes of division between public power and society becomes the fundamental objective determinant of the transformation of political relationships, so does the transformation of political-representative democracy into direct social democracy become the basic law governing that transformation. Understanding this law is an essential condition for comprehending the meaning and perceiving the prospect of constituting the political system on the basis of selfmanagement and for arriving at historically relevant criteria, rather than inadequate analogies looking to the past, for appraising concrete manifestations and the forms through which the process of socializing policy-making in a selfmanaging society are realized.

In the concrete historical example of Yugoslav society, the process of transforming political-representative relationships and institutions into an integral system of direct selfmanaged democracy has several basic aspects:

First of all, there is an expansion of the sphere of free, selfmanaged association by people to satisfy common requirements under their joint

management and control. This refers above all to the local territorial communities (e.g., local communities in which the citizens, voluntarily and at their own initiative, pool their resources and efforts to solve problems relating to their common life in the small area in which they reside) and to social and public services in the field of education and culture, employment and social welfare, health protection, etc. Growing freedom in disposing of the income they earn in associated labor (gradual replacement of taxes and other fiscal levies by voluntary or compulsory contributions of an agreed amount and for agreed purposes) makes it possible for the working man, acting through forms of direct democracy (assemblies of beneficiaries, delegates in the assemblies and other organs of the community of interest, etc.) to participate in guiding the activities that serve to satisfy his vital needs.

Secondly, a place of importance in the organization of the political system is held by institutions of directly democratic decision-making and participation in policy-making, such as assemblies of voters in parts of the territory of the local communities, assemblies of working people in the enterprises and institutions, assemblies of those who utilize the services of communal and other enterprises, referendums in the working organizations and in the socio-political communities, etc. These and like institutions of direct democracy are not unknown to history, and in certain revolutionary periods and in various countries they have managed to assert themselves in their democratic function. However, the tremendous burgeoning of centralized state machinery and the growth of its monopoly over the bureaucratic management of society's affairs (which is characteristic of the present epoch) has resulted in the disappearance of these institutions or in their complete degradation. The development of selfmanagement paves the way for a new and historic turning-point in this respect as well. The fuller affirmation of the aforementioned forms of direct democracy is made possible first of all by the altered position of the working man who, as part of selfmanaged production relationships and disposing of the surplus of social labor, becomes increasingly interested, capable and competent in terms of orienting himself and of making decisions on all political problems concerning his own special and the broader community. Secondly, the work of these institutions has a firm and broad normative basis, the support of laws and the backing of organized political forces. Legal and selfmanaging

norms regulate the role and manner in which the assemblies function and the holding of referendums, and provision has been made for certain other important activities (nominations for representative bodies, establishment of development plans, the submitting of accounts by self-managing organs in the enterprises and in the local community, etc.), in which application of these forms of direct democracy in political decision-making is compulsory.

Thirdly, an important component in the process of developing direct democracy and socializing policy-making is decentralizing the management of social affairs in a manner that brings decision-making as close as possible to the working man himself and eliminates, wherever possible and to the greatest extent possible, decision-making and political mediation in his name. The most meaningful and the fullest expression of that selfmanaging decentralization is the conception of the commune as the basic socio-political community, the fundamental form of territorial integration of selfmanagement and its merger with the mechanism of political power of the working people.

The commune is the basic socio-political community, above all in the sense that in it the working people exercise selfmanagement, regulate their mutual relations and independently solve all problems connected with their work and their social existence with the exception of those which, because of their nature, must be entrusted to the broader socio-political communities – the provinces, republics and federation. This 'preference of competence' favoring the commune derives from the inalienable right of the working people to make decisions, on the basis of selfmanagement, not only about their work but about all other matters concerning their social position and the satisfaction of their personal and social requirements. Accordingly, the new position of the commune in the Yugoslav political system is the direct expression of selfmanagement and not of administrative delegation of competence by higher, superior instances.

If the volume and significance of the function discharged by the commune as a local organ of power and selfgovernment has grown tremendously over the past 13 or 14 years, and if the Yugoslav system stands out in this respect, in terms of the tendencies prevailing in the present-day world, then this fact can be explained only by the development of selfmanagement at the base of society.

Naturally, we should not lose from sight the existing and palpable difference between the normative and the actual, between the theoretical and the constitutional-legal conceptions of the commune and its nature and position in political life. Nonetheless, certain important facts testify that development is going in a certain direction which, in perspective, should lead to elimination of the present disparity between the normative and the actual. In the final distribution of 'public resources', which serve to cover the general requirements of the community (budget, social and public services), the commune has at its disposal greater resources than the federation or republic, attesting the extremely significant expansion of the material basis for selfmanagement in the commune. In applying this yardstick, we may conclude that the local organs of government and selfmanagement in Yugoslavia enjoy stronger positions than those enjoyed by the corresponding organs in either capitalist or socialist countries.

The commune is the basic socio-political community also in the sense that it provides the framework for the first step in horizontal integration and coordination of selfmanaged social activities, as a result of which the commune acquires the character of a community in which the working man maintains direct control over various aspects of his social existence. And it is precisely in this sense, as the basic cell in the territorial integration of selfmanagement, that the commune provides the foundation from which the broader socio-political communities derive directly – the provinces, republics, and the federation. Unless integration of selfmanagement is realized in the commune, it would be impossible to forge unity in the broader community on the principle of selfmanagement.

Fourthly, the replacement of a political-representative system by the system of direct democracy is also reflected in changes in the character of the mandate of deputies and councilmen. For the representative bodies to shed their parliamentary nature and acquire the character of working bodies, they must be composed not only of independent political representatives but also of delegates who retain firm links with the selfmanaging structures (the working people organized along the lines of selfmanagement), who delegate power to them. Normatively, this change is expressed in the Yugoslav Constitution which defines the assemblies of socio-political communities as "elected delegations of all citizens, and particularly of the working people in their working communities, constituted in and replaceable by the communes". The deputies are responsible



to their voters and may be recalled in accordance with procedure established by law. Constitutional and other legal provisions dealing with the rights and duties of deputies establish the conditions and premises for deputies to act as a direct and permanent link between the assemblies to which they have been elected and the assemblies of the communes or republics where they have been elected. The professional discharge of the deputy's functions is strictly limited, also as a result of the principle of delegating representatives. As a rule, the deputies of large working communities remain at their jobs in their working organizations. All these are elements reflecting essential changes in the nature of the deputy's mandate which have been designed to assure that the assemblies have a selfmanaged, directly democratic and working character rather than being political-representative and parliamentary bodies.

Fifthly, the key element in transforming representative-political into direct democracy is the change in the character and role of the political organizations, particularly the political parties. All advanced systems of representative democracy are systems of party rule (partocracy): a number of parties, struggling amongst themselves for power, or one party holding an actual monopoly on political decision-making. Direct democracy, based on selfmanagement, if it is genuine, signifies the negation of monopoly and is consequently, in essence, irreconcilably at odds with the system of party rule. This is empirically confirmed in all cases where social affairs are run in a selfmanaging form (as is the case with nationalized industry in France, with local selfgovernment in India, etc.).

In Yugoslavia, too, the outlines of this problem began to appear during the very first years of development of selfmanagement and the formation of workers' councils in the enterprises. The Communist Party itself soon became aware of the problem. At the Sixth Congress of the Communist Party of Yugoslavia held in 1952, only 2 years after the promulgation of the Law turning state enterprises over to the working collectives to manage, decisions were adopted mapping out the transformation of the Party from the center and backbone of the system of all-embracing and direct state management of the entire process of social development (which began to forge ahead rapidly right after the war) into an ideological and political force acting as an integral part of the system of selfmanagement, in keeping with the democratic principles on the basis of which that system had been constituted. Thus began the

process of transforming the Communist Party into the League of Communists.

Although consciously initiated by the Communist Party, this process did not proceed smoothly; it was attended by difficulties, false starts, and resistance resulting from inertia and jeopardized political interests. This is understandable in view of the fact that the changes involve the very foundations of the political organization of society. In advanced form, selfmanagement means the establishment of numerous centers of directly democratic decision-making on society's affairs at all levels of social organization from the working units in the enterprises and institutions to organs of the global community. This is the direct negation of the system in which the party holds and maintains a more or less total monopoly on political decision-making on which basis it establishes relations with all other factors in the political organization of society, as transmissions and instruments: with state organs through which it implements its policies by means of political power, and with the large-scale political organizations (trade unions, youth leagues, professional and other associations, and the largest political organization – the Socialist Alliance of the Working People of Yugoslavia) through which it assures its ideological influence and massive support, genuine or formal, for its policies.

If these relationships of transmission were to be transcended and a system of direct selfmanaging democracy established gradually, the following essential changes were necessary:

(1) The clear-cut separation of the Party (the League of Communists) from the state and its apparatus of power, in terms of institutions, cadres and personnel. The powerful tendency of the state and party to merge, typical of the preceding period, had to be surmounted. This process of taking the 'statist elements out of the party' was at one and the same time the premise for and consequence of the radical changes in the role of the party in the political system. Only if the party rid itself completely of its role of direct manager of all social affairs could it also eliminate in its entirety the tendency to identify itself with the apparatus of political power. But if this was to be brought about, measures had to be taken which would support and assure movement in that direction both from the normative and ideological aspects. After the Sixth Congress of the Communist Party of Yugoslavia in 1952, and particularly after 1966 when

the reorganization of the League of Communists was placed in the foreground of political life, a number of such measures were adopted and implemented in Yugoslavia. Parallelism in the organizational structure of the state and party was completely abandoned (meaning the departmental organization of party forums corresponding to the departmental organization of the state apparatus, designed to assure direct administrative links with the latter and control over all their activities); also adopted and implemented were measures to prevent the same people from holding executive posts in the party and in the state hierarchy (which had previously been a regular practice); the practice of the party organizations settling in advance all matters of current policy about which state and selfmanaged organs later made only formal decisions, was criticized and for the most part abandoned: finally, it was decided that one of the basic principles adopted for the entire reorganization of the League of Communists, the principle of 'separating the party from power', would help it to assert itself fully in its role as the leading ideological and political force of a society organized along the lines of selfmanagement.

It must be admitted that this generalized slogan of 'separating the party from power', a slogan which has been greatly insisted upon, was never defined precisely enough nor has it always been interpreted in the same way; it has therefore been the source of much confusion and misunderstanding both in the League of Communists itself and in political life generally. It may nevertheless be asserted that it has brought about a turning-point in concepts and in material political relationships. New norms for political behaviour have already been established, reflecting the emancipation of the party from the role of leading nucleus of the state apparatus of power, to which it had in large part been reduced in the period of 'administrative socialism'.

(2) Changes in the relationship between the state and the party are also associated with the equally profound changes in the role of the state itself. If the system of direct democracy is to advance, socialist society must transcend the phase of development in which the state, relying on the monopoly of state ownership, is the principal standard-bearer of social integration, the organizer and manager of social life in its totality. Instead, the organized political power of the state has been placed at the service of developing and maintaining the normative order which strengthens and protects the position of man in associated labor and

enables his freely expressed interests to become the main factor in the global process of political decision-making, based on direct democracy. This was the essential condition for the party, as the leading ideological and political force of society, to transfer the focus of its activity from the sphere of managing the state to the sphere of selfmanagement and direct democracy.

(3) If the political-representative system was to be replaced by the system of direct democracy, a ramified mechanism had to be formed rendering it possible for the interests of the working people, for the numerous initiatives and demands concerning the mutual relations and policies of the smaller and larger communities, to be given political form and to be incorporated in an effective manner into the general process of political decision-making. This role has been taken over by the large-scale socio-political organizations and various associations of citizens established on a professional or other kind of basis. These organizations are no longer either transmissions or instruments through which the party implements its policy with the formal approval or formal participation of the citizens and working people, nor are they independent political institutions based on monopoly which represent certain partial interests or the global political program and thereby discharge their political-representative function by struggling among themselves for power and political influence. Instead, these organizations are designed to develop into such forms of socio-political organizations as serve the working people in directly exercising their selfmanaging and broader political rights, in establishing and formulating their demands and positions in democratic discussion, in confronting and coordinating their interests by mutual consent, in consulting on joint affairs and, according to established democratic procedures, in ascertaining by agreement that which represents the common long-term interest and basis for formulating an integral policy in all spheres of the life of society.

A particularly important role in integrating directly democratic actions and assuring direct participation by the citizens in political decision-making is played, or rather should be played, by the Socialist Alliance. As a specific organization, which emerged as the institutionalized expression and instrument of the exceptionally widespread socio-political activation of the masses during the revolution, the Socialist Alliance should provide the roads and channels through which all working men

and citizens and all collectives can give political expression to their self-managing action, join the process of democratic struggle for their concepts and interests and influence the taking of political decisions.

Within the frameworks of the socio-political organizations and associations, and also through the broad-based institutional forms of the Socialist Alliance, a complex process is in progress – that of establishing links between and coordinating various wishes and demands; of evaluating, selecting and modifying numerous initiatives and proposals for action. On this basis, at suitable points in the political system, meritorious decisions may be made and policies formulated reflecting the democratically established common interest. The system of direct socialist democracy would not be capable of functioning without the role played by these socio-political organizations. It would either remain isolated and aloof from the impulses of life and the real requirements of selfmanaging social practice, or it would be paralyzed by direct pressure from chaotically clashing and contradictory demands. In both cases, there would inevitably be engendered tendencies to seek solutions outside the frameworks of direct selfmanaging democracy, either through the establishment of autocratic monopoly by one party or in a multi-party system.

(4) The system of direct socialist democracy must merge the free, spontaneous and direct expression of various interests and demands with the deliberate guidance of social movement in line with certain socially agreed upon goals and values. It must secure such conditions and institutional frameworks for the manifestation of varying desires and demands as will make it possible for the goals and the common interest to assert themselves and win final recognition and support, not by imposing those interests from the outside but by revealing them through the very process of direct democratic decision-making.

It would, of course, be naive to expect and assume that the mere confrontation of various tendencies and the innumerable partial interests, large and small, will result in a rational policy through which objective historical tendencies are expressed and realized and socialist social relationships strengthened. Such revival of pseudo-liberal errors and ideological myths about *a priori* harmony of interests being revealed spontaneously through the blind play of economic competition, would be a historic mistake, fatal to the true interests of socialist development.

The abolition of the monopoly of private ownership and state owner-

ship, and the development of socialized property managed by the people brought together by the socialist relationships of production and income distribution, have suppressed the antagonistic conflicts between the exploiters and the exploited, thus creating the objective conditions for political factors to play a different role in regulating social relationships and guiding social movement. In growing areas of social life, arbitrary state decision-making and direct management of society's affairs is being replaced by directly democratic consultation and decision-making on the basis of selfmanagement.

However, recognizing the need for substantial changes in the nature and manner of the political organization of a society that is developing along the lines of selfmanagement does not at all mean denying the inevitability of conscious political regulation of social relationships. Although it is the superstructure of socialist socio-economic relationships, the system of direct socialist democracy is not indifferent to the question of classes, nor is it neutral about the basic direction and goals of social development. Such a system has a historical justification for its existence and can function successfully only if it has built-in factors which select and filter the tremendous mass of social impulses and demands striving for political expression, and if it does so in a suitable manner, in keeping with the social nature of the system, as is the case in any political system. Certain interests and aspirations – those whose substance is commensurate with the values and developmental requirements of socialist society – then have the possibility of finding fuller political expression, of strengthening through integration with other related interests and, in that way, of wielding the corresponding influence on decision-making and policy-making. At the same time, other interests and tendencies – which are objectively at odds with the socialist course of social development – are suppressed during the democratic procedure of public confrontation, discussion and evaluation of each demand, proposal and initiative.

In discharging this function – which determines the character and substance of direct democracy – the social-political organizations hold a central place. They are not only 'canal locks' receiving and directing impulses coming from society to the centers of decision-making. The activity of the socio-political organizations in the system of direct democracy is above all the activity of giving political form to, of selecting

and synthesizing all social influence and actions flowing into the political system. All these organizations, which are themselves part of the system of selfmanagement and direct democracy, act independently out on the basis of a clear-cut socialist orientation and program, which makes it possible for them to provide frameworks for struggle between different interests and also to synthesize and find solutions which are essentially in line with socialist social development.

A specially significant role devolves upon the League of Communists – the organization which injects into political life and the process of political decision-making an awareness of the general, long-term interests of the socialist transformation of society, of the historical interests of the working people brought together in relationships of selfmanagement and of the ways and possibilities for pursuing their interest. Acting within the system of selfmanaging relations, in keeping with its character and at the same time functioning in all cells of the social organism and throughout it as a whole, the League of Communists assures that the long-term, common interests of associated labor are democratically constituted and that they operate as an organized factor at all times and at all points where the socially relevant decisions are being made.

The constituting of direct democracy into an integral system of the political organization of society is a lengthy historical process. In a society where material scarcity still prevails and where possibilities for satisfying society's requirements are still limited, the political-representative system and the aloofness of political power have a strong objective stronghold in social life itself. The limits within which direct democracy is realistically possible and in which the socialization of policy-making is achieved in practice can be expanded and extended through conscious political action only if there is recognition and awareness of those factors which restrict that process, at any given moment, in any given historical situation. Otherwise, there is the danger of constructing utopias, that is, of establishing a state of affairs in which the normative-rational construction of the order deviates substantially from the real socio-political relations, offering an ambiguous image of the actual situation. This can only disorient the conscious social forces and diminish their effectiveness in the struggle for those forms of essential democratization of political relations which are attainable under the given conditions.

We should like to mention only a few of the limiting factors which are

undoubtedly relevant from the standpoint of the tempo and forms of strengthening direct democracy in Yugoslav society as it exists today:

(a) The establishment of full control by the working people over the product of their labor – removing statist elements from income and personal income – is, as we have seen, one of the essential material premises for direct democracy, as only on that basis can effective self-managing control by the working people be assured over the expenditure of society's resources for social and public services, that is, for satisfying common needs in the sphere of education, health, communal services, etc. However, extremely complex problems, which cannot be ignored for the sake of any principle whatsoever, are created by the consistent application of the system of gross personal earnings, that is, the right of each worker to decide himself which amount of his total personal income he will set aside to satisfy various joint needs and how those resources will be spent.

Under conditions of relatively low personal incomes which are in many cases insufficient to cover in their entirety the immediate material needs of individuals and their families, and also under conditions of inadequately developed consciousness of the importance of various social and public services and activities and of the need for solidarity in satisfying them, implementation of the principle of gross personal earnings (that is, substitution of compulsory taxes by voluntary contributions) might place certain social and public services and the working people in them in an extremely unfavorable, uncertain and subordinate position, thus jeopardizing vitally important social interests and certain fundamental principles on which a socialist society must rest. Therefore, no matter how desirable and imperative it is from the standpoint of creating and expanding the material foundations of direct democracy, the removal of statist elements from personal earnings can only be the goal toward which society progresses perseveringly and gradually, and not a ready-made solution which can be put through overnight, consistently and in 'pure form'.

(b) The basic institutional forms of direct democracy – assemblies of voters, assemblies of working people and those who utilize services, referendums, etc. – still do not hold, in the actual processes of political decision-making, the place that rightfully belongs to them in the normative structure and conception of the political system. The principal reason for this is not to be found either in inadequate normative measures, or



in the weakness of the subjective factor, but rather in objective limitations deriving from the limited readiness and ability of citizens to engage to the necessary extent in running the affairs of society. The premise for full-fledged direct democracy is a citizen (meaning the working man – the selfmanager) who is well-informed and acquainted with the complicated problems of contemporary social life and organization to an extent rendering it possible for him to participate competently in their solution; furthermore, his social position should be stable and secure so as to enable him to orient himself freely; also, as a person, he should be so social-minded and subjectively identified with his immediate community and the community at large that he is willing to devote a considerable portion of his free time to social affairs, not only when his personal interests are at stake but also when this is not the case. For the present, such a citizen exists only in theory. In real life, the differences are tremendous in level of education and in respect of actual ability to bring independent judgment to bear on various social problems. The social position of a large number of people in associated labor is still not such as to assure conditions for full and free incorporation of individuals into the processes of selfmanaging decision-making both in their immediate working organization and at the broader social level. Finally, many people are inclined to engage in social affairs only if they feel it is in their immediate personal interest or in the interests of some small group to which they belong, and therefore look upon participation in direct democratic decision-making as affording an opportunity to promote those interests. The development of selfmanagement changes the attitude of people toward social affairs and the way they behave politically, but it cannot, overnight, bring about a radical change in a state of affairs which is the consequence of centuries of alienation from the political sphere of social life.

(c) Placing the management of society's affairs in the hands of the ordinary working man through the most consistent possible decentralization and transfer of the power and right of decision-making to smaller communities, has a progressive and democratic significance and historical justification only if it does not present an obstacle to processes of economic and social integration made necessary by modern technology as a condition for rational production and rational reflections of integration in the steady multiplication and expansion of needs which can be satisfied

rationally only within broader social frameworks, on a socially organized basis which frequently transcends by far the frameworks of the local community. Therefore, selfmanagement by the citizens in the commune – which has been proclaimed by the Yugoslav Constitution as the basis of the integral socio-political system – should represent only the first step in the ladder of territorial integration of selfmanaging forms of association and integration by the working people in the process of production and in the satisfaction of their common needs. The working man and his working organization do not therefore 'belong' to the local community in the sense of being contained within its frameworks; rather is it the point of departure for their free and broader integration, on which the associated working man himself decides.

Thus conceived of horizontally, the territorial forms of integration, above all of selfmanaging integration within the framework of the commune, assure the necessary degree of autonomy for the working man in relation to forms of vertical-functional integration which – insofar as they are completely dominant and exclusive – could jeopardize the selfmanaging independence of the working people by containing them within the organizational frameworks of professional and occupational divisions. We must not, however, lose from sight the tendency – today obviously present in social practice – of decentralization to acquire the forms of territorial containment and to aspire to self-sufficiency and also to forms of political integration which pit the narrow local interest against the interest of the whole. Two circumstances pull strongly in that direction. First, decentralization is being implemented under conditions of still powerful statist relationships and the importance of the role of the state authorities in disposing of the social product and regulating the conditions for social labor. This strengthens the tendency of the local territorial-political units to appropriate as many as possible of the attributes of decentralized state power, to constitute themselves organizationally, economically and politically as 'micro-states'. Secondly, by way of decentralization, the satisfaction of most vital needs (education, health, social welfare, the basic communal and cultural needs) has become associated with local territorial communities and made directly dependent on the amount of the social income, above all on the amount of the personal incomes, being earned in the territory of these communities. This gives impetus to local solidarity but also to local egoism while

stimulating the tendency of all questions of economic and social integration to be regarded primarily from the standpoint of whether the economic power of the local community is promoted or weakened, whether the volume of social resources at its disposal is increased or decreased.

In the present system of division of power and disposal of social resources, the local and narrow territorial interest has acquired the possibility of finding strong institutional and political expression; this must be taken into account very seriously in mapping out the policy of consciously stimulating the selfmanaging integration of society.

(d) Although essential in terms of direct democracy, the principle of delegating power cannot be applied consistently and without deviations, at least not under the conditions now existing in Yugoslav society. If the representative bodies of the broader social communities were made up of delegates appointed by the commune assemblies separately for each session, depending on the questions under discussion (such proposals were submitted during the discussion of constitutional amendments) two consequences would surely ensue, both of which would jeopardize the functioning of the system under the present circumstances – first, it would be impossible for a representative body, thus composed, to pursue a continuing, long-term policy and to bear the responsibility for its work, and, secondly, organs of the broader socio-political community would be deprived of their own individuality and placed in a subordinate position vis-à-vis the individualized and politically constituted sections comprising the community in question. Such a community (or rather its organs) would therefore find it impossible to maintain independence in discharging certain socially indispensable functions, for which purpose they exist. As long as society is also constituted as a political community, the representative political organs will have to possess a certain degree of independence, and the principle of delegating people to them can be applied only within frameworks that do not jeopardize this.

(e) Transformation of the nature and role of the socio-political organizations as required by direct democracy is associated with problems that have not even been perceived in their entirety to say nothing of having been solved either in theory or in practice. Within this complex, the most complicated question is the transformation of the party as the leading ideological and political force which, by acting within the mechanism of

direct democracy, ensures that social development will pursue a socialist path. Acting within the system of direct democracy means acting within a society which recognizes the concrete interests and aspirations of people in associated labor as the basic motor force of social development and which, in line with this, creates the possibilities for the free expression and confrontation of those interests in the direct democratic process of political decision-making. The League of Communists and its members are under the constant and direct influence of such socio-political conditions. The question is raised as to how to assure that the members and branches of the League of Communists will, under such conditions, really act from positions of the general, long-term interests of the development of socialism and not from the position of the narrow partial interests of the environment in which they live and of which they are an integral part? This requires not only a very high level of awareness of the link between narrow interests and social needs and demands in various milieus, and the general interest of socialist development, but also the willingness to subordinate one's own immediate interest to measures which are more favorable from the standpoint of the developmental requirements of the whole.

On the other hand, there is an ever present danger that communists who neglect the immediate and concrete interests of their own environment in favor of the broader interest will lose influence and remain isolated in their working organizations and the organs of selfmanaging decision-making of which they are members.

The League of Communists can act as an internal guiding force in the system of selfmanagement and direct democracy only if that system is capable, in line with the principles inherent in it, without resorting to political-administrative intervention from the outside, of resolving social conflicts by mutual consent, through selfmanagement, and by sovereign, independent decisions adopted by the assemblies and other organs of decision-making based on selfmanagement. If this condition is not fulfilled, that is, if the mechanism of selfmanaging decision-making is not highly developed and advanced, then the League of Communists is subjected to constant pressure to take upon itself the role of arbiter which, because of the authority it enjoys, and acting from positions of power, resolves concrete conflicts of interest and 'dispenses justice' to the working people in all spheres of social life. In such a situation, those representing

various interests make an endeavour to and sometimes succeed in entrenching themselves in the League of Communists itself and to seek and find, within its forums, advocates for their partial interests. If this distortion of the role of the League of Communists prevails and acquires the character of a permanent situation, it wields a reverse influence on the entire political system and transforms it into the principal obstacle to the development of direct democracy.

All these dilemmas attending the process of development of direct democracy, appearing as obstructions along the historical path of its emerging as an integral system of the political organization of society, are certainly not proof that such a system is simply an unattainable ideal. Of course, the dilemmas referred to cannot be resolved overnight. However, already the experience gained in the development of selfmanagement reaffirms that this development creates the objective historical basis on which it is possible gradually to resolve the dilemma of transforming the political-representative system into a global system of direct democracy. This basis is the new, selfmanaging position of associated labor.

## II. THE IDEA OF THE SELFMANAGING INTEGRATION OF SOCIETY: DIRECT DERIVATION OF POLITICAL ORGANIZATIONS FROM SELFMANAGING SOCIAL FOUNDATIONS, THE ASSEMBLY SYSTEM AND COOPERATIVE FEDERALISM

The unity of selfmanaging society cannot be grounded exclusively or primarily in territorially organized state power and coercion but rather in the freely expressed interests and needs of labor organized along the lines of selfmanagement. This is reflected in the manner in which the indispensable vertical integration is effected in various forms of social labor and the management of social affairs. Hierarchical relationships of subordination and superiority between the higher organs, which make decisions independently, and the lower organs, which implement decisions but cannot influence them, are increasingly giving way to free and voluntary association, with the associated parts retaining their independence and selfmanagement and the possibility, through their delegates and by other democratic methods, of directly influencing the work and decisions of the organs which discharge joint, centralized functions. In growing areas, the state ministries and other organs of centralized ad-

ministrative management are being replaced by such organizations and organs as chambers, business associations, joint enterprises, narrow and broad communities of interest, etc.

In achieving selfmanaging integration of society, a particularly important role has been assigned to the assemblies and to the assembly system generally. In Yugoslav political terminology, the assembly system is only a conditional term for such representative bodies (that is, for such institutions of political decision-making and management) which:

(a) at all levels (from the commune assemblies to the assembly of the federation) *derive directly* from the selfmanaging social base and remain linked with it in discharging their functions; which

(b) unify within themselves the functions and characteristics of supreme organs of political power in a specific territory and organs of territorial integration of selfmanagement; and which

(c) represent a form of selfmanaging organization of labor in the sphere of managing joint social affairs.

This character of the assemblies derives from selfmanaging relations, above all in production and in the primary distribution of the social product, and then also in other spheres of social life.

The systems founded on capitalist private property relationships could provide the basis only for indirect, political-representative democracy personified in representative institutions of the parliamentary type. In it, the formally free citizen-voter holds a passive position in the process of political decision-making, corresponding to the subordinate, wage-labor position of the bearer of social labor and the separation of the public from the private spheres of social life.

Systems based on state ownership monopoly make allowance only for the type of representative institutions which, irrespective of formal normative measures, are actually under the domination of the state-party executive and its apparatus, corresponding to state-wage-labor relationships of direct state management of the processes of production and distribution.

In contrast to this, the system based on advanced selfmanaging relationships and the new position of associated labor requires and assumes such representative institutions (organs of state-political decision-making) as are, in terms of the manner in which they are constituted, their organization and their work, a direct extension and a broader form

of the selfmanaging organization of labor and the management of social affairs.

Since 1953, a conscious effort has been made in Yugoslavia to build up a so-called assembly system which would provide an adequate political superstructure for selfmanaging production relationships, the development of which had been initiated only a few years previously (1950) with the creation of the first workers' councils.

This type of representative organ which links political decision-making directly with the selfmanaging organization of associated labor and becomes an integral part of the latter, is reflected in and guaranteed by the following characteristics, among other things:

(1) The method of election. Elections are held without the intermediary role of political parties, meaning that the people, associated in labor, have the final say not only in choosing among nominees but in nominating them, in deciding who is to be a candidate. Nominations are made at meetings of voters in various sections of the voting units, at meetings of working people in all the working organizations and at larger election conferences where every voter has the right and possibility of nominating candidates himself or of making his opinion known about those who have been proposed. This ensures a more direct tie between the working people and their deputies and delegates, than is the case when the latter are chosen through the intermediary of political parties.

(2) The multicameral structure of the assemblies (from the communes to the federation) which renders it possible for various spheres of the selfmanaging organization of labor, and social life generally, to be adequately and equally represented in political decision-making and in the entire work of the assembly. According to the Constitution of 1953 and the pertinent constitutional amendments, the Federal Assembly has five chambers, or councils as they are called in Yugoslavia. Three of them represent selfmanaging working organizations from the basic areas of social labor (economy; education and culture; health and social insurance). The socio-political council, elected directly by the citizens in the communes, expresses the interests of the working people in local communities organized on the basis of selfmanagement. Finally, the Council of Nationalities, comprising deputies who are delegated by the assemblies of the republics and provinces on a basis of parity, ensures the participation of the republics and provinces, that is of the various peoples and

nationalities of Yugoslavia, on a footing of equality in the policy-making of the Federation. The Assembly's composition was devised to facilitate democratic and direct manifestation and confrontation of various interests, aspirations and strivings of the people in associated labor. These frameworks and these conditions, which preclude the possibility of the majority 'ganging up' on the minority and of one-sided imposition of measures, make it possible for policies to be hammered out that are acceptable to all, that reflect the democratically established long-term and common interests and that ensure for all those engaged in selfmanaging activities stable conditions for their work and free, creative initiative.

By dint of their composition and the way the councils of working communities are formed, representing as they do some sort of workers' councils based on territory and on specific spheres of labor, the assemblies are directly linked with selfmanagement in the working organizations and in all other spheres of the selfmanaging organization of society. Thanks to this circumstance, decision-making by professional, political representatives is being replaced to a growing degree by decision-making by delegates who, as a rule, retain their professional connections with the selfmanaging organizations and the environment to which they are attached, and who bring to the work of the assembly bodies direct impulses from the practice of selfmanagement as well as first-hand knowledge of the specific problems faced by various spheres of social activity.

(3) By the incorporation of political-executive functions into the organizational structure, and the frameworks of the direct competence, of the assembly itself. Beginning with 1953, an essential change has taken place in this respect in the republics and in the federation: the governments have been abolished as independent organs of executive power which directly manage the state apparatus through ministries. The governments were replaced by executive councils as a specific type of assembly council entrusted with responsibility for the implementation of the laws and policies laid down by the assembly. Acting within the framework of the assembly mechanism as a responsible organ of the assembly itself, the executive councils, according to the Constitution, enjoy a degree of independence that is truly indispensable for successfully discharging the functions entrusted to them. This approach to the position of the executive councils has radically nipped in the bud the otherwise strong and universal tendency of the government, as the independent standard-



bearer of executive functions, to concentrate in its own hands all the attributes of real state power, thus securing for itself a dominant position in relation to the representative body to which it is formally responsible. Thus have been created the necessary normative-institutional guarantees that the assembly will truly be not only an organ of territorial integration and self-government but also the supreme organ of state power in a specific territory.

(4) The functioning of the assembly is different in principle and, in practice, should differ in growing degree from the manner in which representative institutions of the parliamentary type function. In an advanced system of selfmanagement, the assemblies are not only legislative organs passing laws and supervising the work of the government, with more or less efficacy, through the institution of ministerial responsibility. They function to an increasing extent as territorial organs of selfmanagement, coordinating and integrating selfmanaging activities in various spheres of labor and taking the initiative for selfmanaging consultation through which social relationships are automatically regulated and efforts are pooled to solve questions involving narrow or broad social interests. Consequently, in the work of the assemblies, mounting significance is being attached to regular study and discussion of the state of affairs and problems in various spheres of labor, and to the adoption of resolutions and recommendations which, rather than regulating relations by coercion, guide the independent activities of the selfmanaging organizations in a democratic way.

In this transformation of the assemblies, considerable progress has already been recorded in Yugoslavia. The assemblies have emerged from the shadow of the one-time omnipotent state-party executive and are asserting themselves as the real center of political decision-making, with a twofold function: the indispensable function of power, and the function of coordinating and integrating the complex and ramified system of selfmanaging relationships.

Nonetheless, in this sphere, too, the gap between the normative and the real is still very discernible. On the one hand, the transformation of the assemblies is obstructed by the insufficient stabilization of new production relations; by the small scale and atomization of selfmanaging organizations which are not up to the demands of modern business and production and therefore strive for self-containment or seek adminis-

trative and political protection; and by the existence of broad areas of life which still remain outside the organization and relationships typifying associated labour. On the other, this transformation is also obstructed by the still significant functions of management retained by the state particularly as regards disposal of a large part of the surplus of social labor and determination of the conditions for engaging in economic and other social activities. In practice, then, the assemblies retain many of the features and characteristics of general political representation.

Despite the creation of Councils of Working Communities, the interests of associated labor have still not become a factor directly and decisively influencing the policies of the assemblies and guiding the behavior of deputies. True, the work of the assemblies is no longer bound or hampered by decisions previously taken by party forums and executive organs of state power, especially as regards the solution of concrete problems and establishment of concrete policies, and therefore it is now possible to hold real debates and to allow for the confrontation of divergent viewpoints. Similarly, as emphasized above, normative-institutional premises have been laid down for the assemblies to become true centers of self-managing consultation. Despite this, judging from the prevailing practice, it may be observed that the assembly councils, including the councils of working communities, are still not sufficiently given over to the type of selfmanaging consultation which is directly linked with selfmanagement in the working organizations and other selfmanaging bodies and with democratic processes in the socio-political organizations. On the contrary, the process of decision-making in the assemblies still retains expressly representative-political features as a decisive influence is wielded over it by attitudes and interests dominating political structures outside the assemblies. This is most clearly revealed in the fact that political orientation and grouping in the assemblies, and particularly in the Federal Assembly, is carried out largely on a territorial-political, regional, and national basis.

Certain serious difficulties attending assertion of the selfmanaging character of the assemblies also derive from the fact that improved and concrete solutions have still not been found from the standpoint of integration of the political-executive function into the entire complex of the assembly system. Tendencies for the executive councils to 'outgrow' the assemblies and take over the main role, not only in implementation but

in determination of policies, are still present in practice. This is paralleled by tendencies demonstrating that the executive councils still do not possess either the necessary independence or the required political and legal means enabling them truly to discharge their political-executive function, the result being serious difficulties and political mischief.

Finally, it is obvious that, in practice so far, the classic legislative function of the assemblies has been greatly hypertrophied and that the selfmanaging forms through which it wields influence (recommendations, resolutions, direct contact with selfmanaging organizations, etc.) have still not taken their rightful place, nor have they shown themselves to be sufficiently effective and influential.

All the changes taking place in the political organization of society as a whole under the influence of the development of selfmanagement find common and summary expression in the process of the withering away of the state and the organizing of society on new foundations. The essence of this process is the transformation of all steps in the vertical organization of state power in the selfmanaging socio-political community. These communities are less and less organs of power of people living in a specific territory and more and more forms of the territorial organization and integration of selfmanagement.

In the classic organization of the state, and especially in statist structures, the principle of territorial organization of power is entirely dominant. As society rids itself of the statist shroud, growing significance in organizing a free social community is acquired by the principle of functional integration on the basis of the freely expressed interests and needs of people under the new production relationships. The more society emancipates itself from the statist shroud, the more explicit is the tendency for the broader socio-political communities to constitute themselves on the basis of functional ties deriving from freely associated labor. The basic line in the development of all socio-political communities, the common denominator of their evolution, is their transformation from organs of the territorial organization of state power into political instruments of associated labor. They thereby become that 'at long last found form' of selfmanaging constitution of the global social community.

The exclusive basis for determining the character of various socio-political communities and their functions is the question whether the interests and needs of the working people and citizens are satisfied through

the corresponding socio-political communities, through the communes, provinces, republics and federation. Thus, in fact, do the interests and needs of associated labor appear as the most important criterion for the distribution of rights and duties, for 'division of power' between the socio-political communities and for establishing the principles underlying their internal organization and mutual integration. Each socio-political community takes upon itself all those functions and only those functions that it can best and most effectively discharge in the interest of the working people and citizens and with their maximum participation.

In consequence, relationships involving seniority and subordination, and the formal division of power and sovereignty, either no longer exist or are disappearing to an increasing degree in the selfmanaging socio-political communities at various levels. The place of a socio-political community in the overall system of the political organization of society is not determined either by the delegating of power from a center, or by the creation of self-contained spheres of sovereign power and exclusive competence for individual organs. This place is rather determined on the basis of direct response by each socio-political community to the needs of associated labor. From this derives, on the one hand, the independence of socio-political communities in mutual relationships, assured above all by the existence of their independent material base (the right to certain resources for meeting social needs on their territory, the amount of which they themselves decide and dispose with). On the other hand, from this also derives the principle of cooperation between socio-political communities reflected both in the fact that the smaller socio-political communities take part in the policy-making of broader social communities, and in the fact that the socio-political communities cooperate in implementing and enforcing laws, and the integral system of legal norms.

As concerns the relationship between various socio-political communities and the selfmanaging associations of associated labor and the citizens, one basic principle is valid: No single socio-political community has a monopoly on expressing and representing the interests of the citizens and working people at a broader social level, nor can it contain them within its territorial framework. In a word, the socio-political communities, because of their mutual relationships and their relationship with associated labor and the citizens, clear the way for the selfmanaging

integration of society and are among the pillars of its support. This type of development of socio-political communities rids social life of administrative, externally enforced and obsolete uniformity and makes room for a great variety of selfmanaging initiatives by the associated producers.

The process of eliminating statism from the socio-political communities as it proceeds delves ever deeper into the very foundations of the constitution of the given society in its entirety. As state-territorial integration and restructuring of the whole cease to be primary and dominant and are subordinated to functional integration resulting directly from the needs of the socialized production process, the historic prospect is opened up of transcending the antagonisms of integration and decentralization, unification and the development of the specific individuality of the various parts. The enforced, state-organized unity of society in its entirety is finally replaced by the system of free associations of associated labor.

The complete socialization of policy-making through the process of emancipating labor is a distant historical perspective in which scientifically perceived possibilities are inevitably mixed up with elements of a social utopia. It is therefore a vision to which some of the most progressive aspirations and strivings of contemporary man have been transposed, rather than the reality of today or tomorrow. However, self-management by the people, that is, the management of the conditions and results of their labor and all the changes thus brought about in the entire organization of society, bring this vision closer by holding out the possibility of perceiving more clearly the roads that lead in that direction and the objective obstacles, rooted in the present social relationships, which must be surmounted.

Society is not yet able to exist without political power, but the development of selfmanaging relationships makes it possible and necessary for that power to be under the most direct possible control of associated labour and to be integrated with the structure and processes of selfmanaging decision-making from top to bottom. Actually, this means the development of such a democratic political system as will render possible the expression and free political articulation of divergent interests based on the present differences in the social position of people. At the same time, such a democratic political system has at its disposal such a mechanism of selection and guidance of social demands and aspirations as

ensures the advantage and superiority of the long-term socialist interests of associated labor. History demonstrates that such a political system can be developed even in a country which is not very highly developed in the economic sense, as is the case with Yugoslavia.

## COMMENT ON DR. PAŠIĆ'S PAPER

Dr. Pašić sets out very clearly the basis of the Yugoslav system when he writes<sup>1</sup>: "Property is managed directly by the workers themselves, organized in enterprises and institutions run on the principle of selfmanagement". Equally clearly he distinguishes, in the first few pages of his paper, between social ownership through selfmanagement and state ownership. The latter, which is common in socialist countries and which exists also in the capitalist countries, abolishes private ownership of the means of production, but in Dr. Pašić's view it "establishes in a new way the alienation of the means of production from the producers", and it creates a new power of minority groups – managers and bureaucrats – over the workers.

In a system of state ownership the relations between productive enterprises, and for that matter between all organizations in society, are largely determined by some central authority, but where the units of production are in principle autonomous and selfmanaged, the relations between them have to be established in some other way – in fact through the market and exchange. The advantages of the market are that the producers are no longer subordinated to external political authorities, that incomes are determined by output and productivity instead of being decided administratively, and that the independence of the producers provides a greater incentive for economic development.

At the same time the market creates problems, notably the emergence of serious inequalities, which Dr. Pašić notes as arising from the variations in the level of technology between different enterprises, from differences in market situation, from differences in the position of the whole branch of the economy to which an enterprise belongs, and from other, perhaps accidental, factors. The means of overcoming these problems, and in a general way of establishing a balance between the activities and progress of the selfmanaging enterprises, and the needs of society at large, form the main substance of Dr. Pašić's paper. He makes many interesting points about what is being done, and what might be done, to meet the problems; and it is on these matters that our discussion should centre.

First, however, it is necessary to say that it is extremely difficult to form a clear judgment on the operation of the institutions which Dr. Pašić describes, without having a direct experience of life within these new institutions. Thus, Dr. Pašić refers to the development of selfmanagement in organizations outside the sphere of industrial production – e.g., in welfare and cultural organizations – and he notes that in these cases the managing bodies include representatives of the consumers and of the community at large. Later on, he discusses at some length the development of direct democracy, through referenda, etc., as a complement to, and an enlivening element in, representative democracy on the regional and national level.

These seem to me eminently sensible and desirable developments, but it is hard to judge them without experience of their everyday working, and of the quality of the social and political consciousness which animates them. This thought provokes two other reflections.

The first is that there is in the experience of some of us one institution at any rate which seems to have some of the characteristics which Dr. Pašić describes over a much wider range – namely, the university. In Britain, at least, the universities have a good deal of autonomy (though there is an unfortunate tendency at present towards restricting it), they are selfmanaged (and students are increasingly involved in this process), and at the same time their governing bodies include representatives of the community at large. It has long seemed to me that universities, with certain reforms in their structure, might provide a model for the selfmanagement of a considerable number of other organizations in society, particularly in the welfare and cultural fields. If this is beginning to happen in Yugoslavia the experiment is one from which we can all learn a great deal. Industrial and commercial enterprises are in a different situation insofar as they are related through the market, but even in this case there would be some advantage in associating consumers and representatives of other community interests with their management, especially in the case of very large enterprises.

My second reflection is that it would be easier to comprehend and evaluate the situation and changes which Dr. Pašić describes if they are illustrated by detailed case studies of the kind of problems which arise and how they are dealt with in practice. From the point of view of the working of the system it is obviously desirable that there should be quite intensive



research, and that the results of the research should be reported and discussed. A more wide-ranging evaluation of the progress brought about by reforms and innovations requires exact and detailed knowledge, and a willingness to measure as objectively as possible the practical effectiveness of the new institutions. I wonder how much of this research is carried on, and what can be learned from it at present.

The later part of Dr. Pašić's paper raises important and very complex questions about the institutions and practices of political democracy. He is critical of the idea of democracy which restricts it entirely to the activities of political parties and the holding of infrequent elections. He advocates a more profound and continuous involvement of citizens in the direction of their social life, and an extension of direct democracy in local and functional associations; and he describes developments in this direction, in Yugoslavia, based upon the various selfmanaging associations. At the same time he recognizes that the autonomy of the enterprises and other associations gives rise to realistic conflicts of interest, which must be allowed to express themselves, but which have to be accommodated in some way by agreements and compromises in the interests of general social policy. It has often been argued, or proclaimed, that in a socialist society, without class differences, there is no basis and no place for political conflict and political opposition. Dr. Pašić suggests that this is a mistaken view (and its consequences are notoriously undesirable), and that within the general framework of socialist institutions, there may well be intense political controversy. Again, in order to evaluate the working of such a system it would be useful to know in some detail how interest groups and political associations are formed, develop and carry on their activities in the Yugoslav system. Dr. Pašić discusses these issues in general terms and his account, it seems to me, needs to be supplemented by a series of studies of local political groups in relation to the wider political system.

#### REFERENCE

<sup>1</sup> Mr. Bottomore cites on this page some sentences of Mr. Pašić's paper that, due to the length of his paper, are not printed.

In his opening address, Mr. *Kleerekoper* stated that in his opinion workers' selfmanagement cannot be introduced as long as the bourgeoisie firmly holds power and is able to defend her property rights on the means of production. He thought it to be a real catastrophe for the labor unions if they would allow themselves to be attached to the existing semi-capitalist system by adopting a form of 'codetermination' or *Mitsprache* entirely different from workers' selfmanagement. Mr. *Kleerekoper* stated that codetermination was based on the lie of the common interests of classes. Workers' selfmanagement, he went on to say, cannot be a source, only a result of socialism, after a revolution in the existing *Produktionsverhaeltnisse*.

## DISCUSSION

Mr. *Pašić* stated that the Yugoslav participants were not present to preach a new, perfect social system, ready for export, but to offer information on the experiences of Yugoslav society with a system based on a new position of man in associated labor.

He referred to the fact that selfmanagement was introduced in 1950, in a very precarious period of rapid industrialization, scarcity of goods, and blockade. By now, he said, we know that the idea of selfmanagement is not restricted to Yugoslavia, but that its roots lie in the development of modern society itself. Mr. *Pašić* set workers' selfmanagement against the ever more widespread feeling of dissatisfaction and helplessness of modern man in society *vis-à-vis* huge bureaucratic, state and industrial complexes. Hence the interest in selfmanagement in both capitalist and socialist countries. Mr. *Pašić* thought selfmanagement to be of special significance to socialist countries which face the dilemma of who will acquire the enormous economic and political power of the nationalized means of production: the state bureaucracy or man himself in associated labor? Selfmanagement, he stated, solves this problem in the interest of associated labor. Here lies the meaning of workers' selfmanagement, he said, the starting-point in Yugoslavia for a radical restructuring of the whole of society almost beyond recognition. Selfmanagement has grown into an integral part of economic and political organization.

Mr. Pašić further dwelt upon the transformation of state ownership into direct social ownership managed by the associated workers. This transformation means that the working man, laboring in association with his fellow-workers, and utilizing the socialized means of production, will enjoy a new position. He acquires all the rights and responsibilities of the selfmanager who manages and disposes of the means with which he works.

Another important aspect of the development of selfmanagement to an integral social system is the spreading of selfmanagement patterns of organization to other spheres of social life as well, outside the sphere of production of material goods (schools, hospitals, medical care, social-insurance organs, housing, e.a.). These organizations are gradually transformed into autonomous selfmanaging institutions, thus reducing state control over the life of society.

These institutions must be accessible to public control, they should not become strongholds of decentralized bureaucracy. Therefore they are managed by organs directly elected by the employees and by organs partially composed of interested citizens or representatives of the community.

“Another aspect is the decentralization and socialization of political decision-making brought about by selfmanagement. Selfmanagement is by definition a system of relations which enables man in associated labor to control the conditions, means and results of his work as well as to control all important affairs of broader political and social communities to which he belongs”, Mr. Pašić stated. Therefore a radical decentralization of decision-making is necessary and the abolition of hierarchical structures of relations, of domination and subordination in every cell of social organization. It means a more profound revolution than a political revolution; many thousands of independent centers of decision-making come into being.

Mr. Pašić said further that the LYC did not have the illusion of 19th-century liberals about a preexisting harmony of different interests. Free competition of these interests, though necessary, cannot by itself produce a rational and consistent policy of socialist development. Our idea is, he said, that the new position of man in associated labor should find full expression in the process of political decision-making on all levels. This built-in mechanism gives a decisive advantage to the long-term interests of associated labor.

The role of the Party has become different: it is much less backbone of

the state and much more an ideological and political force acting as an integral part of the system of selfmanagement.

In achieving a selfmanaging integration of society, an important role is to be played by the 'assembly system', assemblies being directly linked with selfmanagement in the working organizations. However, here too, the gap between the normative and the real is still very much discernible.

Mr. Pašić ended by saying that the complete socialization of policy-making in the process of emancipating labor is a distant historical perspective, in which scientifically perceived possibilities are inevitably mixed with elements of social Utopia. It is, therefore, a vision to which some of the most progressive aspirations of contemporary man have been transposed, rather than the reality of today or tomorrow.

Mr. *Wiles* ruled out absolutely the possibility of direct democracy in a country numbering 20 million inhabitants. In his opinion direct democracy at the federal level was a conservative position, obstructing change. Political liberalization would have gone farther if representative democracy had been accepted, as the alternative to representative democracy is not direct democracy, but dictatorship of the party. He asked whether the workers' council was not in effect an organ of representative democracy now. Mr. *Wiles* explained the Yugoslav hostility to representative democracy by the fact that Marx had conceived representative democracy as a system employed by the state, and therefore as a form of alienation.

Mr. *Pašić* replied by stating that the root of Mr. *Wiles*' misunderstanding was to be found in a different interpretation of the notion of direct democracy. Yugoslavia sees the place of representative democracy in her system of direct democracy, because it does not mean only mass meetings, etc. The meaning lies in the changed content of political life, the change that everybody can exert influence on political life without mediation or interference of political parties or bureaucracy. In a bourgeois parliamentary system decisions on political matters are taken beforehand by the competing parties. In the Yugoslav system, however, there is more freedom and more room for discussion in this respect. Now that parliament is liberated from subordination to political parties, it is more difficult to carry out proposals than for a Western parliament, because there is no parliamentary majority to rely upon, MP's must be convinced each time, he said. This brings great liveliness to political life, and re-

presentative bodies are really the centers of political decision-making.

Mr. *Kempers* stated that in his opinion the Yugoslav system might be described as a combination of representative and direct democracy. He had the impression that referenda, assemblies of voters or producers were rather rare occurrences and limited to the local scale. He asked why this was obviously so, and whether this was not considered a problem.

Mr. *Pašić* agreed with his observations and said that the system of direct democracy was as yet not fully developed. The real position of the working man has not been changed to the extent that he is able to support fully these forms of direct democracy. When local questions and questions directly touching upon his interests are at stake, these meetings are attended.

Moreover, the state still disposes of about 40 % of the general social product limiting by this the scope of decisions for these organs of direct democracy.

Mr. *Supek* made a distinction between representative democracy, direct democracy and selfgoverning socialism. The latter is much richer in effective content, he said. Important for selfgoverning socialism is not only direct accessibility to the centers of decision-making, but still more the role of man in the whole productive process, inside the enterprise and in his living community and the human mutual relationships. Essential problems for selfgoverning socialism were (a) how to overcome the specialization of work, how to plan, to control and to dispose of the products of his work, and (b) how to organize man's activities as a being of community, how to shape his personality.

The Yugoslav model is only one, not the unique, model of selfgovernment, he said. Our model is based on political consideration, as an opposition to Soviet etatism, rather than on economical, sociological and humanist considerations.

Mr. *Burzevski* pointed out that no Yugoslav participant spoke about 'perfect direct democracy'. Two features single out the Yugoslav system: a different practice of nominating candidates for representatives (not by a party but by the voters themselves) and the system of rotation in enterprises, the commune e.a. No one can become a professional leader or representative. The system is aimed at involving every citizen in political life. It is a long-term process to enable the citizens to manage public functions. Therefore there is no question of throwing the state away, but of a withering away of the state.

Mr. *Stanković* mentioned an interview of Mr. Milentije Popović [*Socijalizam*, 1966, Nos. 10 and 11 – note of the ed.], where he rejected both the multi- and the one-party system. The intention was, he stated then, to give more power to the Trade Unions, the Socialist Alliance, youth and students' organizations. He asked what the chances are that this no-party-system comes into being.

Mr. *Avineri* thought it impossible to abolish the political without abolishing the state, and the state cannot be abolished A.D. 1970. How to proceed, he asked, from political democracy to socialist democracy while still having a state? He drew attention to the fact that the Israeli kibbutzim are not limited to the productive sphere only, but function also as territorial and socio-political units. As long as the production sphere, he stated, is separated from the political and the family sphere, we are still, according to Marx, in the sphere of alienation. Is there a possibility of direct integration of socialist democracy in the sense that it will not be limited to the productive sphere of life, but will embrace the integral sphere of man as a total human being?

Mr. *Pašić* said in answer to the various remarks that the socialization of politics cannot be achieved without liberating society from the rule of political parties. All existing parties monopolize political decision-making. A developed system of selfmanagement is incompatible with party rule, he observed. That is why we reorganized the LYC, otherwise it would convert itself inevitably into a stronghold of bureaucratic resistance to selfmanagement. The party had to give up its monopoly of exercising state power, it had to transform itself into an integral part of selfmanagement and to abolish the 'system of transmission belts'.

Thus, no person can hold at the same time executive functions in the party and in the state apparatus; the party gave up the practice of taking decisions in advance which were binding for other social organizations. However, the party is present in the process of decision-making, but on an equal footing with other social forces. Its decisions are only binding for its members. Moreover, the party does not decide on day-to-day questions.

Still there exists a form of political monopoly in the sense that the party pretends to represent the long-term interests of the working class. Answering Mr. *Avineri*, Mr. *Pašić* said that the withering away of politics and of the state are interconnected phenomena, they cannot be achieved overnight.

Mr. *Hugenholtz* asked about the position and role of the League of Communists. He said that only 5% of the population are members, and only invited people are accepted. How can Mr. Pašić say that nevertheless the League represents the interests of the working people, the League being not representative of the population. Moreover, it cannot be by chance that most leaders in selfmanaging bodies are party members.

Mr. *Salaj* underlined the fact that Yugoslavia is a very heterogeneous country. By applying only direct democracy decisions could easily be taken running counter to the very principles on which the Yugoslav state is based. Thus, in the Council of Nations there is no majority vote, in order to defend the equal rights of all nations. Mr. Salaj argued that for a long time to come it will remain necessary to retain a way of representative democracy in order to reach consensus, and not to rely only on the solidarity of the working people.

Mr. *Van Dooyeweert* asked about the courts. Can the individual worker go to court to defend his rights against, e.g., the commune?

Mr. *Harding* pointed out the tension between the position of self-management, of democracy, and the need to ensure the continuation of the long-term interests of the working class, i.e. of socialism. He saw two alternatives: (a) experts, scientists, mediated through workers' democracy, in their turn filtered through the socio-political organizations, ensure these interests, as is, in his opinion, the case in Yugoslavia, or (b) man himself will through practice articulate the historical laws of long-term interests. He went on to say that in his view this was the only solution consistent with Marxian epistemology.

Mr. *Kolthoff* touched upon the universities, mentioned in Mr. Botto-*more's* paper. They have, he said, excellent opportunities for participation, being autonomous and responsible to the government at the same time. What kind of educational conditions are required for participation in enterprises where the prospects for participation are probably less good? Mr. Kolthoff feared that especially social-democratic parties, because of their traditional paternalistic and technocratic way of thinking would raise this problem. He further asked Mr. Pašić to comment on the circumstance that in Yugoslavia schools, hospitals e.a. were becoming more autonomous, while in Great Britain the Labour government restricted their autonomy.

Mr. *Maerz* observed in Mr. Pašić's essay a trend to a laissez-faire brand

of socialist economy; he wondered how this could be reconciled with the thought of Karl Marx. On the contrary, he stated, in modern society a concentration of efforts to reach clear-cut goals is necessary, as even the capitalists realize. Mr. Maerz thought a multiparty state in Yugoslavia conceivable, as well as a democratization of the existing one-party system, but could by no means imagine a withering away of the party and the state under present conditions.

Mr. Pašić replied to the various questions put before him, that the League numbers some 1100000 members today, no further recommendations being required. Anyone can apply, and no social or material privileges are connected with the party membership.

However, the League retains a certain monopoly: that of representing the long-term interests of the workers, while confronting its views in a democratic procedure with others. There is no party nomination of candidates, often the party finds itself in the role of a minority. The proportional disproportion of party members sitting in organs of selfmanagement can be explained by the higher degree of political and social activity usually displayed by party members.

Touching upon the courts, Mr. Pašić said that judges are elected by the assembly system for an 8-year period. In former days pressure was put on them, but now much less. There are many cases of workers contesting decisions of the workers' council, especially in instances of hiring and firing. [The Constitutional Court quite often declares internal rules of selfmanaging bodies unlawful, these cases are published in the Official Gazette of Yugoslavia – note of the ed.]

Mr. Pašić agreed with Mr. Salaj; the Council of Nations is composed of an equal number of representatives of each republic and this council decides upon every question. Mr. Pašić mentioned the criticism voiced, unjust in his opinion, that in doing so Yugoslavia is becoming rather a Confederation than a Federation. The Council of Nations, however, does not possess a right of veto, as this would paralyze the work of parliament, but for decisions on long-term interests the republics are duly consulted. Mr. Pašić also mentioned the 'federalization' of the highest party organ: in the presidium of the Central Committee every republic has an equal number of representatives.

Concerning the British universities. Mr. Pašić said that to him the narrowing of their autonomy was quite understandable, because of the



etatization of the entire social life. The state is becoming an all-embracing organization, like Hobbs' Leviathan, controlling all fields of social activity.

He hoped that in Yugoslavia there would be more scope for the autonomy of the university, accepting students as equal partners. There was at times in Yugoslavia too, a tense situation, owing to the students' will to direct democracy, conceived of in the literal sense of the word. Mr. Pašić showed himself to be a firm opponent of the one-man-one-vote-system. He described the tricameral system of management of Yugoslav universities, imposed by the relations of forces.

The Yugoslav universities, he went on to say, are passing from a system of government subsidies through the budget, to a system of financing by interested organizations, communities of education, etc., which decide about the use of the given financial means. Money also comes in through taxes, fixed by law, and intended only for education. These funds are not obtained through mediation of the state budget.

Answering Mr. Maerz, Mr. Pašić stated that it would be social Utopia if the Yugoslavs would pretend that their policy is the result of conflicting interests. Our system, he pointed out, is by no means a politically neutral system, it gives preference and more weight to the interests of associated labor. Sometimes, as was the case with Constitutional Amendment XV, which stimulated managerial tendencies in workers' selfmanagement, it is necessary to protect by compulsion the inalienable rights to workers' selfmanagement. There is in Yugoslavia, Mr. Pašić repeated, no illusion of a laissez-faire socialism, but there should be a democratic confrontation of interests. Both laissez-faire socialism and bureaucratic subjectivism have to be fought against, he concluded.

Mr. *Boerboom* said he did not share the disbelief of part of the audience in selfmanagement. He asked whether the Yugoslavs did not give too much weight to selfmanagement and whether a cultural revolution, which he could not define, would not be the next logical step, in order that people might become able to join the League of communists and might be able to participate in selfmanagement.

Mr. *Vredeling*, referring to the above-mentioned possible conflicts between long-term aims, decided upon by the League, and the short-term decisions, asked on what level and by what machinery the decisions are taken.

Mr. *Pašić* replied to Mr. Boerboom that the last thing to be expected in Yugoslavia was a cultural revolution. He defined the cultural revolution as an anti-institutional movement in which the masses are used as a means for destroying the existing structures in order to establish a fully arbitrary power.

To Mr. Vredeling Mr. *Pašić* replied that it would indeed be Utopia to think that one could ensure social development now without the classical means of representative democracy. The assemblies, from the Commune up to the Federation, are the centers of political decision-making. To be sure, the League plays its role there, but not by imposing its views in advance. The League tries to win support in all the bodies of selfmanagement, obeying the procedures of democratic decision-making. There exist sharp clashes of opinion and differences, among party members too, in the assemblies. The League strives for the adherence of the long-term, strategic, decisions and does not interfere with day-to-day decisions, although both kinds of decisions are interconnected and cannot be completely separated. The League of communists admits that in the interpretation of the long-term interests it may be wrong and will then be corrected by adherents of other interpretations.

ZORAN VIDA KOVIĆ

THE FUNCTION OF THE TRADE UNIONS IN THE  
PROCESS OF ESTABLISHING THE STRUCTURE OF  
THE YUGOSLAV SOCIETY ON A BASIS OF  
WORKERS' SELFMANAGEMENT\*

We cannot any longer be satisfied with modifications and variations of the formerly accepted theory on the role of trade unions in the socialist reconstruction of society. What is needed is a thorough scientific and theoretical reconsideration of the concept of trade unions. Since Lenin's theses and the discussions of Soviet communists on trade unions, which took place at the time, this theme has been almost completely neglected in Marxist thinking. Its development came to a standstill at the point when – during one of the most difficult periods of the socialist revolution – it had to accept the formula of the limited role of trade unions. The circumstances at the time were extremely contradictory; the socialist transformation of an industrially underdeveloped society exposed to drastic pressures had begun.

Yugoslav social theory on workers' selfmanagement reconsidered and further developed theoretical views on the method of organization and action of the workers in the course of a socialist revolution. It seems that in this we remained halfway for a long time. Immersed in the prospects of workers' selfmanagement, and insufficiently critical towards the actual conditions in which it had developed, theoretical thinking to some extent neglected other aspects of organization and action of the workers. Its limitations were particularly evident in the fact that it disregarded or insufficiently recognized the class substance of the trade unions. For this reason it has been impossible to reach definite theoretical criteria to determine its essential contents, to analyze its premises and appreciate its progress, nor has it been possible to develop theoretical thinking on the relations between the trade unions and other social institutions and organizations established in the course of the revolutionary activity of the working class. A recognition of this gap in theoretical thought leads to the conclusion that only a knowledge of the actual or possible class substance of each of these social institutions and organizations makes it possible to arrive at a developed theoretical matrix to determine each of them and their interrelations. If we are to accept this attitude, then we

must start with a theoretical consideration of the trade unions with regard to their class substance.

#### A. THE YUGOSLAV TRADE UNIONS IN THEIR RELATION TO THE WORKING CLASS AND OTHER SOCIAL GROUPS

Although they developed as an organization to protect the interests of the industrial proletariat, trade unions in almost all modern societies strive to include in their organization other groups from the employed and economically active population and to be recognized as an organization that promotes their interests. This general trend is itself twofold in character: on the one hand it signalizes an approach to the position of the working class of other social groups formerly separated from it, and, on the other hand, the heterogeneous composition of the working masses interested in joining the trade unions results in the establishment of differently oriented trade union organizations with an inherent possibility that some among them may depart from the interests of other sections of the working class and ignore the expansion of control of the governing social groups over parts of the trade union movement.

Without attempting to analyse these processes in capitalist societies, we shall concentrate upon a, to some extent, analogous phenomenon in the development of socialist societies. In the period of socialist etatism, trade unions extend their organization to all socio-professional groups in the sphere of the state or social ownership. The duality of this phenomenon is not obvious, since the actual relations between the working class and other social groups (more or less separated from the working class) are dissimulated by the etatistic method of realizing the interests of all social groups and nominally equalizing the working position, and also by actual partial equalization in some spheres of consumption. The trade unions themselves, being largely integrated into the etatistic structure of social power, contribute with all their activity to this deeply contradictory form of social equalization.

In the contemporary development of the Yugoslav society this situation has basically changed. First of all, the etatistic method to realize the interests of the working class and other social groups has been replaced by the workers' management method. The remaining very resistant but disjointed and decadent elements of etatistic economic and political monop-

oly cannot and do not serve the interests of the working class, not even to the extent to which the former forms of etatism fulfilled this function. Workers' selfmanagement has become the only possible way to promote the real interests of the working class. Nevertheless – and here is where we come to the second important factor in the changed social situation – various social groups, previously ostensibly and partially equalized in socialist etatism, cease to be in the same objective position towards different methods of realization of interests. Those social groups in the sphere of social ownership which are not integrated with the working class can realize their particular interests apart from workers' selfmanagement, that is, at the expense of the interests of the working class, by a series of old and new means of maintaining economic and political power alienated from work, and through material and social advantages resulting from them.

In such a situation two methods to promote the interests of the workers are sharply differentiated. The first is the realization of *group* interests, supported by various forms of economic and political monopoly, and in *antagonistic competition* with other group interests. The second is the method of realizing the individual, group and general interests of all participants in social work through integral workers' selfmanagement, with an emphasis upon workers' selfmanagement *associations* within the overall social process of work and reproduction, and contrary to all forms of economic and political monopoly. The vital question is which of these two methods will be accepted by the trade unions with regard to their organization and action.

If trade unions should adopt the first method, their organization would inevitably fall to pieces, and the pieces would become parts of, or, more probably, addenda to the mutually conflicting economic and political monopolies. Such trade unions would at best be just one of the factors conducive to agreements between social groups seeking support from mutually conflicting centres of economic and political power. Since conflicts – and also agreements – among such social groups usually occur at the expense of the working class, the trade unions would again be, at best, a means of restricted reconciliation of interests between various economic and political monopolies and the working masses employed by these monopolies. The workers again might, to some extent, support these monopolies in conflicts with other monopolies. Such trade unions would obviously fail to be organizations of the working class.

If the trade unions stand by the second method, the method of workers' management, the consequences are as follows.

Firstly, the organization and action of the trade unions is determined by the essential interests of the working class as a whole. The individual, group and general interests of the workers can only be served by this method, through association and dovetailing of aims and means of joint action based upon the awareness and practical affirmation of the common interests of the working class. And these concern the conditions and results of joint activity, from which it depends whether the workers as individuals or groups will be able to attain their proper aims by work and selfmanagement, to satisfy their authentic and growing human requirements, to develop authentic human abilities (and not wage-labor relations) and to promote these activities as their own. In this historical situation the interest of the working class assumes a clear and well-defined role as the vital condition and common denominator of the interests of all participants in social labour, if these interests are to be realized outside and in the face of economic and political power alienated from work, and if their realization is to bring about a fundamental change of the social position of the worker (abolition of wage labor, establishment of associations of producers). Objectively defined in this sense, the interest of the working class becomes a constituent part and the first consideration in a socialist social integration.

Secondly, realization of the interests of the working class implies an overall application of the workers' management method, and excludes all other non-worker and non-selfmanagement methods. Representing the realization of the working class interests, the trade unions become an essential factor in the integration of other social groups with the working class.

Thirdly, the trade unions *emancipate* themselves from all economic and political monopolies, from all centres of economic and political power separated from work, from all structures of social power that disintegrate the working class and from all structures that make possible a realization of group aims apart from the working class and workers' selfmanagement. This emancipation can be attained precisely because the workers are free to realize their interests apart from and in the face of all structures of alienated social power. This is a necessary, but not sufficient condition for the emancipation of the trade unions. An adequate quality of their organization is equally indispensable.

And lastly, the fourth consequence: trade union organization rests upon a developed basis of essentially socialist *working class democracy*.

In our stage of social development the imperative of working class democracy lies in the fact that the objectively determined working class interests cannot be consciously formulated or realized by a simple adding up of individual and group interests of workers, but neither can they be deduced from merely general knowledge acquired from watchtowers erected above the working masses. A critical analysis is required of the individually perceived interests. They should be corrected and developed in the context of the globally prevailing conditions, possibilities and aims of the workers' activity, just as it is constantly necessary to re-examine, correct and develop these general conditions, possibilities and aims in accordance with the actual position, concrete possibilities and aims of the activity of different groups of workers. By basing their organization upon a developed working class democracy, the trade unions become a major locomotive force and vanguard in this twofold process of expression and realization of the interests of the workers.<sup>1</sup>

#### B. THE YUGOSLAV TRADE UNIONS AND THE VARIOUS HISTORICAL ASPECTS OF REALIZATION OF THE SOCIAL POWER OF THE WORKING CLASS

Workers organize into trade unions in order to reach and accumulate social power necessary for the realization of their aims. This power depends on the position of the working class in the society, its participation in social production, the activity of the population, on the economic and political structure of the society, the stage of development of class organizations and class consciousness, and on the socio-economic, political and ideological homogeneity of the class. Trade unions are among the means of social power of the workers, and are interdependent with other factors. The method of trade-union action is not only connected with the question *how much* social power the working class possesses, but also with the *qualitative determinants* of the global structure of social power. In different social structures the power of the working class is formed and expressed in essentially different ways; consequently, the forms of trade-union organization and action are essentially different.

In an antagonistic social structure, the trade unions organize a *resisting*

*force of labor* in order to limit the domination of social groups that hold the monopoly of economic and political power and exploit the workers. The social power of the workers is manifested above all in the *capability to resist*. This power may develop in the sense of a negation of the class structure or may become more or less integrated into the system of reproduction of the structure.

Another way to attain the power of the working class appears in the social structure known under the never completely clear term of socialist etatism. The social power of the workers can be controlled, directed and restricted (by social groups outside the working class) and expressed in a whole system of economic and political power. Under this system the immediate and prospective interests of the working class are realized in a contradictory way. The economic and political power could not last without realizing these interests, but owing to the contradictory socio-economic relations between the direct holders of this power, of the economic and political monopoly, and the workers, the resistant force of labor is very limited.

Therefore the trade unions in their defensive function, as a factor in the force of resistance, are mostly hampered and reduced – on the margin rather than in the centre of social power – to participating in this method of mediation and limited realization of workers' interests. Trade unions may be a more or less significant vehicle of workers' influence within the etatistic structure of social power.

In the workers' management structure of society there is a third way to realize the power of the working class. Let it be added that it is also an essentially different type of social power. The structure of the *workers' management, associative type* of social power does not rest upon an unequal distribution, an antagonistic competition or an hierarchic composition of economic and political power, but upon the association of workers who have placed all material and social factors of labor and reproduction under common control. This type of social power appears in the conditions of selfmanagement activity aimed at reaching the common vital interests of the workers; therefore above all as the *social power of workers' selfmanagement*.<sup>2</sup> In this method of realization of the workers' social power the trade unions are a means of association for the workers, of unification and determination of their common aims; of formulation of adequate social principles in workers' management relations, of criteria



and norms, collective attitudes and social values that regulate their social processes and relations.

These are – in theoretical abstraction – the three ways of forming and realising the social power of the working class and three corresponding theoretical trade-union models.

What are the characteristics of the Yugoslav trade unions in this respect?

Characteristic of the contemporary Yugoslav society is a simultaneous action, conflict and interlacing of divergent trends in the production relations and in the whole social structure.

One of them is an essentially socialist trend, represented mainly by workers' selfmanagement, in so far as its authentic class substance is present (realization of the vital interests of the workers through their own activity and with the help of associative social power). The same trend implies the use of economic and political power and of other components of social power for the realization of the vital interests of the working class and promotion of the conditions for workers' selfmanagement.

The second is a state-bureaucratic trend, increasingly removed from the workers' interests. It has fathered the 'group ownership' trend characterized by relations of antagonistic competition or hegemony between economic units, banks and other organizations and by analogous relations between the holders of economic power and the workers in individual social working bodies.

These two interrelated non-socialist trends are mutually stimulative and in various forms of conjunction they oppose the essential substance of workers' selfmanagement. As the result of the adverse effect of these two non-socialist trends, workers' selfmanagement can only with difficulty develop the qualities authentic to its class substance; *externally* greatly restricted by etatism and bureaucracy, it is further *internally* undermined, distorted and occasionally converted into its opposite under the pressure of the 'group ownership' trend.

The trade unions are in the centre of the conflict of basically different and mutually irreconcilable trends in the fundamental social processes. Since in the interconnection of these trends there occur the elements of social processes and relations typical of various social structures (antagonistic structure, socialist etatism and workers' management structure), since at the same time all three historical types of the realization of inter-

ests of the working class are present, there are, consequently, three possibilities and trends regarding the organization and activity of the trade unions. In relation to the elements of the workers' management structure of the society, the role of the trade unions is to initiate, support, head, direct etc. all forms of workers' movement aimed at establishing associative social power.<sup>3</sup> In relation to non-socialist trends the activity of the trade unions – if it is not to betray the interest of the working class – must include all the historically developed methods of establishing the social power of the working class in antagonistic social structures. By the same token, trade unions must not desert the fields of socialist etatism where the winds blow in a basically socialist direction, but also in other directions. Departing from the actual social relations, trade unions cannot renounce any of the means from the historical armory of the class struggle, of the struggle for social power of the working class. But how are these means to be employed? This is where the differences begin.

One of the alternatives would be to employ the 'classical' forms and means of trade-union action aimed at organization of the resistant force of labor, of protection from domination and exploitation, as though the social relations in which the necessity for such protection arises were at this stage basically unchangeable. In such cases the trade unions accept the fundamental relations which might result in a possibility of and a trend towards domination and exploitation, and take over the institutionalized function of protection of the worker, i.e. they strive to improve the position of the worker in the given relations.

If this were the case, the means and forms of trade-union action aimed at protection of the worker would probably follow the course applied in the attempts to integrate the trade unions into the capitalist system.

Similarly, trade unions may accept participation in the system of power and management comparatively independent from the worker, but in a way characteristic of the inferior role of the trade unions in relation to the state structure of social power. This might mean participation in the role of a *junior partner*, a partner with less influence and, perhaps, in weak, inefficient, and 'hardly dangerous' opposition.<sup>4</sup>

By choosing this alternative (the first or second variants, or perhaps both combined), trade unions would be placed *on the defensive* towards the non-socialist trends, while their defensive force might prove remarkably reduced by all the well-known forms of integration of the trade

unions into the system. This choice would inevitably mean *a historical step backward*.

Another alternative<sup>5</sup> is the acceptance by the trade unions of an irreconcilable attitude and practical negation of all bureaucratic, etatistic and other non-socialist elements in the social structure, and the use of all historically known forms and methods of trade-union action, but always in the sense of their *transformation into the means of establishing workers' management, the associative power of the workers*.<sup>6</sup>

#### C. FUNCTION OF THE TRADE UNIONS IN THE PRESENT STAGE OF DEVELOPMENT OF WORKERS' SELFMANAGEMENT<sup>7</sup>

Exposed to a twofold and combined pressure of conflicting social forces, workers' selfmanagement can only partially be turned into their instrument or ousted onto the narrow fields of those social processes where the efficient power of the workers cannot be successfully established. Therefore the activity aimed at attaining the interests of producers in this period of social development cannot exhaust itself within the existent forms of workers' selfmanagement only.

The working class requires a developed system of social organization with several specific forms of revolutionary institutions and organizations (revolutionary government, avantgarde political organization, trade unions, bodies of selfmanagement in working units, and on all other levels of selfmanagement association, etc.). In that system each of the types of workers' organization contains its own specific advantages, but also its specific, historically conditioned limitations and contradictions. Their *interaction* contributes to the affirmation of the workers' interests, emphasizes and promotes from the viewpoint of these interests the positive values of each of the institutions and organisations in the system, and nullifies or at least mitigates their negative qualities which might otherwise grow and accumulate in each of them separately.

Without embarking upon an analysis of the qualities of all the parts of the organization of society oriented towards fulfilling the interests of the working class<sup>8</sup>, we shall dwell to some detail on the specific – manifest or potential – values of the trade unions, particularly in as much as they touch upon the present-day circumstances and possibilities of workers' selfmanagement in Yugoslav society and those anticipated in the near future.

In this context the role of the trade unions consists of several components:

Firstly, the trade unions appear as the *vanguard and protagonist* of workers selfmanagement in those fields of social decision-making, processes and relations that are not or only partially covered by workers' selfmanagement so far. The essential quality of workers' selfmanagement is warped because it has not spread to all forms of social organization and to all social processes of vital importance for the position of the worker, such as: management of accumulated funds outside the framework of individual working organizations – the banking and credit-system; social planning and management of fluctuation of work and manpower; employment and professional structure, control of the 'labor market' and its radical change; organization and coordination of the process of scientific research and application of scientific knowledge and educational processes in accordance with the interests of the producers, etc.

Trade unions are those that have to be pioneers of the workers' selfmanagement in all these fields by advocating and orienting the interests of the producers, by discovering social 'interspaces' where these interests are threatened, by initiating and leading the social action of the workers aimed at strengthening workers' selfmanagement and their struggle against strongholds of the opposing social forces that are active in all social fields not covered by efficient workers' control. Trade unions are expected to fulfill this role, since it is supposed that a labor trade union has the most objective possibilities and ability to emancipate itself from all structures of economic and political power that have been formed in social fields outside of workers' control, and from all particularistically formed and defended interests in parts of the society and individual working organizations (i.e. the enterprises).

Secondly, in the social fields already covered by workers' selfmanagement, trade unions appear as the *counterbalance* to all social forces exerting pressure upon it in order to subject it or to turn it away from the interests of the producers. The bodies of workers' selfmanagement are placed in an objectively contradictory situation. As long as the trends similar to bureaucratic etatism and capitalist commodity production are not successfully arrested, the economic processes will force the bodies of selfmanagement to take decisions divergent from the interests of a greater or lesser part of the workers. On the other hand, these same bodies

are exposed to the influence of the workers, to the pressure of their requirements and wishes. The bodies of selfmanagement frequently avoid or mitigate this pressure by keeping apart from the working masses and by subjugating themselves to the hegemony of other, non-labor structures of social power in working organizations and outside them, structures that find social support among privileged social groups capable of overcoming the unfavorable effects of economic processes, i.e. of transferring them to other groups of workers. In order to balance the contradictory situation of the bodies of selfmanagement, it is necessary that the workers should be able to express their interests through an autonomous trade-union organization.

The second component of trade-union action is inseparable from the first. Under the pressure of economic processes that may leave the bodies of selfmanagement without the possibility of choice, even a strong influence of workers in the *working organization* is frequently insufficient to ensure decisions meeting the authentic interests of the workers. Starting from actions within individual working units, to arrive at actions involving broader social currents, we may recognize the actual capability of trade unions to affect broader social circumstances for the development of workers' management and corresponding economic and social relations. And from this standpoint too, the merits of trade-union organization lie in the possibility to link up workers' actions in individual labor organizations with the action of broader social structures.

The third component refers to the influence of workers organized in trade unions upon the formation and exercise of social power within all organizations and institutions in society and the centers of power and decision-making that are still incongruent with workers' selfmanagement. Trade unions will remain for a long time an irreplaceable means of workers' influence upon these centers of power and decision-making, first in the sense of their clearer working-class determination, their development and activity in conformity with the interests of the working class, and then also in the sense of their *gradual transference to the course of workers' selfmanagement*. Parallel with the development of workers' selfmanagement, the working class also needs an organized political government at different levels, a public administration, together with a network of other social institutions with a multitude of functions that cannot at present be directly covered by workers' selfgovernment.

In addition, the leading role of the workers within the global system cannot be realized without a vanguard political organization. All these social institutions and organizations are, far more than the bodies of workers' selfmanagement, exposed to the influence of contradictory social processes within which and in relation to which they discharge their functions. For a long time it will be possible for them to fall under the influence of social groups whose individual interests differ from the interests of the working classes. In such a dual system of social organization – of a workers' management type and a political type – trade unions have the role of transmission belts, but no longer in the old sense of activating the workers in accordance with the impulses of the political hierarchy, but in the sense of activating the whole political system in accordance with the interests, impulses, wishes and will of the workers. In relation to all social institutions and organizations that are not yet, or are not wholly, included in workers' selfmanagement, trade unions appear as the *outstretched arm of workers' selfmanagement*, reaching out towards all other parts of social organization in order to accelerate their transformation into component parts of workers' selfmanagement.

#### D. TRADE UNIONS, MARKET ECONOMY AND MATERIAL PROGRESS OF THE SOCIETY BASED ON WORKERS' SELFMANAGEMENT

We have maintained that it is impossible for working-class trade unions to be satisfied with the position of 'H.M. Bureaucracy's official opposition'. But does the thesis of trade unions as protagonists of practical criticism of the decisions of selfmanagement bodies and of political decisions that are motivated also by economic requirements mean that they are to perform the role of 'H.M. Economy's official opposition'? This view is frequently expressed, either clearly or implicitly. To a considerable extent thinking has given way to antinomy between the human and the social on the one hand, and the rational and economic on the other hand. This antinomy in thinking has been the result of the objective contradictions in bourgeois society, which could not be wholly resolved by socialist etatism either.<sup>9</sup>

It would seem that this antinomy in thinking may lead us upon the wrong track. The question has to be presented differently: What is the

relation of the vital interests of the workers, who are directly and autonomously represented by trade unions, towards the economic processes in a society which bases its material existence upon selfmanagement relations in production? The answer will lead us to a conclusion *diametrically opposed* to the antinomy from which we departed.

Let us consider first commodity production in relation to the interests of the working class. There exist *essentially different possibilities* for a further development of commodity production in Yugoslav society. Market economy may take a course whereby its historical possibilities should be developed and exhausted under the control of the associated workers.

Workers organized in the system of selfmanagement may find many of the qualities of this production useful (its 'mechanism' for measuring socially necessary working time, its system of incentives for stimulating and promoting economic activities, its system of communication between production and consumption and consumers' requirements, its effect upon technological selection and selection of economic forms, etc.). But the market economy may also slip away from the control of the associated workers, and assume more or less distinct qualities of *profit production* with corresponding consequences in the social relations.

Whether one or another will take place, and to what extent, does not depend on objective economic laws, but on the social forces that control the economic life of society. *The economic system* is one of the factors, but even this system cannot in itself determine the social character and effects of the production of values. The point is in *the social orientation of all decisions relating to economic processes*, on all levels of decision-making.

If economic decision-making in general represents those *interests of workers that determine their position of the selfmanagers in the society*, the economy will be fundamentally socialist, and the tendencies of capitalist reproduction efficiently checked and held back (or efficiently controlled and neutralized). The position of the workers in selfmanagement negates and excludes the factors in economic reproduction that give the capitalist character to the production of values: transformation of accumulated values into capital which alienates economic power from labor, and conversion of the workers' abilities into wage labor which fluctuates in the social process of work, formed and regenerated according to the laws

of the labor market and within the antagonistic relationship between wage and surplus value.

*Separation of the production of values from capitalist reproduction*, this historical dividing line in the economy, depends on how far the interests of workers are satisfied, on the measure of social power accumulated for the realization of these interests.

When considering the place of trade unions in this process, we start from the premise that in the present-day socio-economic structure neither the bodies of workers' selfmanagement, nor the political government are able to stand sufficiently apart from the economic and social processes in which this separation has not been completed. It is up to the trade unions to employ all the above means of exerting a constant pressure in order to ensure that the criteria used in economic decision-making reflect the interests the workers, and thereby to exercise a decisive influence in separating the workers' management economy from profit production.

The establishment of a new historical type of social production is not merely a great pioneer task, but also one of the most complex stages of the class struggle in which the working class has to concentrate and employ the whole historical experience of revolution.

When these theses are put forward – and they are not new – there naturally follows the question: is subjection of the economy to the interests of the workers in contradiction with economic rationality and other economic principles in a modern market economy?

Can a society such as the Yugoslav one take such a step alone while being exposed to the pressures of the world economy? In asking these questions, the question that should precede is often overlooked, i.e.: *what is actually the rationality of a system of social economy?* Each system of social economy rests upon a principle, upon a basic social criterion which *determines* what is and what is not rational.

This *social criterion of rationality* derives from the dominant interest in the society. The system of social economy is rational if all its components, links and relations within the system 'function' in accordance with the dominant interest, and if this interest is prevalent in all segments of the system, in all stages of economic reproduction. In a capitalist economy this is the interest of the owner of the capital, the interest of the capital personified or organized into a corporation. This interest is synthesized and expressed simply and clearly in the *profit* which becomes the general



operative criterion of capitalist economy, the unquestionable criterion of the rationality of all decisions.

Following this criterion, capitalist economy grows coherent, capable of reproduction, for each decision, each economic act and result is subject to verification by the fundamental principle, the determining interest.

The Yugoslav economic system today – although imperfect and not always consequently observed – rests upon the premise that the interest of the worker as the subject in selfmanagement is the determining factor of the economy. In such an economy there can be no rationality if the interest of the worker is not predominant. It would be *extreme irrationality* to base the system on the interests of the worker as the determining factor, and in economic practice to evaluate economic decisions, acts and results by some other criterion of rationality.<sup>10</sup>

The whole experience of Yugoslav economic life, and particularly in the years of the economic reforms, has confirmed that successful economic growth and functioning of the economic system depend on whether the interest of the worker is present in all elements of the economic system, in all economic decisions, and in all stages of economic reproductions, as the determining principle and only criterion. This has been the condition of coherency, vitality and productivity of this economic method; if it were not so, this method could not prove successful, could not ensure economic growth, not even simple reproduction, it could simply not survive.

All that has been said of the function of trade unions in relation to the establishment of the workers' management method of production fully goes for *ensuring a fundamental rationality of the economy*. When the trade unions and all bodies of the social power of the workers strive to represent and advocate the interests of the workers, *even to impose it through struggle*, in order to make it the determining factor in the whole economic and social life, they do not so, or they should not do so, from the standpoint of social mitigation and 'moderation' of the effects of economy, which would mean its restriction, but *from the standpoint of the economy itself*, from the standpoint of economic laws determining the coming workers' management system of economy, *from the standpoint of the only possible way of social and material progress in the conditions of workers' selfmanagement*.<sup>11</sup>

Humanization (above all the abolition of wage-labor and capital) obviously becomes an imperative in such an economy. The workers' cri-

terion of rationality does not contradict the rationally humane and economically social. After this criterion, the development of requirements, abilities and activities of the worker, the enlarged reproduction of his life are simultaneously and equally the economic presupposition of humanization and the human presupposition of economic growth: solidarity of the associated workers is simultaneously and equally the economic presupposition of association and social power of the workers and of the functioning of the productive forces of social production.

With this in view, the relation between class trade unions and the revolutionary political organization of the working class (the League of Communists, in Yugoslavia) appears in a new light.

#### REFERENCES

\* Summary of some parts of the essay 'Yugoslav Trade Unions on the Test of Revolutionary Practice', published in the Yugoslav magazines *Gledišta*, *Socijalizam* and *Komunist*, and in publications of the Confederation of Yugoslav Trade Unions.

<sup>1</sup> The development of the Yugoslav trade unions may be compared with general trends in the contemporary trade union movement in the world. Notwithstanding greatly different local conditions for the development of the workers' movement in capitalist and also in socialist countries, in the contemporary world there are also essential general characteristics and integral trends significant for the workers' movement.

The late-capitalist structure attempts in many ways to integrate the trade unions into the social system, i.e. into the method of maintenance and reproduction of this structure. Big capitalist corporations strive to confine trade-union organization and action to the individual firm and – parallel with the 'internal' conflicts and agreements with the workers – to ensure the interest of 'their' workers in competition with other monopolistic capitals. This is further helped by the objective trend of integration of the workers into the company, connected with significant changes in the technological structure of capitalist production. According to this, the company trade union must show solidarity with the capitalist management in competition and struggle with other capitalist companies and 'their' workers and 'their' trade unions. Furthermore, propitious to disintegration of trade-union activity are the considerable differences in the position of various strata of the working class, which is typical of capitalist structures. On the other hand, the etatistic elements of the late-capitalist structure strive to integrate trade unions as a mediating partner between labor and capital and between various groups of wage workers engaged in mutual competition on the labor market (institutionalization and etatistic control of the labor market). This type of trade unions is considered to be a counterbalance to workers' demands. Fundamentally non-uniform capitalist development of various societies and of various regions, races and nations in the same societies is used so as to tie trade unions to the particular interests of the capital, which assume the form of state, national, regional or racial interests. Hence the manipulation of trade unions in the struggle against the interest of workers in other countries, workers of other nations and races etc. All this proves an overall tendency of the highly organized capital to establish control over

a part of the workers' movement by tying up partial interests of groups of workers with the interest of individual capitalist groups, under the hegemony of the latter, and particularly through the manipulation of trade unions that lose their labor and class character.

<sup>2</sup> The author has set forth, supporting it with arguments, a scientific-theoretical concept of this type of social power in his book *The Social Power of the Working Class*, Rad, Belgrade, 1969 (in Serbocroatian), and in several other theoretical studies.

<sup>3</sup> In order that such power of the workers may be established and realized, trade unions are to contribute to the formation of the basic elements of the social consciousness of the workers, adequate to workers' management relations, i.e. to the establishment of a *workers' management culture*. This culture includes i.a. the principles and standards of decision-making in selfmanagement; norms of cooperation; economic behavior; solidarity.

<sup>4</sup> What would the working class have to gain with trade unions in the role of a specific 'official opposition of H.M. Bureaucracy'? Compared to being 'subject of H.M.' would the 'official opposition of H.M.' be a great step forward?

<sup>5</sup> This alternative was prevalent in the decisions taken at the Sixth Congress of the Confederation of Yugoslav Trade Unions in June 1968, although it has still not become dominant in trade union practice.

<sup>6</sup> It would be an illusion to believe that the sources of non-socialist trends might be quickly suppressed, even if the workers' movement were energetic and radical. These trends spring from the objective conditions of the material life of society, and are supported by many a product of past social processes (established social groups and their specific interests, economic and political advantages and ideology; economic qualities of the working class resulting from the interaction of revolutionary social changes and reproduction of economic and political monopolies and wage-labor; different strata of social culture typical for a precapitalist structure, various stages of capitalism and various forms of etatism; the character of social institutions and organizations firmly established in the preceding period of socialist development, etc.). Combination of different historical types of workers' action, but towards the type that is to be in the future, will probably be a lasting characteristic of the workers' movement in the future process of socialist reconstruction of society. It must be borne in mind that non-socialist and conservative trends multiply their strength precisely by combining various forms of alienating social power from the worker, while having the possibility to use to some extent the nominal workers' institutions and organizations for suppressing independent workers' actions and for manipulations with workers' demands and activities. In the face of such activity of non-socialist elements in a society, which are infiltrated into all forms of the activity of the working class, this class would be helpless if it were to resort to one single form of social action.

The working class must employ complex manoeuvres in the struggle for essentially socialist social relations. In this period, each social phenomenon has also its darker side and offers the ground for growth of non-socialist trends. But at the same time, in the present-day social structure, there is no form of expansion of social power emancipated from work that does not offer possibilities for a radical action of workers, for the transformation of alienated into associative social power, for subjection of economic, political and cultural processes to the interests of the working class. All this goes to prove that society is going through a period in which socialism is being established, followed by the inevitable reproduction of elements of class social structures. Socialism must in its development exhaust, negate and surpass class society, and it can

accomplish this only by developing its own material, social and cultural basis. If the principles of the workers' trade union movement derive from that, the movement will openly confront all elements of class structures and act in accordance with the possibilities for their abolition, but will also aim its action at a radical change of the social structure.

<sup>7</sup> In contemporary Yugoslav society there are no possibilities for a suppression of the trade unions from the positions of a class opposed to the working class with the aid of the arguments and methods formerly, and occasionally nowadays, used by the owners of capital and their political representatives. Instead of this there is a fairly loud, although not clearly theoretically and politically articulated, contest with the trade unions from seemingly progressive positions, with the aid of arguments pivoted upon the actual place of workers in the society. Why should workers need trade unions – the organizations through which they used to realize their interests in the conflict with alien property and alien power, or which to some extent protected their interests from the power of the state mechanism in early socialism – when they have reached historically more perfect forms of realization of their interests, workers' selfmanagement in particular? Are not trade unions historically surpassed by workers' selfmanagement which has penetrated into every pore of social work and reproduction? If workers' selfmanagement has not yet fully succeeded in this, why invest efforts into trade-union organization, instead of striving to reach full realization of the workers' interests through workers' selfmanagement? And if this is satisfactorily accomplished by selfmanagement, why should it have its counterpart in trade unions? At present these negative opinions as to the place and scope of trade unions assume, regardless of how they are motivated, a definite, and not inconsiderable political weight in the confrontation of differently oriented political forces. Here we are in favor of the answer which is the most adequate from the standpoint of the actual conditions and possibilities for establishing and developing the social power of the contemporary working class in Yugoslavia.

<sup>8</sup> The author discusses this question in his book *A Contribution to the Criticism of Revolutionary Practice*, Nolit, Belgrade, 1969 (in Serbocroatian).

<sup>9</sup> Through this prism, trade unions appear as the protagonists of the genuine human requirements of the workers, of workers' solidarity and other human and social values, as confronted with the severe and inhuman economic laws. It is admitted that this role is useful, and even necessary as a sort of damper to mitigate and humanize to some extent the effect of objective economic laws upon the workers; it is also assumed in this connection, that it places a *limit* to rationality, profitability and other standards that must take priority in a market economy, i.e. the 'rational organization' of production and work. If it were so, we should need to know the limit of the activity of the trade unions as protagonists of demands that are limited by the economy. To such views the trade unions replied at the time by insisting upon economic factors, competing in economic logic with the official representatives of the economy.

<sup>10</sup> If there is such a deep non-rationality in the roots of the economy, it cannot be mended by further partial rationalization which departs from derived, but, in relation to the supposed basis, incoherent criteria whether it be rationalization in technology, organization of the production and work, forms and methods of economic activities, or any other factor of the economic process. Moreover, efforts invested in partial-rationalization remain futile, are checked, or produce adverse results in the economy.

<sup>11</sup> The function of the trade unions in relation to the establishment and rationalization of the workers' management method of production does not consist in merely concen-

trating and employing social power to bring about a predomination of the workers' interests. It is the question of comprehension, articulation, formation and association of these interests, so that they may actually become the supreme and sufficiently operative criterion of each decision, act and action in economic and social processes. The capitalist method of production has ensured its coherence and efficiency by sublimating the many capitalist interests in profit as the locomotive power, principle, criterion and standard of economic processes. The workers' management method of production is facing a far more complex task in this respect, since its analogue to profit (i.e. the vital interests of the workers) cannot ignore human requirements and social values towards which profit was indifferent or inimical.

P. H. HUGENHOLTZ

## THE TASK OF THE TRADE UNIONS IN A SYSTEM OF WORKERS' SELFMANAGEMENT

*Comment on Vidaković's Paper*

Mr. Vidaković rightly states: "Workers organize into trade unions in order to reach and accumulate social power necessary for the realization of their aims". This, at any rate, is the basic motive for joining a trade union. Nowadays the motive for joining can be formulated in a much more individualistic manner, at least in The Netherlands: membership is regarded as a kind of insurance against calamities; in case of dismissal, accident and numerous other difficulties the trade-union member is entitled to receive help and, if necessary, legal aid free of charge.

The workers in the capitalist countries have always needed such social power to counteract that of the economic rulers, the entrepreneurs and the owners of capital. This counteraction may be applied from a stand of pure opposition, in such a way that the character of trade unions is primarily determined by an attitude of struggle (as in England). On the other hand, the trade unions may try to use their power by means of integration and participation within the structures of the capitalist society and of the enterprises, in an endeavor to counterbalance, and finally to balance powers. This is, e.g., the idea underlying the system of qualified *Mitbestimmung* in the West-German coal and steel industry, and also – at another level – the Dutch *Sociaal Economische Raad* (Social Economic Council).

The methods may differ, but the aim is identical: to obtain maximal material results for the workers at the cost of those who are economically stronger. The pursuance of a fundamentally different society (that is, a non-capitalist society) has long remained in abeyance and has, in many cases, disappeared from view. There is an explanation for this.

Until recently it was, broadly speaking, only possible to choose between two kinds of economic structure. On the one hand there was Western capitalism with its liberal system of private enterprise production, and on the other hand the Russian model of strictly planned state production. We might have great objections against the capitalist system, but it was highly preferable to the state dictatorship in the communist countries. Moreover, the choice was never difficult because in the course of time legal

measures have come into being in most capitalist countries which aim at restricting the freedom of the entrepreneur in a number of important aspects (labor law, price and cartel legislation, etc.).

The labor movement (at least in The Netherlands) was therefore enjoyably surprised when it transpired that experiments were being made in Yugoslavia with a third form of production structure, a form aimed at avoiding the disadvantages of the two existing systems and, on the other hand, endeavoring to liberate the working class from the grip of others in an entirely new way. It is too early to say whether these experiments will be permanently successful, but at this moment so much experience has been gained that the trade unions in other countries have every reason to consider, with reference to this experience, whether, and in how far this third way may be practicable in their own countries.

Nevertheless, in this contribution I do not propose to discuss at any length whether a system like Yugoslav workers' selfmanagement might be introduced in The Netherlands – I am afraid that this question cannot unequivocally be answered in the affirmative – but I would rather confine myself to considering whether the trade-union movement has a role to play in a system of workers' selfmanagement, and if so, what role. The difficulty in finding an answer is, that there is only one example – Yugoslavia, a country we know only very superficially – while, moreover, we are by nature inclined to use Dutch criteria in our judgments and expectations. May this result, not in confusion, but rather in a fruitful discussion!

I postulate again – but this time in slightly different terms – that a trade union is founded and maintained by the voluntary initiative of a large number of workers, who in this way try to achieve by their joint effort what they would not have managed to achieve as individuals. This implies that a trade union is an association of and for the benefit of the workers. The aims pursued by this association will therefore always be directed towards the well-being of the workers. Opinions on these aims and on their respective priority may differ, and this is the more true of opinions on ways and means, and on the rate at which these aims should be realized, but the starting-point is valid. We can also formulate it differently: workers' association ceases to be a trade union when that association more or less consistently pursues a policy which is not directed towards realization of the aims of its members. Such a situation, however,

is not thinkable in a country with complete right of trade union, since the members would express their dissatisfaction either by choosing new executives or by resigning their membership (and perhaps joining another trade union). This being so, it follows that we would not consider a labor association functioning in practice only as an extension of the state (the government, or the leaders of a political party, as the case may be) to be a trade union, because it would be insufficiently independent of others. The first step in finding an answer to our question is therefore the argument that in a system of workers' selfmanagement there is only a task for trade unions if, and as far as, the workers-members of these unions themselves need them and themselves determine the policy of the unions.

In a capitalist system the worker has a number of evident opponents. These are the entrepreneurs, the large landowners, the owners of the means of production. In a true socialist community with selfgovernment these opponents are absent. The means of production are community property; the workers manage the enterprise themselves. By virtue of the structure of their society they constitute a social power. No trade union is therefore needed to acquire that power or to provide a counterweight against such opponents. The workers are producers at the same time: they are not wage-earners but determine their own income; they are not object, but primarily subject in all decisions concerning them in their work. Should we not conclude that the protective task of the trade union is completely superfluous?

Such superfluity may sound logical in a purely theoretical line of thought (and, moreover, sound attractive, for should not its own superfluity be the ideal of every trade union?), but this line of thought is undoubtedly too much divorced from practical reality. The theory rests on a number of incorrect hypotheses, as e.g.: (1) that the workers are sufficiently capable of selfgovernment; (2) that all workers are equal and want the same things; (3) that all sectors of the economy are equally strong and independent of others; (4) that there are no influences from outside the country.

(1) It went without saying that after 1950 education in Yugoslavia received much attention. In a country of low educational status, selfmanagement is doomed to failure. The 'Workers' Universities' founded by the labor movement evidently fill a need and are indispensable for training good selfmanagers.



Although a country like The Netherlands is relatively highly developed, considerable attention would need to be paid to general and professional education. It would seem obvious that the labor movement, which as the promotor of the workers' interests will also be the advocate of selfmanagement, undertakes the task of organizing the training towards selfmanagement. This task is in principle a permanent one.

(2) However beautiful the system, and however good education, there will always be differences between intelligent and less intelligent people, between thinkers and doers, between strong people and weak people, etc. There will be industrious and less industrious people, ambitious and easily satisfied people, experienced and inexperienced people. It will be therefore extremely difficult and even impossible to arrange the distribution of the income in such a way that everyone thinks it completely fair.

The scope of this contribution does not call for a design of such a system. The only point to be made is the probability bordering on certainty that there will always be some people who feel they are not getting a fair deal. The fact that the deal has resulted from a decision in the framework of selfmanagement will offer scant consolation and perhaps even be all the more reason for frustration. Briefly, there will be malcontents, and their dissatisfaction needs not always be unfounded. After all, majority decisions are not invariably fair and correct, and the possibility of majorities abusing their quantitative preponderance is not imaginary.

It is obviously the task of the trade unions to see to it that the interests of individuals and minorities are defended if, and in so far as, these interests are in danger of being oppressed without good cause.

(3) If workers' selfmanagement is carried through to all its consequences a situation will arise in which everyone (individual, group, enterprise, branch of industry) has to fend for himself. Any interference by others is on principle unacceptable. We have discussed the position of individuals under (2) above, and will now confine ourselves, by way of example, to one sector, the textile industry.

As long as this branch of industry is profitable, there are no problems (from the purely national point of view at least). Personal incomes are adequate, while there is sufficient room for investments, renovations and the building up of reserves. But if the situation changes, through one cause or another, if the textile industry is threatened with insolvency, the personal incomes have to be cut down, the reserves have to be used up;

and the plant cannot be renewed, what are the consequences for self-management? Should all the textile factories separately try to keep their heads above water as long as possible, unprofitably splitting up the remaining possibilities of selling their products?

Or, to put it in more general terms: if every selfmanaged enterprise in its policy keeps exclusively to its own restricted outlook, and if every branch of industry only takes account of its own possibilities and impossibilities, what can be expected of the social-economic future? This doubt – or, to be more precise, this negative certainty – does not spring from a suspicion that the selfmanaging workers do not possess the necessary abilities. Even the most intelligent and best trained enterprise management is per definition unable consistently to carry out its policy in such a way that internal or external conflicts and difficulties are excluded. Without coordination between all the independent units of the socio-economic society, without at least medium-term planning, the society will soon be found wanting.

In other words, such a system would suffer from many of the same evils as those besetting the original liberalism. The only difference would be that the mistakes would not be made by autocratic entrepreneurs and owners, but by the workers collectively, which is hardly an advance. Coordination and planning are therefore indispensable, a conclusion which has of course been reached in Yugoslavia long ago. And the question is how and by whom? The idea of selfmanagement will never lead to success if this idea stops at the enterprise and is not applied in coordination and planning as well.

Workers' selfmanagement in the enterprise cannot be combined with any form of interference 'from above', whether the interfering is done by a bureaucratic state apparatus or by a political body. The workers themselves will have to keep control of coordination and planning, obviously by means of representatives appointed by themselves. The trade unions would seem to be pre-eminently suitable for this task, especially as trade unions in their very nature are used to promote the interests of the workers as consumers as well, so that they can help to keep the balance between producers' interests and consumers' interests better than any other body.

(4) No country can afford to isolate itself from other countries like an island. To take only an example, in setting the price of the home products the prices on the world market cannot be ignored: the tendency of the market in neighboring countries will often influence the possibilities

at home and therefore make reaction necessary. No further elucidation is needed. Once more the point at issue is, who ensures that enterprises and branches of industry direct their policies towards a position which is as favorable as possible with regard to foreign countries, or, even more difficult, towards efficient and altruistic aid to poorer countries. The answer is again: the trade-union movement, this time as means of contact with the trade-union movement abroad. Not because the government does not have an important task in this field too, but because these aspects of the foreign policy will have to be achieved in full agreement with the trade-union movement to avoid serious violation of the principle of self-management.

On the basis of the above considerations we are of the opinion that in a system with workers' selfmanagement there is scope for comprehensive and important activities of the trade-union movement. In carrying out these activities the trade-union movement – to stress it once again – will have to remain an extension of this selfmanagement and therefore to avoid fulfilling functions or undertaking responsibilities which have not resulted from the explicit will of its members. It is self-evident that this will lead to the existence of a borderland between the field covered by workers' selfmanagement and trade unions and that which comes under the competence of others (exponents of other interests as well as the regional or national authorities). In such a borderland incompatible interests and conflicts are certainly not unthinkable. It would carry us too far to enter more deeply into the nature of such conflicts and into their consequences. Suffice it to say that, where no agreement can be reached, someone will have to cut the knot, and the national authorities will be the ones to do it. In that case responsibility will be placed where it belongs; the trade unions are not forced to cooperate in decisions which are not backed by (the majority of) their members.

If I understand Vidaković rightly, a conflictive situation as described above would, in his opinion, not be allowed to occur in a society based on workers' selfmanagement and with an economy resting on the workers' interests as the basic principle dominating the whole structure. To be sure, if the interests of the workers in selfmanagement are regarded as the *only* interests to determine whether the economic policy is the correct one, conflicts are unthinkable. But this hypothetical basic principle would seem to be somewhat incomplete. Firstly, the disappearance of the old

capitalism does not alter the fact that other spheres of interest beside those of the workers continue to play a role in the economy, e.g., those of the economically inactive population (children and old people; people incapable of work), of the peasants, of the artists. And secondly, even in the most consistent system of selfmanagement, there always remain some typical government tasks, such as national defence, justice, transport, etc.

Presumably the cost of such tasks will have to be paid – directly or indirectly – out of the income of the enterprises or, via personal taxes, by the workers. Briefly, there will remain plenty of conflicting interests, although the conflicts will often be considerably less violent in nature than under a capitalist system.

We agree that the trade-union movement will not have the role of ‘H. M. Economy’s official opposition’. And no more than Vidaković we believe that there need to be a fundamental opposition between “the human and the social on the one hand, and the rational and economic on the other hand”. In our view, the trade-union movement, as advocate, stimulator and coordinator of selfmanagement, becomes at the same time the most important promotor of the economy. In so far as the economy undergoes other and opposed influences as well, the government will have to determine the policy. In this way the trade unions may get into a situation of opposition against the government, which opposition can only be successfully conducted if the unions are completely independent and, particularly, if they have no formal ties with the political party or parties constituting the government.

It seems worthwhile, finally, to make an attempt to judge the differences, which, for the trade-union movement, result from the system of workers’ selfmanagement, as compared with the now existing situation in the capitalist countries.

A marked difference is the circumstance that the trade unions in a system of selfmanagement have no clear and permanent opponent. Any conflicting interests are incidental and the opponents vary. The trade unions’ characteristic aspect of struggle practically has disappeared (it should be added that in some capitalist countries, as e.g. in The Netherlands, the struggle has also largely made way for negotiation).

In close connection with this it should be pointed out that the trade union changes from an association of the ‘underdog’ into an association of producers, of people who, in principle at least, participate in the deter-

mination of their own economic fate. And, thirdly, we mention the change-over from a mostly reacting organization into an organization holding the initiative, and bearing in many respects a primary socio-economic responsibility.

With a view to these changes of character we seem to be justified in wondering whether any great number of workers in a selfmanagement structure will still become or remain members of the trade union.

What are the moral and/or material advantages attached to membership? It is practically impossible to predict the purely theoretical situation of a system of workers' selfmanagement appearing out of the blue into a society without any previous socio-economic history. In practice, workers' selfmanagement cannot be imagined without such previous history. It is reasonable to assume that it is precisely the trade unions which will play a leading role in its realization, and if only for that reason, will be provided with a large backing at the start. It will then gradually become clear to the members that the tasks under discussion in this contribution are necessary ones, and that it is the trade unions who must fulfil them.

If in practice the 'revolution' comes about without the trade unions having a hand in it, it will be some time before the need for coordination, planning, and stimulation, and the necessity that these tasks remain in the hands of organizations of the workers themselves becomes evident. They will then found such organizations and give them a name. That name will be 'trade union' or a synonym of it.

Pursuing our line of thought within the framework of Dutch experience we might expect that in either of these situations (selfmanagement coming into being with, or without, the cooperation of the trade unions) the new role of the trade-union movement will be borne by only a small minority of the members, while the majority will continue to regard their membership as the 'insurance against calamities'. In this case the majority will probably take no interest in the policy, and the question would arise whether there is any justification in calling the trade unions organs of selfmanagement.

It is to be hoped that we are wrong in taking our own experience as the basis for our reasoning. This hope is justified if the investigators are right in stating that the seeming indifference of most Dutch workers results from a lack of confidence with respect to improvement of their own situation ('why should I care, it is no use anyway'); such lack of confidence

would be proved wrong if the structure of the society were changed in the direction of workers' selfmanagement.

Indifference may also be caused by lack of insight in possible alternatives. Selfmanagers, however, have all the alternatives in their own hands and will, by their active role in the structure of the society, be much more inclined to concern themselves in the making of choices. If these last assumptions are correct, an active interest on the part of the workers can be counted on, which interest will be expressed in an active membership of the labor movement. Then, and only then, workers' selfmanagement can be successful; in all other cases the society will in the long run degenerate into a rule of experts and professional administrators who act only in name on behalf of the workers-selfmanagers.

## DISCUSSION

Mr. *Grozdanić*, replacing Mr. *Vidaković* who because of serious illness could not defend his paper, stated, basing himself on his experiences as a researcher of workers' selfmanagement, that trade-union activity, though transformed, has increased and is aimed at advancing selfmanagement, at protecting the selfmanaging rights and is striving for the most direct participation of workers in the decision-making process. Their activities remain essential because, being an integral part of the selfmanagement system, they can help to solve problems: struggle against formal and informal groups in and outside enterprises, usurpation of rights by experts, political leaders and even members of the workers' councils. Trade-union organizations further exert strong influence on draft decisions, at the federal as well as the communal and enterprise level, but they remain autonomous and have no authority to take decisions. Therefore the trade union is present at meetings of the workers' council, but not as such.

Mr. *Hugenholtz*, replacing Mr. *Kloos*, observed that his comment was based on the assumption that some time there will be in The Netherlands an economic system based on selfmanagement. He said he believed Mr. *Kloos* shared this view, although one cannot speak of an official trade-union view in this respect. In any case more and more people in the trade-union movement are interested in a system like this. But, he asked Mr. *Grozdanić*, might the trade unions themselves, in performing their tasks, not get bureaucratized?

To a question put forward by Mr. *Meijer* whether introduction of workers' selfmanagement would be possible without socialism, Mr. *Hugenholtz* replied in the negative.

Mr. *Naville* asked whether the Yugoslav trade unions were fighting for a better share of the workers in the national income. If there is no traditional wage, then what is the position of the trade unions?

Mr. *Denitch* observed a confusion in the audience between the role of the trade union within the enterprise which is often selfish, and the trade

union as a social force in the society at large. As tasks of the unions he mentioned: to fight for the equalization of wages; to fight for minimum wages; to fight for a just partition of the burden of industrialization and to fight for a drastic cutting down of the administrative apparatus. He urged the Yugoslav trade unions to concentrate on the unemployed, as they have so far no voice in the system.

Mr. *Desolre* discerned three different roles of the worker: as a participant in managing state or social property; as a wage earner, as he is paid according to the work performed, and as a consumer. The Yugoslav worker, he said, is still a wage earner. The trade union has an important role in defending him as a wage earner and as a consumer.

Calling attention to the strikes, Mr. *Desolre* asked whether it would be correct to say that they shifted their axis in recent years: from strikes against bureaucratic interference from outside the enterprise to strikes supported by the workers and the local union, against the very bodies of selfmanagement within the enterprise.

Mr. *Grozđanić* replied that during the last 20 years the trade unions had got additional tasks, as they have a role in creating the economic policy in parliament where they make concrete proposals on fundamental questions. Besides their classical task of protecting the worker – especially with regard to personal incomes, hiring and firing, e.a. – they wage a struggle against various bureaucratic and technocratic tendencies in the enterprises.

Mr. *Pašić* said that the trade unions were pressing for the signing of voluntary social agreements between three partners: the trade unions, enterprises or branches of enterprises and local authorities bearing on problems such as education, surplus labor, etc. He said the position of the worker can still be damaged by the enterprises which follow the logic of commodity production. So there is competition among enterprises, but solidarity of the working class as well. The trade unions protect the worker against the unfavorable effects of market-competition, they have, moreover, an important voice in shaping the national economic policy. They also have influence on the distribution of the national income, they try to reduce taxes levied on the enterprises; they strive to fix minimum and maximum personal incomes.

Mr. *Stanković* raised the question of responsibility in a system where everybody is supposed to be responsible and in fact nobody therefore is.



In this connection Mr. Stanković cited the example of the prime-minister of Slovenia, who resigned in 1966, refusing to be responsible if he could not decide on matters. How to compel people to be responsible?, Mr. Stanković exclaimed. In Yugoslavia people in leading positions might prove to be a failure and still occupy their posts, while in capitalism they are kicked out. About the strikes Mr. Stanković said that the Party Presidium recently concluded that strikes cannot be forbidden nor allowed. He said most strikes were directed against responsible people.

Mr. *Blum* summed up once more the tasks of the trade unions. They initiated changes in the share of personal incomes in the national income, they feel that higher personal incomes mean rising productivity of labor. The trade unions also try to solve the problem of ranges of incomes of various categories.

It would not be correct, Mr. Blum said, to say that selfmanagement gives rise to irresponsibility. He mentioned that before World War II 75 % of the Yugoslav population lived in rural areas, as against now only 45 %, they brought with them into industry their old customs and habits – indiscipline therefore has its historical roots. Some people think that discipline is lacking because the worker cannot easily be punished; nobody can be dismissed without a decision by a disciplinary court. Again it is the trade union that tries to convince the worker of the importance of a disciplined attitude to work, because every decision has a direct effect on his personal income. Workers in an enterprise, Mr. Blum said, are really interested in finding the best form of management organization that produces good results. Thus, his firm purchased expert advice from McKinsey, an American management consulting firm.

Mr. *Burzevski* mentioned some practical measures taken on the initiative of the trade unions (new law on employment, law on retiring because of age). The function of strikes was to engage external forces in helping the enterprise to overcome difficulties they cannot master on their own.

Touching upon the point of Yugoslav workers not being responsible enough he said this theme was heard many times on the international scene. This practically always meant that someone should come to restore order. However, we are fully capable of doing this ourselves, Mr. *Burzevski* concluded.

Mr. *Ter Hoeven* said that, while visiting Yugoslavia, he was struck by

the enormous differences between the republics, between the cities and the countryside, etc. He asked whether it was really justified to speak about 'the' trade-union movement. In the West their functions are performed partly by the management, partly by professional schools, partly by the labor exchange, partly by the ministry of labor. He proposed we should start in our analysis from functions performed, not from institutions.

Mr. *Wiles* pressed the Yugoslavs to be far more candid than they had been so far, because he felt their position came out well in comparison with foreign countries, which solved these problems even worse. Mr. *Wiles* concluded a short historical excursion with saying that in Yugoslavia after 1950 the trade unions have remained unions of the Soviet type, which confine themselves to disciplinary and welfare functions [questions of discipline in Yugoslav enterprises are handled by the disciplinary commission of the workers' council – note of the ed.] There is nothing wrong with having unions like that. But regardless of the significance of the unions, it is quite clear that the Yugoslav worker certainly does not lack the forces necessary to influence wages. Indeed, Yugoslavia is the most inflationary country in Europe. The country is loaded with pro-wage social forces and institutions, he said. He cited: the workers' councils themselves (which, though managerial, do after all consist of workers), the basic notion that there are no wages but that all enterprise income belongs to the workers, and the notorious Marxist laxity of the banking system with regard to the quantity of money.

Mr. *Van Acht* asked about the strategy Mr. *Hugenholtz*' organization thought to follow in the struggle for socialism and selfmanagement.

Mr. *Tomandl* inquired about the means at the disposal of the trade unions to perform their numerous tasks. By putting national standards of income? How do they solve the problem of unemployment? By moral persuasion? Are collective tripartite agreements compatible with selfmanagement?

Mr. *Samson* could only think that trade unions were still necessary because there is obviously obstruction against selfmanagement from other political and ideological forces. From which social groups do these forces come, how powerful are they?

Mr. *Singleton* asked with whom the trade union in the enterprise clashes. Why were the trade unions not active in redressing grievances of the workers? Why was it necessary for strikes to take place? Is it correct to say

that the number of strikes sharply increased under the logic of the economic reform of 1965? What is the trade-union policy towards strikes?

Mr. *Baumal* said that he observed only two separate monologues, while questions are not answered by the Yugoslavs. The term 'selfmanagement' he thought to be confusing and contradictory, because nobody can manage himself; this is nonsense, he said. Mr. Baumal stated that there will always be a need for management (i.e. get other people to do things) and control. Workers' councils, he said, are more effective as organs of control than of management. A Yugoslav director, he observed, can wield greater power than a capitalist director in the West.

Mr. *Hugenholtz* replied to Mr. Van Acht that his question could not be answered because the Dutch Federation of Trade Unions is not a socialist trade union.

Mr. *Grozdanić* said strikes broke out very often for reasons lying within the enterprise indeed, mostly because of bureaucratic or technocratic tendencies.

To this statement Mr. *Ter Hoeven* replied that workers never go on strike for such abstract reasons. Be more particular, he asked Mr. *Grozdanić*, say what kind of harm was done to the workers.

Mr. *Grozdanić* then said it was mostly about income questions that workers went on strike. As a matter of fact, he observed, not the amount of personal income was important, but the way decisions were made on wages, without the workers being duly consulted.

Mr. *Albreht* observed that some people were discussing socialism as a vision, while the Yugoslavs were talking about the building up of a socialist structure under unfavorable economic conditions. Sometimes one tries to put the blame for all difficulties on selfmanaging socialism, although they are the difficulties of developing an underdeveloped country. The discussion about management in Yugoslavia, he said, cannot be compared with the discussions on management in Western countries. In Yugoslavia managerial tendencies in the pejorative sense of the word appear as an antithesis to selfmanagement. It is a question of power.

Concerning the term selfmanagement, Mr. *Albreht* went on to say that selfmanagement is a result of associated labor, nobody indeed manages himself. Is that right enjoyed by a special group or by associated labor, that is the question. Still, to be sure, the technical division of labor gives rise to tendencies to usurpate power, he stated. The trade unions, however,

do not permit an expropriation of the right to selfmanagement and conflicts are inevitable along these lines. The trade unions' fight against income being alienated from those who create it, therefore the 'wage struggle', is essentially different from that in the West.

Answering Mr. Desolre, Mr. Albrecht said that one cannot say that the Yugoslav worker is a wage laborer, because income is distributed according to work performed. The question of wage labor relations is determined by the position of the worker. Does the manager or the owner manage and decide on wages, or the worker? Though we try to avoid conflicts by the signing of tripartite agreements, he concluded, our system is by no means perfect, there will be conflicts, but this does not change matters.

MITJA KAMUŠIČ

## ECONOMIC EFFICIENCY AND WORKERS' SELFMANAGEMENT

### I. INTRODUCTION

When we speak of workers' selfmanagement and when we try to evaluate it, we must first make clear whether we designate by this term a general idea of the workers' selfmanagement or the existent model of selfmanaged enterprises and of the system of selfmanaging relations in the actual Yugoslav society.

If we speak of the idea of selfmanagement in general, we soon find out that the idea itself and its realization can be thought of in different ways, and that theorists do not always agree about its contents. On the other hand, the position of the enterprises and the system of social-economic relations in Yugoslavia are settled by means of regulations established by the state, and can be empirically studied and investigated.

In this paper I shall deal with actual selfmanagement existing in Yugoslavia, and not with the idea of selfmanagement in general. I shall not evaluate to what extent actual selfmanagement does or does not match with the ideal of selfmanagement. I shall rather try to analyze to what extent the Yugoslav model of selfmanaged enterprises and the pattern of the relations between enterprises and the society are applicable to practical business activities in different economic settings, and whether they are economically efficient.

Yugoslav selfmanaged enterprises and the whole pattern of social relations in which such enterprises function represent a peculiar social mechanism which differs from other known models of management and organization of enterprises, and also from other systems of economic connections of enterprises.

The applicability and the economic efficiency of selfmanagement in enterprises and in the economic system in general – also in comparison with other models and systems – can be estimated through the following points:

- (1) To what extent does the mechanism of selfmanagement incite indi-

vidual workers, particular categories of workers, and the whole working community to better achievements?

(2) What is the role of managers in the mechanism of selfmanagement, and in what way are they stimulated for their work?

(3) To what extent does the system of selfmanagement encourage new investments, and how does it ensure their best rentability?

We can answer these questions in two ways, namely:

(a) by showing the immanent logic of the functioning of enterprises and the society in the system of selfmanagement, or

(b) by showing the actual consequences of operation under the conditions of selfmanagement.

A mere empirical presentation of economic and social achievements attained under the conditions of selfmanagement would not do because the economic and social achievements of the Yugoslav society are not the exclusive consequences of the functioning of the mechanism of selfmanagement, but also those of education, of general cultural progress in the past, of the initial level of technical and economic development previous to the introduction of workers' selfmanagement, of general external and internal political influences not connected with selfmanagement, and others. We must especially take into account the great unevenness of the economic and cultural development in different parts of Yugoslavia in the past, which influences considerably also the present achievements. Slovenia e.g. – culturally and economically the most advanced republic in Yugoslavia – which covers less than 9% of the total surface of the Yugoslav territory and embraces 8.5% of its population, provides 15% of the national income. Macedonia, Montenegro, Bosnia and Herzegovina, and the Territory of Kosovo, on the other hand, which cover together almost 40% of the Yugoslav territory and embrace about 39.5% of its population provide only 21% of the Yugoslav national income.<sup>1</sup>

We must mention also the great differences in the results attained by particular enterprises in evenly developed regions. Successful enterprises in Slovenia created e.g. in 1968 together 1304.5 million din of funds (1031.4 in 1967), while during the same period unsuccessful enterprises had 133.4 million din (106.4 in 1967) of losses from current business and 185.6 million din (143.4 in 1967) of uncovered losses from previous years.<sup>2</sup>

We can, of course, evaluate the achievements by means of average

indicators, if we take into account all the agents that influenced the achievements. Such general indicators are, e.g., indices of industrial production or indices of personal incomes. If we mark the level of industrial production and of personal incomes of 1964 by 100 points, we can see that industrial production increased from 56 points in 1959 to 119 points in 1968, while personal incomes increased from 75 to 128 points during the same period. Considering the actual economic situation, Yugoslav economists expect for the long-term plan of the development after 1970, 8% annual increase of the total national income, and an equal increase of the standard of living, 9% annual increase of the industrial production, and 7% increase of the national income per capita yearly.<sup>3</sup> But we must examine impartially both possible interpretations of the results: first, that selfmanagement made these achievements possible, and second, these results were attained in spite of selfmanagement, or that better results could have been achieved without selfmanagement.

In this paper I shall therefore first present the functioning of the mechanism of selfmanagement in Yugoslav enterprises and in Yugoslav society generally. This functioning is rather slightly influenced by theories and different ideals; it is influenced to a greater extent by legal prescriptions of a compulsory character, but it is influenced most of all by existing economic and other concerns, especially by those that are recognized by the state, and those that are institutionalized. After this I shall try to answer directly the proposed three questions, so that the whole paper will have the following division: The Pluralistic Model of Selfmanaged Enterprises; Economic Efficiency of Selfmanaged Enterprises (A. Material Stimulation of the Workers and Professionals; B. The Place and the Part of Managers; C. Sufficiency and Rentability of Investments); Conclusion.

## II. THE PLURALISTIC MODEL OF SELFMANAGED ENTERPRISES

Selfmanaged enterprises of the Yugoslav model have the following characteristics:

(1) They work under the conditions of a market economy. The conditions of total competition are seldom attained, but the Yugoslav economy has very closely approached these conditions since the introduction of the measures of the economic reform of 1965. In this respect selfmanaged economy does not differ from capitalist economy of today, which

some Western theorists, because of the combination of the elements of free enterprise and interventions of the state it contains, call an economy of mixed type.<sup>4</sup> Though the mechanism of supply and demand does not always operate consistently in Yugoslavia, buyers all the same exert some influence on the policy of prices, production and general development of the enterprises through it.

(2) The means of production that are used by selfmanaged enterprises are socially owned<sup>5</sup>; they are neither the property of capitalists, nor of the workers, of the state or of some other legal corporation or the enterprise as a legal person. Owing to its position, the working community, who disposes of, and manages the socially owned means of production, has some obligations towards the society.

The means of production may originate from the proper funds of the enterprises, committed to them by the founders (in most cases by the state) without the obligation to pay them off, or they may be accumulated by the enterprises as part of the profits ascertained every year by the balance account. The public character of these means is testified by the postulate that they shall not be diminished, which is checked by the state, and by the request that enterprises pay the state some interest for their use. If an enterprise does not fulfil these obligations the state can introduce emergency administration, by which measure selfmanagement is practically withdrawn from it for a given period, or even, if necessary, dissolve the enterprise.

Enterprises usually operate also with credits granted either by the founders (the state, another enterprise, another organization or a group of citizens), or by a bank, by other working organizations, by individual citizens, or even by capitalists from abroad. In this case enterprises are bound to pay interest for these borrowed means, and to pay them off in agreed annual instalments. If the lender is an enterprise at home or a capitalist from abroad, the lender can reserve by contract, instead of taking the interest, his share of profits, and also a certain degree of influence in the management of the enterprise.

(3) Management of an enterprise is the function of labor, not of capital (with the restrictions, however, mentioned above). The means of production are used and managed on behalf of the society by the working community, and this community also apportions the created income (i.e. the difference between the cost of the used materials together with the



amortization, and the price of the products attained in the market), after it pays off the liabilities due to the lender of capital, and the contributions due to the society (i.e. the state). The working community independently divides the remaining part of the income on funds, destined to cover personal incomes of the employed and funds for the enlargement of the business (business funds). This is done by the workers' council (an elected representative organ of the working community) in advance by means of special provisions, or by the plan of apportionment of the available funds; often it is done for a past period and established by the annual balance. The state interferes with this apportionment only by way of exception and very slightly.

Members of the working community enjoy the immediate benefits of a successfully run enterprise as they can apportion larger sums for their personal receipts and for their common needs (lodgings for the members of the working community, participation in the expenses of the workers' holidays, of the meals in the factory restaurants, etc.); they enjoy indirect benefits also from the part of the created income they invest into business funds, because the enlargements of these funds and especially new investments grant the members of the working community higher personal incomes in the future as well as security of employment, better possibilities of advancement, better working conditions, etc. But members of the working community are also exposed to economic risks: if the income of the enterprise diminishes, their personal incomes would diminish too, they might lose their jobs, etc. The state grants them only minimal personal incomes, and in case of unemployment, a certain amount of support and health insurance.

(4) Selfmanaged enterprises (i.e. working communities) independently plan their production and business policy, independently define their organs of management and their rights, decide independently on the mode of control over the collective and individual bodies of selfmanagement, elect and dismiss the representative organs of management, their business management and other professionals that take part in the management of the enterprises, accept new members into the working relations or decide about the disruption of these relations.

The autonomy of selfmanaged enterprises in the shaping of their management and internal organization considerably increased in 1969, when a modification of the Constitution and the attendant laws left out detailed

provisions about how the management should be organized, what organs should decide about particular questions and in what way these organs should be chosen. The Amendment No. XV of the Constitution says: "In exercising management in the working organization as a whole<sup>6</sup> and in organizations of united labour inside them<sup>7</sup> the working people shall define questions about which they decide directly; they shall entrust certain powers of management to the workers' council or, according to the character of the working organization, to other appropriate organs of management, while they shall entrust particular executive functions also to collective and individual executive organs elected by the workers' council. The working people shall define the organs of management of the working organization as a whole and of the organizations of united labour inside them, their field of activity, and the period for which they shall be elected, as well as the conditions and ways of their election and dismissal."

(5) Workers and employees (in Yugoslavia both are designated by the term 'workers') do not sell the enterprise their working abilities at a price established by collective contracts or by a decree of the state. The salary of a worker is not fixed at his entering the enterprise. Workers, having equal rights in the enterprise, agree upon their personal incomes for a certain effect of their work. This agreement is done by way of discussions in which all take part, while the workers' council adopts regulations defining the proportions of the allotted personal incomes, as well as the conditions under which particular workers shall attain the agreed amount of their personal incomes.

(6) The state has, beside the above-mentioned control over the use of the socially owned means of production, other general functions of planning and control, similar to the functions of the state in a modern capitalist society. The state disposes of the means collected in the way of contributions and fees, paid by the enterprises, to cover common needs of the society in part directly (e.g. for defence, state administration, administration of justice, assistance of underdeveloped regions), and in part indirectly (e.g. for health protection, schooling, social security); the latter are indirectly managed by special bodies of selfgovernment of those interested.

From the given characteristics of the model of selfmanaged enterprises and of the social relations of selfmanagement, one can conclude that this

is not a monistic model in which only one influential agent would operate, as it is sometimes wrongly presented by the enemies and even by the friends of selfmanagement. The model of Yugoslav selfmanaged enterprises is basically a pluralistic one. In order to facilitate an understanding of the relations that exist in this model, I include its graphic presentation in Figure 1.

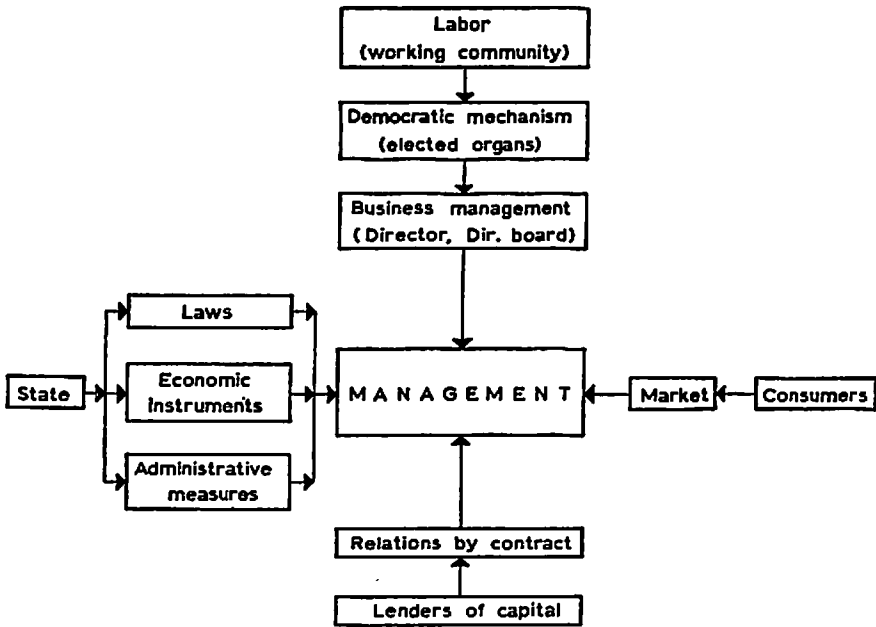


Fig. 1.

Decision-making in an enterprise, i.e. its policy is a result of different agents, especially of strains and heterogeneous concerns and of the resulting compromises. The concerns of the working community, of the consumers, of the capital-lenders, and of the state are brought forward through their representatives, through the market mechanism, by way of state prescriptions, administrative instruments and measures, and by way of contracts. In spite of the formal right of the working community to manage the enterprise, the above-mentioned agents of influence and involvement who stand behind them are in a state of 'dynamic balance', i.e. a balance fluctuating with the social and economic development of Yugoslavia. If we analyzed the dynamics of this balance during the last,

post-reform, period, we could notice especially an increase of the influence of the market and of the capital.

The intensification of the influence of the market (i.e. of the consumers) has been one of the main targets of the economic reform; this target has been attained, though not to its full extent. The main evidence of this fact is the constant enlargement of the foreign trade exchange – especially with the convertible markets – and a relative stabilization of the Yugoslav currency.

The increase of the influence of the capital is best illustrated by the data showing economic investments. During the period January–April 1969 the Yugoslav economy invested 4983 million din. Of this sum enterprises contributed 2301 million, while the rest was mainly contributed by the banks. Borrowed means thus considerably exceeded proper means, even if we do not take into account that some enterprises lent the means out of their business funds to other enterprises, which extended the proportion of borrowed means in investments in comparison with proper means used to this purpose.<sup>8</sup>

The increased influence of the market and of the capital lenders on the business policy of the enterprises inevitably relatively diminished the influence of the working community and of the state. Recent orientation of the studies in selfmanagement is characteristic in this regard: while before the main accent was on the competition of the influence and power between the working community and the state, the model of selfmanaged enterprises is now looked at as a combination of four agents, i.e. pluralistic. Nevertheless, the relation between the state and the working community is still important, both from the political and economic standpoint. The influence of the state tends to diminish absolutely (though rather slowly). This manifests itself in the legislation, where more room is left for internal regulations of the working organizations, the influence of the state on the appointment of the director is smaller, investments from the funds under direct control of the state are decreasing, administrative economic measures are gradually being dropped, etc. On the other hand the influence of the working community – for the same reasons – absolutely increases.

An investigation of the Institute of Social Research at the University of Zagreb shows interesting data about the perception of these facts among the workers in 1968.<sup>9</sup>

Let us look first at the percentage of answers obtained to the question: 'Do the organs of selfmanagement have more influence on the life of the enterprise now, or more in the pre-reform period?' See Table I.

TABLE I

Valid for	Greater influence in		No difference	Without answer
	Pre-reform period	Reform period		
Workers' council	16.7	34.2	24.7	24.4
Workers' assembly	11.4	31.1	29.4	26.1

Next question: 'Was the functioning of the organs of selfmanagement better in the pre-reform period, or is it better now?' The percentage of the answers given is shown in Table II.

TABLE II

Valid for	Better in		No difference	Without answer
	Pre-reform period	Reform period		
Workers' council	16.5	27.0	39.7	16.8
Workers' assembly	10.2	28.1	43.7	19.0

One of the questions was also: 'Was the influence of the workers in the direct production process on the functioning of the workers' council, of the workers' assembly or on the general meetings in the departments (i.e. parts of the enterprise having some autonomy of management) greater in the pre-reform period, or is it greater now?' The answers (in percents) are shown in Table III.

TABLE III

Valid for	Greater influence in		No difference	Without answer
	Pre-reform period	Reform period		
Workers' council	14.8	26.4	38.9	19.9
Workers' assembly	10.7	27.6	43.4	18.3
General meetings	10.1	29.6	41.2	19.1

Another inquiry into the personnel policy in four Slovene enterprises<sup>10</sup> showed interesting views of different categories of workers concerning the question: 'What, in your opinion, is more important for the further progress of our society: (a) strengthening of the authority of the state, or (b) further growth of selfmanagement?' The answers obtained may be grouped in Table IV (in percents of all answers).

TABLE IV

Group of respondents	Enterprise 1		Enterprise 2		Enterprise 3		Enterprise 4	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Director's board	14	86	33	67	29	71	13	88
Managers of production departments	44	56	9	91	35	65	33	67
Foremen	33	67	22	78	44	56	22	78
Technical staff	7	93	22	78	43	57	53	47
Workers	15	85	16	84	40	60	24	76
Members of the workers' council	43	57	6	94	53	47	25	75
All together	19	81	15	85	40	60	29	71

These figures show that a great majority of the respondents give priority to the further development of selfmanagement. The propensity for selfmanagement is best expressed within the categories of the workers without functions and within the highest rank of the managerial staff. It might be interesting to point out that the greatest number of the 'partisans' of the authority of the state are among the middle and lower managerial staff, among the technical staff, and even among the members of the workers' council, but we should know that many of these belong to the managerial staff.

In the policy of a selfmanaged enterprise we can, both in theory and in practice, follow two goals that are by no means identical. One of them can be defined as the immediate interest of the working community, and the other as the optimal development of the enterprise, including all interests, those of the working community, of the capital, of the consumers, and of the state.

Immediate interests of the working community are not always the mathematical sum of the interests of particular workers, since the parti-

cular interests, e.g., of different social and professional groups, and also of individuals are sometimes diametrically opposed, or at least they diverge like components in the parallelogram of forces in physics.

The different interests inside an enterprise give birth to the dynamics of an internal pluralism of interests that seeks for balance. This balance is established through a democratic institution – by way of a democratic vote of the democratically elected workers' council. According to Yugoslav law each worker has one vote, without regard to his position in the enterprise, his education, or his virtual contribution to the achievements of the enterprise. We must not, however, mistake this formal equality for the amount of influence that particular members of the working community have on the life of the enterprise. Western social scientists have shown clearly enough that even with an ideal equality within a small group or within a larger community there always emerge individuals who acquire greater or even decisive influence over matters or people than others. Such influence inside an enterprise is usually acquired by professionals who enjoy general recognition, and particularly by those who run the business of the enterprise, i.e. the director, the upper managerial staff, etc. Besides the fact that these are elected by the representative organs or by the working community directly, their great influence on the life of the enterprise is due also to their personal ability, as they are usually (with rather numerous exceptions, however) the most capable experts in their field of activity.

In the development of the model of selfmanaged enterprises a dilemma has been constantly present: whether to give preference to the social-political principle of direct participation of the workers in the management by any means, or to the economic and organizational efficiency of management. The Yugoslav Basic Law on Enterprises tries to solve this dilemma by requesting at the same time:

- (a) the greatest decentralization of management possible;
- (b) as direct a participation of the working people in management as possible;
- (c) the most efficient organization possible; and
- (d) assurance of the best conditions for the operation and business activities of the enterprise.<sup>11</sup>

Two compromises are embodied in this postulate of the Law, namely:

- (a) a compromise between the democratic principle of immediate

participation in management on one hand, and the imperative of efficient organization and management, where capable and appropriately stimulated professionals are called upon to decide on matters of business and work;

(b) a compromise between the principle of democratic decentralization of management, according to which workers in all parts of the enterprise should decide on all matters directly, and the idea of the enterprise as a working and business unity aiming at the greatest economic efficiency possible.

These conciliatory solutions are a result of a particular disposition in the parallelogram of political forces in Yugoslavia. One of its components is represented by the political ideology requiring maximal and immediate realization of an organization of work and apportionment where the working people will be on an even footing with each other, and where they will be able to make the best of their personal ability, i.e. the ideology requiring in radical form the ideal humanistic concepts of the society, transferring at the same time ideal human relations from a communist society of a remote future into the present time. A second component represents a more realistic observation of the operation of economic laws and tried practice of scientific organization of work which, however, tends to keep alive and even to aggravate the material and social inequality of people and which compels them to adopt such forms of their work as expressed by the term of 'alienated work' invented by the philosophers.

The compromises as described above work on a number of premises, namely:

(1) Ideal direct selfmanagement on the one hand, and methods and techniques of modern business and organization workable only in the presence of professional managers and other experts on the other, have sprung from a different standing and involvement, but as components in the parallelogram of strains they do not work in absolutely opposite directions; they are replaced by a resultant, expressing the interests of the two components. The obtained balance is thus apt to comprehend simultaneously "the direct participation of the workers in management" and "the most efficient and economic work of the enterprise".

(2) The aspiration to direct selfmanagement and to the greatest decentralization of decision-making should by no means impair the economic effectiveness of management.



If an enterprise incurs economic losses the state evaluates the possibility of its restoration (i.e. it sees how to improve the economic efficiency of the enterprise and how to create profits necessary to cover the incurred losses) and checks its carrying out. If the program does not give the desired results, or if such a program is not drawn up or carried out, or if the program does not warrant satisfactorily enough that the enterprise will in the following period remove the flaws that caused the losses and at the same time cover the incurred losses, the state is authorized to introduce emergency administration, by which measure selfmanagement is temporarily withdrawn. Management of the enterprise is entrusted in this case to an emergency administrator or to an emergency administrative board. Besides, the state is authorized to dissolve such an enterprise, irrespective of the will of the working community concerned, and to have recourse to other measures against it.

(3) If it is necessary to choose between more direct participation of the workers in management and greater economic efficiency of the enterprise as a whole, which occurs fairly often, the decision is made by the working community or by its representative organ – the workers' council; ensuing changes are institutionalized by corresponding changes of the statute. The choice is one between an organization of management offering greater economic achievements and accompanying material benefits for the members of the working community, and an organization of management coming closer to the ideal of direct management.

(4) If the actual management and operative organization of the enterprise do not accept the compromise suggested by the law (see page 86, 87) there are no consequences, except in the cases discussed in point 2 (see above). For this reason we may regard these statements of the law as 'Lex Imperfecta'. Nevertheless, internal controversies are likely to arise in such cases inside the working organization, and political organizations often put pressure on the enterprise from outside in order to restore the balance.

The above characteristics of the model of selfmanaged enterprises, especially its autonomy in choosing the actual organization of its management and in the realization of the principle of immediate participation of the workers in management and of the principle of its decentralization, indicate that there are different models of selfmanaged enterprises possible. Such different models do, in fact, exist in Yugoslavia. They compete

with each other and engage theorists to advocate or refute them. Nevertheless, I believe that we can speak of a uniform Yugoslav model of self-managed enterprises and of a uniform system, as the possible variant and distinctions are practically only legally allowed consequences of the autonomy of the enterprises and the real opportunities of the working community to choose the internal organization of work and management. I believe also that I am justified to speak of the model of Yugoslav socialist selfmanaged enterprises on the same grounds as one can speak of a uniform model of capitalist enterprises, which offer also numerous variants as to their organization and management (e.g. joint-stock company, commercial company, individual ownership, mixed national and private ownership, centralized and decentralized enterprises, various functions and degrees of autonomy of the managers, shares of the workers and their participation in the profits, etc.) but all behaving according to the principles of the capitalist system.

In speaking of the uniform, though varied and internally very dynamic, model of selfmanaged enterprises I include also some solutions ideologically opposite to my perception of the phenomenon of selfmanagement, as against some Yugoslav politicians and social scientists who are inclined to recognize the character of selfmanaged socialist enterprise only in some existent forms and solutions of the organization of work and management, and who consider all others as undeveloped forms of selfmanagement or as being developed under the influence of capitalist and administrative socialist ideas. Some pretend, irrespective of existent laws, that only those forms of organization and management of an enterprise can be accepted as genuine models of selfmanagement in which particular parts of the enterprise (i.e. working units – departments – and other forms of united labor) have a decisive influence on the economy and the apportionment of the income. They consider decision-making on the level of the enterprise only as a possible concession of the independent units to the enterprise. Others consider professional managers as an alien element in the model of selfmanaged enterprises and in the whole system of selfmanagement, which can be tolerated temporarily, but whose functions should be strictly limited. They propose the non-professional principle as an alternative to the part played by professional managers in performing leading functions, or at least in decision-making. Such concepts, as far as they are realized in the enterprises, can be taken as variants of the general

model of selfmanaged enterprises, but not as the model itself. Some investigators of selfmanagement, both in the country and abroad, who want to appear unbiased, and allow themselves to be guided solely by the empirically ascertained facts, sometimes take for their object only some particular variants of organization and management of the enterprises declared progressive by some ideologists; any generalization of their findings to include all selfmanaged enterprises, whether favorable or denunciatory, is incompatible with scientific truth.

### III. ECONOMIC EFFICIENCY OF SELFMANAGED ENTERPRISES

#### A. *Material Stimulation of Workers and Higher Personnel*

There is no doubt that work is more productive if various categories of workers are equitably stimulated. As the Yugoslav model of selfmanaged enterprises brings the personal incomes of the employed directly into relation with the economic results of the enterprise, the working community and its organs of management are anxious to regulate personal receipts of individuals in accordance with the results of their work and also that these results contribute to the greatest extent to the economic achievements of the part of the enterprise in which they work, or to the achievements of the enterprise as a whole.<sup>12</sup>

Is there any difference between the material stimulation of the workers in selfmanaged and in capitalist enterprises? Workers are paid in both cases according to standards recognized by the organs of management as the most equitable and suitable for their stimulation to better and more efficacious work for the benefit of their enterprises. In both cases the earnings are formed on the level of optimal income, lessened of course by the part that goes to other claimants (i.e. the state, the capitalists), and by the part intended for investments. Psychologically and morally the workers of selfmanaged enterprises are privileged, as they take part in the decisions concerning the division of the income into personal incomes and other funds directly, or they entrust this decision to the workers' council which enjoys greater confidence of the workers than capitalists or their appointed management in capitalist enterprises.

There are, however, numerous agents that hinder a true selfmanaging apportionment of personal incomes in Yugoslav enterprises. Some are unrelated to the model of selfmanagement, while some others depend on it.

Thorough investigations and the experience of several decades were necessary for the comprehension of the most suitable techniques of remuneration for particular technology, particular organization and particular economic and social settings. Lack of professional knowledge for an appropriate definition of technical work standards, analytical classification of jobs, accurate planning and checking of expenses, objective appreciation of such subjective agents as knowledge, ability, initiative, responsibility etc., causes the average stimulative effect of remuneration to be generally less in Yugoslav than in West-European capitalist enterprises. This fact, as well as the lower earnings of all categories of workers in spite of their greater social and material equality, can to a great extent be ascribed to the level of general economic development of Yugoslavia.<sup>13</sup>

Besides, we have not solved satisfactorily the crucial problem of the value or price of labor. Earnings for the same kind of work and for the same results of work differ greatly, not seldom by 50%, and sometimes even by 100%. According to the results of an inquiry carried out by the School of Business and Organization at Kranj, the range of earnings for some characteristic jobs was in particular enterprises in 1965 as follows: cleaners of office rooms 1:1.70, gate-keepers 1:1.50, administrators in personnel departments 1:2.25, book-keepers 1:2.11, etc.<sup>14</sup> Moreover, the amount of the earnings for a particular job is not fixed in advance and is not entered in the contract when a worker accepts a job. Thus advertisements of vacant posts never include the amount of personal incomes. This is a consequence of the conception that salable work according to demand and supply is suppressed in Yugoslavia, and that employed workers apportion the income of their enterprises.<sup>15</sup> The democratic agreement takes the place of individual and collective contracts in defining personal incomes of the employed in Yugoslavia.<sup>16</sup>

The democratic mechanism used in the apportionment of personal receipts is not altogether a substitute for the law of demand and supply. Though workers cannot make legally valid contracts that would include their future earnings, they try, while applying for a job, to agree upon them, and directors or other representatives of the enterprise who give promises in this regard (especially in cases of rare experts) afterwards use their influence to force their solutions on the organs that decide on these questions. On the other hand, workers who are not satisfied with their earnings can leave the enterprise and find other employment. During

these last years numerous workers have also found new employment abroad. Demand and supply are, also in Yugoslavia, the sole agents in concluding complementary employment, where a worker and an enterprise agree about the payment of a particular work, defined by contract.

The way of defining personal incomes in Yugoslavia by a democratic mechanism affects the earnings differently from the respective collective contracts in capitalist countries. The latter embody a certain element of monopoly on the side of labor, and as a rule heighten the price of labor above the level at which it would be fixed in conditions of total competition. The augmentation of the incomes for particular categories of workers does not automatically signify a reduction for other categories; higher wages obtained by collective contracts can diminish only the profits of the capitalists.

The role of the democratic mechanism in the apportionment of personal incomes is not primarily to define their absolute amount, but to assign the share of particular workers in the dispensation of the part of income intended for personal incomes of the employed. Therefore, an augmentation of the personal incomes of particular workers lessens the incomes of others. Aspirations toward a differentiation of earnings in accordance with the arduousness, amount, and quality of the work and counter-tendencies to level the earnings are not being conciliated by means of the mechanism of free competition, but through a political and democratic confrontation of the forces involved in the process. The result of such a confrontation is the wide range of personal incomes of particular social and professional categories of workers. The range varies considerably from one period to another, and also from one enterprise to another.

A census of all employed persons in Yugoslavia carried out in 1967 showed the following figures for the earnings of different categories of workers in relation to the average (100):

Jobs requiring graduate-school education	194
Jobs requiring secondary-school education	94
Jobs for skilled workers	94
Jobs for trained workers	79
Jobs for unskilled workers	71

The inconstancy of the ranges that depend on actual democratic decision-making can be illustrated by the results of an inquiry carried out by the

Institute of Commercial Research at Zagreb. In the second half of 1967, 1906 workers employed in the immediate production process and transportation in 39 industrial enterprises in Zagreb were selected in a statistically representative sample and asked to state their opinion on the range of the earnings. 21.3% answered that the gap between the earnings of unskilled and skilled workers was too great, 25% that it was too small, 34.2% of the respondents considered the actual range to be acceptable, while the remaining 19.5% did not know or did not answer. In evaluating these figures we must observe the structure of the group of respondents; 45% were qualified workers, while the rest were unskilled and trained workers. It is normal that every category of workers endeavors to earn as much as possible in comparison to other categories. Thus the category of highly skilled workers advocate wide ranges, while less qualified workers want narrow ranges. These tendencies were testified to by the answers obtained in the above inquiry. 42.6% of the workers answered that the gap between the earnings of workers and engineers was too large, 11.4% that it was too narrow, and 19.2% that it was justified.<sup>17</sup> These answers confirm the above-mentioned tendency among different categories of workers to try to obtain the most favorable standard in the apportionment of personal incomes for themselves. But on the other hand there is a considerable number of workers who plead for larger ranges even though these are not directly favorable to them. The reason for such behavior is not that the workers are aware of the importance of professionals for the financial results of the enterprise, because the same inquiry showed that only 2.7% of the respondents knew what had been the income of the enterprise in the previous year, and only 3.3% knew what were the average earnings. We must rather see in this fact the influence of professional and leading workers who, in accordance with the general interest of the enterprise (and also with their own), urge the need for adequate incentives for the highly professional jobs, as these are of great importance for the financial prosperity of the enterprise. We must also take into account the direct participation of technical and other professionals in the organs of selfmanagement and the influence they exercise there. In the above-mentioned 39 enterprises in Zagreb, where the inquiry was carried out, 25.2% of the managing board, which is authorized to propose the scheme of apportionment of personal incomes, were leading persons, 19.4 were engineers and technicians, 12.9% were other employees of the admini-

stration, and only 42.5% were 'direct producers' (though these formed the great majority of 69.8% in the enterprise).

All this indicates that the accepted criteria for the apportionment of personal incomes represent a compromise observing at the same time the concerns and convictions of the majority and of the leading workers. Nor must we forget that those who earn little or below average are unwilling to recognize that others are entitled to a greater share, even if it should be just and based on positive financial results. The situation causes permanent actual or potential pressure on the personal incomes of the professional and leading workers. This pressure is particularly pronounced in cases of low average earnings; if professional and leading workers get more, other categories get less. The argument that such logic is only seemingly correct, as adequately stimulated experts and managers would provide greater achievements for the entire enterprise and thus for higher earnings of all employed, does not always convince the workers, because such a perspective is not 100% sure and always only a promise for the future.

In connection with the general conception of labor in our system as described above, there are two reasons why personal incomes fluctuate considerably, namely:

(1) The income of the enterprises varies because of the dynamics of the market, the succession of state economic measures, and because of the more or less efficacious business policy and organization of the enterprises.

(2) The range of personal incomes varies incessantly because of the dynamics of the internal pluralism of the interests.

The permanent pressure on the range and on the amount of the earning of the experts (even if it is not effectuated, it works psychologically negatively), and unstable earnings themselves, provoke the experts to move sooner from one enterprise to another than other workers do; they often prefer to seek employment in an institute or in some other working organization of a non-productive character, where, because of the different structure of the staff, this kind of pressure is not so pronounced (i.e. organizations of foreign trade, various agencies, etc.), while many go abroad. As the earnings for complementary work are determined according to demand and supply, such work is usually better paid and also more productive than regular work. Experts and other professionals prefer to work outside their enterprises instead of doing extra hours in their own enterprises.

With such consequences of the actual system of the apportionment of personal incomes in Yugoslavia in mind, some Yugoslav theorists demand a free market of manpower, similar to the market of other goods, in which the state and the trade unions could interfere in instances when the price of manpower would tend to be too low. I personally believe that this would be compatible with the model of selfmanaged enterprises and with the selfmanaging socialist relations, though it would require some revision of some prevailing prescriptions and concepts.

Generally speaking, material stimulation of the workers and professionals is less effective in an average Yugoslav enterprise than in an average capitalist enterprise, which fact can be ascribed, partly at least, to historical and evolutionary causes, as well as to the actual system of the national economy. This cannot mean, of course, that in a selfmanaged enterprise stimulation could not be optimally efficacious. Nevertheless – and this is very important – the productivity is increasing in Yugoslavia as elsewhere and even more than in capitalist countries. What are the causes for such a phenomenon? I am not able to produce a completely valid and authentic answer to this question. But some light might be expected from the data of some motivation surveys, carried out in Yugoslavia and embracing different categories of workers. Thus D. Jezernik<sup>18</sup> found out by means of inquiries carried out in 1960 and 1962 among Yugoslav workers that earnings are not the most important incentives with them. Possibilities of advancement, perfection in their professions, good fellow-workers, interesting job, and understanding superiors are, as a rule, more important or higher on the scale of motivating agents. Very interesting are also the data of the study of 'Social Processes, Relations, and Structures in Industrial Working Organizations'<sup>19</sup> written on the basis of an inquiry carried out by the Institute of Social Sciences at Belgrade and the Institute of Sociology and Philosophy at the University at Ljubljana, in cooperation with the School of Business and Organization at Kranj, where it is stated that 'physical' workers give preference to good earnings before other motivating agents, while all other categories of workers give preference to other motivating agents. Top managers (e.g. the director and his board) prefer interesting work and good fellow-workers; department managers and foremen, too, prefer good fellow-workers to good earnings, while technical and other experts give preference to interesting work, good fellow-workers and understanding superiors before good earnings.



Such a gradation of motivating agents is probably not characteristic for Yugoslav enterprises only. Nevertheless, I believe that selfmanaging relationships (especially the participation in decision-making) make the work more interesting and influence the behavior of leading persons and experts so that they make better superiors and better fellow-workers, because their position, their advancement, and their earnings in one or in other way depend on the opinions of people as expressed through the democratic mechanism of the selfmanaged enterprise.

Another supposition appears to be plausible, namely, that the democratic mechanism of selfmanaged enterprises, though it prevents objective criteria of the free market from operating in the fixing of personal incomes and also in the disposition and in the advancement of the employed (with the negative effects described above), unchains the energy and the initiative of the employed, and thus promotes the productivity. Though democracy and 'revolutionary feelings' are not always canalized toward greater efficiency and greater productivity in selfmanaged enterprises, a part of this greater activity is without any doubt utilized to this end. It appears that the main problem of democratic and revolutionary models, and thus also of the dynamic model of selfmanaged enterprises is, how to use the energy, which such models free to a greater extent than static models do, as rationally as possible, and how to suppress the negative effects usually attendant in such dynamics.

### *B. The Place and the Part of Managers*

In great capitalist enterprises ownership and management are more and more separated. The enterprises are run by professional managers, who are not the owners, or possess only an insignificant fraction of the shares, but whose influence on the running of the enterprises is constantly increasing. Special methods of schooling these managers, as well as special methods of management are being developed. The growing importance of the managers and their increasing professional ability are closely connected with the economic efficiency of enterprises. J. J. Servan Schreiber regards in his book *Le défi américain*<sup>20</sup> the greater perfection of American business managers in the technics of management – the so-called 'managerial gap' – as one of the main causes for the American economic and technical supremacy over Europe. On the other hand, inquiries in the cooperative movement in Western Europe have established that business

efficiency is in inverse proportion to the degree of direct participation of their members in the management.<sup>21</sup> Successful cooperative enterprises are therefore only those with professional managers who have a great autonomy in management.

The role of professional managers is very important in a consideration of the economic efficiency of the model of selfmanaged enterprises, especially so, because this role is not completely clear in Yugoslav theory nor in practice. Political ideas of egalitarianism in the management are to be found in theory, while tendencies exist in practice to limit the role of the director and of other persons in the execution of the decisions of the workers' council. On the other hand, it is obvious that non-professionals are not equal to dealing with the business policy in larger enterprises and that in the organization of management of selfmanaged enterprises there are problems similar to the problems in cooperatives and in joint-stock companies with a large number of shareholders.

Until the modification in 1969, the Yugoslav Constitution and the Basic Law on Enterprises defined the role of the director of an enterprise in some detail.<sup>22</sup> By recent amendments of the Constitution the enterprises were given the right to settle the role of the individual as well as of the collective executive organs by their statutes.

On this occasion the discussion whether the development of selfmanagement should follow the professional or non-professional orientation was brought to life again.<sup>23</sup> At any rate enterprises are now authorized to seek freely the solutions that will suit them best. As the statutes and other general acts of the enterprises are being modified under the conditions of less strict provisions of the Constitution it is not possible to foretell what will be the future solutions of these questions in particular enterprises. As the Constitution and the attendant laws do not suggest any definite solutions and give the enterprises a free hand with regard to the definition of the role of business managers, there is ground to believe that enterprises will partly maintain the present role of the director, but introduce new executive organs (especially collective ones, as director's board, business board, etc.) in accordance with the tendencies that have long been present.

Various sociological investigations have shown that directors and the leading staff of the enterprises have had greater authority and influence than they were entitled to by the legal standards. The above-mentioned inquiry about personnel policy (p. 83sq.) showed that directors, to-

gether with their boards, had the greatest influence on the personnel policy. 71% of the respondents stated that the director and other leading workers constituting the director's board had the greatest influence on the appointment of the leading staff. This is the more interesting because according to the Basic Law on Working Relations collective representative organs of the working community were authorized to make decisions about all personnel questions.

The influence of the director and of other leading persons was of course greatest in the field of activity where the director had legal authorization and which he was able to delegate also to other persons, as e.g. checking the business operation, representing the enterprise, safeguarding the legality, the discharge of the obligations toward the community, etc. Josip Županov<sup>24</sup> carried out an inquiry among 60 directors and 170 other leading workers attending, in April 1968, a symposium about the problems of professional and leading workers in enterprises, organized by the School of Business and Organization of Kranj at Bled. The participants were asked to rate the influence of particular groups of the workers in the enterprises (score 1 for the smallest amount of influence, score 5 for the greatest). Average scores were as shown in Table V.

TABLE V

Valid for	Average score assigned by	
	Directors	Non-directors
Directors	4.30	4.46
Other leading persons	3.77	3.72
Experts	3.38	3.30
Political functionaries	2.71	2.67
Workers' council	3.42	3.57
Workers	2.64	2.31

Practical influence of business managers, not sanctioned by law, raises the question of responsibility, namely, who is accountable for any failure and wrong business decisions: those who are formally authorized to make decisions concerning the business policy of the enterprise (workers' council, managing board)<sup>25</sup>, or those who decide in practice (director, director's board). Yugoslav experts in organization and economics and

politicians do not agree on these questions. Most of them advocate the legalization of the influence of the director and other leading persons, and at the same time a strict demarcation of their responsibility and a more efficient control of the workers' council over the performance of their duties; in the case of enterprises of special public significance this control should be entrusted also to the state. Others advocate political and formally legal measures intended to check the authority and influence of the director and other leading persons.

Recent inquiries among the workers and among the employed generally do not speak in favour of egalitarian tendencies according to which it should be necessary to restrain the influence of the director and other leading persons. The often cited inquiry into personnel policy (see page 83) showed that 60% of the respondents considered that business managers together with the staff departments should have the greatest influence on the appointment of the leading personnel. In the above inquiry by Josip Županov (see page 98) 82% of the directors and 67% of other professionals and leading persons stated that directors had too little authority. Equally interesting is the opinion of 38% of the directors and 52% of other respondents that the function of the director is now mainly political in character, and the opinion of the majority of the respondents (58% of the directors and 71% of the non-directors) that the function of the director should be a professional. The same inquiry likewise showed the opinions of the directors on the different duties of the director. Their opinions may be listed in Table VI (in percents of given answers).

When disparity of opinion arises in practice as to the importance of the

TABLE VI

Function	Not very important	Rather important	Very important	No answer
Guardian of legality	18.3	40.0	40.0	1.7
Business manager	1.7	11.6	85.0	1.7
Political functionary	43.3	55.0	1.7	—
Executive organ of the workers' council	5.0	30.0	61.7	3.3
Leader of the working community	11.7	65.0	23.3	—
Arbiter	33.3	38.3	26.7	1.7

different functions of directors, 90% of the directors prefer the function of business manager to other functions; 95.7% of the non-directors prefer the function of business manager to the function of executive organ of the workers' council.

Very instructive in this respect are also the results of an inquiry carried out by the Center of Studies in Selfmanagement of Belgrade in 23 working organizations.<sup>26</sup> One of the questions was: 'Do you think that the director, in case we requested his greater responsibility for his work, should be endowed with greater authority and autonomy in exercising his duties?' Various answers were suggested, and the votes of different categories of respondents gave the results (in percents of the total number of respondents quoted in the last line) that we reproduce in Table VII.

TABLE VII

Suggested answers	Average	Members of political and selfmanaging bodies	Leading personnel	Workers without functions
Greater authority and independence necessary	33.0	30.5	41.0	33.6
No changes necessary	53.8	54.4	45.9	55.4
No answer	13.2	15.1	12.3	11.0
Number of respondents	1768	893	220	673

Another question of the same inquiry was: 'What organ should, according to your judgement, be endowed with the greatest responsibility for the work and development of the working organization?' The votes of the same categories of respondents as above were assigned to the suggested organs given in Table VIII (in percents of the total number of respondents quoted in the last line).

Table VIII shows that all categories of workers consider that the leading professional staff should be accountable to the greatest extent for the business policy and the development of the enterprise. If we group the answers we can conclude that more than  $\frac{2}{3}$  of the respondents ascribe the most important role in the business policy and development of the enterprise to the leading personnel and only a little more than  $\frac{1}{3}$  to the represent-

TABLE VIII

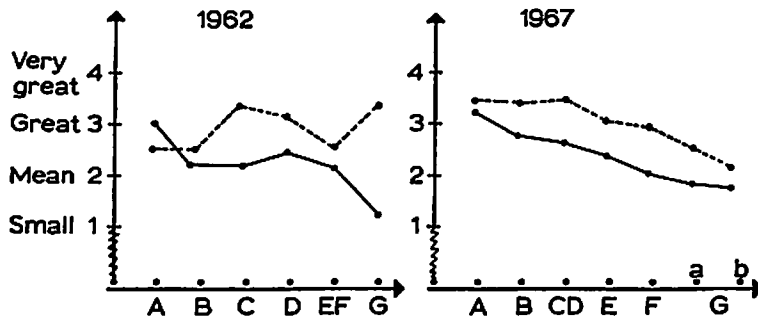
Suggested organs	Average	Members of political and selfmanaging bodies	Leading personnel	Workers without functions
Director of the enterprise	25.5	26.7	35.0	20.8
Leading professional staff	43.7	45.9	36.4	43.2
Workers' council	16.7	14.4	17.3	19.5
Managing board	3.8	3.1	4.5	4.5
Organs of selfmanagement in departments	1.0	0.9	0.4	1.2
Enterprise as a whole	3.9	3.1	2.3	5.5
Committees of socio-political organizations	0.7	0.5	0.5	1.2
No answer	4.7	5.4	3.6	4.1
Number of respondents	1768	893	220	673

ative organs of the working community. Besides,  $\frac{1}{2}$  of the respondents consider the present extent of authority of the director as sufficient, while  $\frac{1}{3}$  think that it should be greater.

While we state the present, and try to foretell the future role of the director and his board we must not forget that external pluralistic settings strongly influence the internal structure of management and the interaction of influential agents in selfmanaged enterprises. In the external pluralistic balance, described in Section I of this paper, we can perceive the growth of the influence of the leading professional staff, who alone are capable, because of their professional ability and their position, to appraise the needs and the influences of the market, of the capital and of the state, and to shape the policy so as to make the best achievements of the enterprise possible. Such a policy alone can serve the long-term interests of the working community. We can understand in this light the willingness of the majority of the workers to recognize the decisive influence of capable managers on the business policy of the enterprise, provided, however, that managers observe and justify the expectations of this majority. The results of investigations carried out by V. Rus in 1962 and 1967 in Slovenia<sup>27</sup> might be interesting in this respect. These investigations, especially if compared with the results of a similar but older investigation carried out by J. Županov<sup>28</sup>, discover a shift in the aspira-

tions to influence in the enterprises. The workers consider that business managers and experts should have even more influence than they actually have, but at the same time the possibility of control and orientation from the part of the workers' council should increase as well. The results of the investigations by V. Rus are given in Figures 2 and 3.

Taking into account all that has been said hitherto, we can perceive that the role of the business managers in selfmanaged enterprises can be



Legend:

Numbers 1-4: Extent of influence.

Full line (—): Present influence.

Dotted line (-----): Aspired influence.

A: Director's Board. B: Staff Departments. C: Workers' Council.

D: Managing Board. E: Department Managers. F: Foremen.

G: Workers (a: Skilled, b: Unskilled).

Fig. 2. Distribution of influence in enterprise A in 1962 and 1967, according to the opinions of the workers.

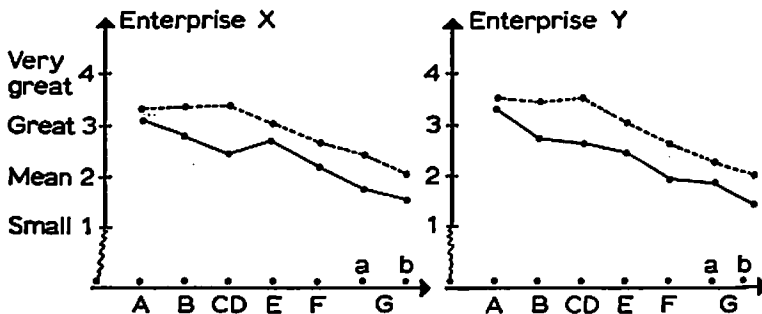


Fig. 3. Distribution of influence in enterprises X and Y in 1967, according to the opinions of all employees, i.e., workers and leading persons. For legends see Figure 2.

very similar to the role of the managers in joint-stock companies. Numerous inquiries, reflecting more or less the reality, show that such an arrangement is in the future very likely to prevail in the majority of enterprises. For all this we are justified in stating that the role of the business managers has the same or similar consequences for selfmanaged enterprises as it has for capitalist enterprises. The present Yugoslav 'managerial gap' is only to a small extent the result of political haziness or of the delicate position of the business managers, and mainly a consequence of the general economic and organizational undeveloped state of Yugoslavia in comparison with other more developed countries.

The Yugoslav 'managerial gap', however, may be ascribed, partly at least, to the undefined responsibility of the business managers of self-managed enterprises, though we can be optimistic in this regard, because the recent amendments of the Constitution and the attendant laws indicate the possibility of a melioration of the present situation. More serious is the problem of inadequate stimulation of the business managers. Personal incomes of the director and other leading persons are often unstimulating so that leading positions are not attractive enough for experts.<sup>29</sup> They are in no proportion to the working and business achievement of the business managers.

J. Županov asked the directors – in the above inquiry – about their personal incomes. At this time – the first quarter of 1968 – the directors in question had from 1700 to 3500 din monthly incomes (one of them, however, had an exceptionally high income – 6000 din), while their aspirations ranged from 2000 to 5000 din (three of them considered 10 000 din an adequate personal income). 81.7% of the directors among the respondents of the same inquiry and 77.3% of non-directors answered that the personal incomes of the managers are not attractive for experts. Some older inquiries likewise showed that engineers and economists are not or not sufficiently attracted by vacant posts of directors, and are not interested in preparing for such a vocation. Personal incomes of directors have increased in 1968 and 1969 both absolutely and relatively in comparison with other earnings, but not enough to solve the problem. On the other hand, one must admit that unstimulative personal incomes of the directors are not necessarily a consequence of the model of selfmanaged enterprises, but rather result from unformal political views, especially inside the trade unions, on suitable personal incomes, though the standpoint of political



organizations varies considerably in this respect, or is not clearly articulated.

On the other hand we can notice some advantages that business managers of selfmanaged enterprises enjoy, as compared with their colleagues in capitalist enterprises, which to some extent compensate the flaws of legally unsettled responsibility and of inadequate stimulation in self-managed enterprises. Members of the working community and their representative organs have more insight into the work and achievements of their business managers than share-holders have, who are acquainted only with the final results, i.e. with the value of the shares in their possession and with the amount of the dividends. An inquiry carried out in 1967 among 346 leading persons (directors and other managers) showed that 98% of them felt responsible for the work of their subordinates, and 94% also for the achievements of their enterprise as a whole.<sup>30</sup>

### *C. Sufficiency and Rentability of Investments*

One of the important criteria as to the economic efficiency of the model of selfmanaged enterprises is whether the system of management stimulates economic investments and whether a normal functioning of this system ensures optimal rentability of investments.

The total amount of investments, and especially economic investments decides, according to modern economic theory, the gross and net social product, the rate of utilization of the means of production and the rate of employment, as well as the potential amount of physical production in the future. If investments together with other kinds of expenditure exceed the nominal sum of the total social product, they are liable to cause inflation processes; these have been present in the Yugoslav economy during virtually the entire post-war period.<sup>31</sup> Though the inflationary tendencies declined after the economic reform of 1965, a complete stabilization has never been attained, and during 1969 prices have again started to rise more abruptly.

Investments and personal and public expenditure can be regulated, according to modern economic theory, by means of the financial and monetary policy of the government aiming at as full an employment and utilization of the means of production as possible, thereby avoiding to widen the inflation gap. As a rule, this is equally possible to achieve in the pluralistic Yugoslav economy as in the mixed capitalist economy, though

there are some peculiarities in the financial and monetary policy in Yugoslavia. Characteristic of the present creeping inflation in Yugoslavia are considerable unemployment<sup>32</sup> and incomplete utilization of the production potential. This is therefore not an inflation caused by the inflation gap, but an inflation due to the pressure of costs and supply. As in capitalist countries, where the workers organized in trade unions strive for greater earnings and share-holders for greater participation in the proceeds, the workers in selfmanaged enterprises strive for greater personal incomes, while managements too, want to use as much as possible of their own resources for investments, because the conditions of utilization of these means are incomparably more favorable than the use of borrowed capital. The state is rather unequal to the task of controlling the pressure of this kind solely by economic measures.

All this does not affect, however, either the essence of the model of selfmanaged enterprises or the system of selfmanagement as such. If we have not been able always to solve the problems optimally, we must account for this to a wrong or defective policy of the government, and not to selfmanagement. It appears, however, that the defective economic policy is, partly at least, due to the fact that the functioning of the Yugoslav economy has not been entirely clear to the responsible economists, who have not entirely grasped the regulative function of the economic instruments that the state has at its disposal, or have not been able to foresee the effects of particular economic and other measures at the disposal of the government.

We must mention here the belief or the theory pretending that the system of selfmanaging relationships as such is capable of solving automatically all the problems concerning the relations of personal and public expenditure and investments, all the problems of employment, prices, personal incomes, etc. This theory greatly resembles the classic capitalist principle of 'laissez faire – laissez passer', with the exception, however, that this theory recognizes the social ownership of the means of production and selfmanaging relations, and thus proclaims itself as the theory of the withering away of the state. This theory nevertheless – even in its extreme formulations – must be understood as a normal and sound reaction against the administrative measures of the etatistic model of economy which proved not only to be economically less efficient, but which was inevitably permeated with non-democratic conceptions also in other

fields of activity. All this, besides a certain inability to carry out the national economic policy, can explain the indifference of the state in face of some negative economic features, though the same state is often – and justly – accused of having kept many a remainder of etatistic, non-economic behavior.

In this respect an interesting discussion has arisen about whether the model of selfmanaged enterprises functions by its internal logic so as to enable allocation of sufficient means for investments. Some have answered this question affirmatively. An analysis of the allotment of the net income of the enterprises for the period 1962–66 showed that within 278 groups and sub-groups including all enterprises, there were only three groups (and these only in particular years) that did not allocate considerable sums into funds, while in five the total amount of the means spent on personal receipts of the employed exceeded their net income (here again only in some enterprises). In all other 270 groups enterprises allocated their net income in due proportion to personal receipts and to funds. The proportion of the two purposes ranged in some extreme instances over a very wide scale, but the majority of enterprises allocated to their funds about 30% of their net income. The enterprises of the branches in which personal incomes were higher than average in the economic sphere, allotted, as a rule, smaller portions of their net income to personal receipts and greater portions to the funds than was generally done in the economic sphere as a whole. The proportion was reversed in the enterprises of the branches where personal incomes were below average.<sup>33</sup> We can therefore make a conclusion, namely, the larger the income, the smaller the portion allotted to personal incomes and the greater to the funds. The system functions.

On the other hand, some believe<sup>34</sup> that members of the working communities are directly interested only in the working relations, personal incomes, means intended for common expenditure and social policy, while the income of the enterprise as a whole, especially the part intended for economic investments, cannot be the immediate concern of the workers as they are not the owners of the capital. A worker is first of all the owner of his working ability and tries therefore to get the most in personal income; he is only indirectly interested in the income of his enterprise. Investments, though socially justified and rentable, do not always bring benefit to the worker who ceded a part of his income for

this purpose. As a result of these investments new workers may enter the enterprise and get a greater share of income than he himself does – which may occur especially when investments are placed in other parts of the enterprise, or even in other enterprises, which is sometimes inevitable to attain greater rentability of the investments. It is possible that the worker, at the time of fruition of the investments will not be in the enterprise any more. According to this reasoning one might fear that workers would spend all the income on personal incomes and on common expenses, and leave nothing or little for investments. As, according to the above-quoted data, the actual situation is different, we must ask why. We must state, first of all, that the correlation between personal incomes and the percentage of allocations to funds –  $r$  is 0.6838, which indicates a medium correlation. We could maintain that the relation between personal incomes and the allocation to funds is really destroyed because of the tendency to spend as much of the net income as possible on personal incomes. Nevertheless a relation does exist.

J. Županov tries to explain this by stating that ‘an unwritten rule regulates the amount of personal incomes in our society so that, if the personal incomes of a group exceed a certain limit, the violators are subject to social sanctions notwithstanding their actual productivity’.<sup>35</sup> The problem is very characteristic of the social policy of personal incomes and of the business policy of particular enterprises, but is not of paramount importance for the total amount of economic investments. If the state disposes of other sufficiently efficacious instruments for the regulation of economic investments and if it is capable to use them, then it is not so very important, whether the means to be spent in investments originate from the accumulated income or from other sources.

More important is the provenance of the investments if we are interested in their rentability. There are at least four different possible sources of investments:

(1) Means owned by the state, i.e. means accumulated by the state (on federal, republic and communal level) by way of taxes and fees, by national loans or by the augmentation of money issue, and given or lent to enterprises. At present the amount of these means is insignificant, but it was very important in the past – during the period of the administratively planned economy, as well as during the transition period. Practice proved that the results of direct investments exercised by the state were not

satisfactory. Numerous such investments were unrentable because they were effectuated for political reasons (e.g. claims and needs of the population of particular regions, desire of politicians to contribute to the welfare of the locality to which they were politically or otherwise attached), and because among the conditions for their placement the requirement of the greatest possible rentability was not always observed. Means were assigned by means of certain politically defined keys to particular regions and republics; interests and the period of the payment as well as annual instalments were not determined according to the principle of demand and supply; because of constant inflation, contraction of debts was profitable, and such investments were practically gratuitous.<sup>36</sup>

(2) Proper resources of the enterprises, i.e. the part of the income that is not spent on personal receipts and on common expenses. The authors on economic reform and some theorists of selfmanagement believed that these means would represent the principal source of economic investments in the future; they believed as well that enterprises would dispose of a constantly increasing part of the national income, and that working communities would spend the produced income independently and yet economically on personal incomes and common expenses on one hand, and on economic investments on the other. Though this belief is still held as the official view, the actual economic policy of the state has taken a different direction; this happened in part consciously and in part against the will of the authors. The part of the enterprises in the net social product was in particular periods as follows (in percents):

Period:	1963	1964	1965	1966	1967	Sept. 1, 1968
Percent:	46	50	50	60	57	56

Notwithstanding the claim of political bodies, especially of the trade unions, that the part disposed of by enterprises should attain 70%, this part has diminished since 1966. Besides, the above-mentioned striving for greater personal incomes has lessened the part of the income assigned for economic investments, and nowadays enterprises invest more out of borrowed means than of their own.

Similarly the belief, adopted with the reform, that 'proper' investments of the enterprises are more rentable than borrowed, is not wholly convincing. In the model of selfmanaged enterprises where the interests of the work-

ing community occupy the first place, and in which parts of the enterprises – organizations of united labour – apportion their income independently, the workers are interested first of all in investments that can ensure an immediate increase of their earnings, stable employment, better working conditions and similar benefits. They are less interested in investing in other parts of the enterprise, in long-term investments, in those that would require reduction of manpower or the re-qualification of the employed. They are interested least in investments – though they might be the most rentable – in other enterprises or even in enterprises situated elsewhere in the country. In decisions concerning the investments we can often notice a compromise between the immediate needs of the working community and the considerations of the business managers who, also for the sake of their reputation, seek the most rentable placement of the investments; in these endeavors they are usually supported by public opinion and by political and administrative organs. As a consequence of this compromise, enterprises invest partly to satisfy the short-term needs of the working community and partly on the basis of the estimations of long-term and optimally rentable placements. If an enterprise decides to invest so as to meet the immediate interests of the working community its members feel to a greater extent the economic consequences than when investments are decided upon solely after economic consideration, especially if these are placed in other parts of the enterprise, in other enterprises, or even in other places. It is possible, of course, that the enterprise lays down in its internal provisions that the results of investments, positive or negative be apportioned among all members of the working community without regard to the place of investments. Some enterprises have recourse also to another possibility, namely, that independent parts of the enterprise lend and borrow their means mutually under the same conditions as these are available to other lenders. Such internal arrangements meet immediate local needs, but they do not meet social and short-term personal needs of the workers. Therefore even with such arrangements compromises are necessary.

(3) Means borrowed from banks, where they are accumulated from three different sources, namely:

(a) so-called national capital or remainders of once large national funds under the control of the state, or accumulated by measures of financial and monetary policy of the state;

(b) momentarily unengaged means of production of the enterprises and unemployed funds of other organizations;

(c) deposits of private citizens.

As long as the banks were but the extended hand of the state, investments alimented from banking resources were subject to the same tendencies as described in the paragraph on means entrusted or lent to enterprises by the state. Formally requested documentation became a reality when commercial banks – independent from the state – were established. As enterprises and other organizations are co-founders of the business banks in which they have their deposits, larger organizations have a certain amount of influence on the business policy of the banks; even if this influence is absent business banks are bound to estimate objectively the rentability of proposed investments, as well as the solvability of the applicants; they must also strictly observe the economic criteria in defining the interests, annual instalments and other conditions of loans. Loans from banks must be used for strictly defined purposes; besides, enterprises are supposed to create, after the completion of the investment, an income sufficient to settle in due time the liabilities arising from the loan. Enterprises are not very free in the placement of borrowed means for investments, and must decide and proceed economically. We can expect therefore that investments of banking origin are more rentable than investments from other sources. Such is indeed the rule, though the practice differs sometimes from the set ideal.

Means formed by the deposits of private citizens are particularly interesting. These means have been constantly increasing as compared to other sources.<sup>37</sup> Some regard this phenomenon as a tendency toward the privatization of accumulation. It is obvious, at least, that producers prefer saving their money individually to the accumulation of their enterprises; this could be explained by the fact that deposits are their property, while the means saved by their enterprises are not – not even collective. If the workers A and B have the same department and are both equally efficient, they will get equal personal incomes, though A might have worked in the same enterprise for ten years and contributed considerable sums to the funds of the enterprise and thus to its present prosperity, while B has worked in the enterprise a short time and his contribution to the funds was insignificant. A transfer of individual contributions (i.e. savings) is equally impossible when a worker leaves the enterprise. The

problem appears in a particularly sharp light when a worker is dismissed because of technological changes that were made possible by his contributions to the funds of the enterprise (see note 34). Of individual deposits, on the other hand, he gets 6–8% interest.

(4) Means borrowed directly from other enterprises, from particular workers and other citizens and from other physical and juristic persons. Though these means are actually small in comparison to other sources of investments they slowly increase and there is no institutional impediment for their further growth. These means are supposed to be placed under strict economic conditions and their economic effect should be higher than the cost of the borrowed capital. All that was said of the rentability of investments alimented from banking loans is valid also here, only that this group of investments is not influenced by non-economic agents.

We can conclude from all that has been said above that investments are more rentable and more strictly carried out on economic principles if the state and political organizations do not interfere with them directly, and also if we do not allow the immediate social and local needs of the members of the working community to prevail. Investments derived from borrowed means necessarily respect economic standards and are therefore more rentable and economic. Comparisons of rentability of investments from different sources have unfortunately not been made, so the above statement is only a logical conclusion from numerous separate facts.

We are now also able to answer the introductory question as to the efficiency and the rentability of investments. The pluralistic system of the Yugoslav relations of selfmanagement ensures no less sufficient and rentable investments than the system in the capitalist system; this is true especially after the gradual elimination of administrative agents and the development of the capital market. Though enterprises invest to a smaller extent from their 'proper resources' and are obliged in doing so to make compromises between the economic criteria on one hand and the immediate economic, social and local needs of their working communities on the other hand, such compromises, if they are not too frequent and do not involve too much of the total amount of investments, and if they do not lead too far away from the economic criteria, represent positive social correctives which through their favorable and psychologically stimulating effect make up for any financial damage caused by the smaller rentability of the investments. Success and rentability of investments and



their total amount are not necessarily consequences of a specific functioning of the model of selfmanaged enterprises and of the system of selfmanagement generally; they are first of all consequences of the economic policy of the state, of the competence of its authors, as well as of the ability of the business managers of the enterprises.

#### IV. CONCLUSION

The pluralistic model of selfmanaged enterprises and the pluralistic system of selfmanaging relationships such as they at present exist in Yugoslavia do not ensure the greatest economic efficiency of particular enterprises or of the entire economy automatically, but they do not oppose it. They can be realized in various aspects of the organization in enterprises and in various aspects of the policy of the state, of which some heighten and ensure the economic efficiency of individual enterprises and the whole economy, while some of them hamper it or even prevent it altogether. As to the wide range of the possibilities it offers, the pluralistic model of selfmanaged enterprises and the pluralistic system of selfmanaging relations generally does not differ essentially from the capitalist model of enterprises and from the modern type of mixed capitalist economic system.

Economic efficiency of particular forms of organization of selfmanaged enterprises as well as the economic efficiency of the state economic policy depend on an appropriate evaluation of the agents influencing it, and on able and enterprising business managers. If these conditions are sometimes absent in our practice, we cannot ascribe this imperfection to the system as such.

If we compare impartially our system of selfmanaging relationships both in enterprises and in the society at large to the model of capitalist enterprises and the system of capitalist economy of the mixed type as to their economic efficiency we should admit that the latter fulfils its functions, at least in the economically most advanced countries and for a long period, better than the first. But in saying this we must take into account the psychological and moral-political advantages of selfmanagement. It would be rather superfluous to contrast economic efficiency as the exclusive attribute of the capitalist model of management with psychological and moral-political satisfaction as the exclusive advantage of our

model of management. We are not obliged to do this because, according to my opinion, it is possible to improve our system and ascertain its economic efficiency to the same extent as is now characteristic for the modern and most advanced capitalist system, preserving at the same time all the psychological and moral advantages lacking in the capitalist system.

But by such reasoning we leave the firm ground of positive facts and enter the uncertain field of conjectures. Nevertheless, according to my thorough belief, the often quoted qualities of the system of selfmanagement are the agents that made our workers adopt and cultivate it further and that guarantee its development also in the future, in spite of its imperfections. The workers of some enterprises in Zagreb (covered by the inquiry mentioned in this paper), who are known for their critical attitude toward social and political ideals, rejected categorically and in the great majority of 85% the possibility of abolishment of the workers' council suggested provocatively in the inquiry.

The wide scale of possibilities as to the forms of organization as well as to the adaptations of the system as such make the pluralistic model of selfmanaged enterprises universally applicable. But we cannot be satisfied with the researches effectuated hitherto in this field of social activity. Their orientation was not such as to discover all possible optimal forms of organization of selfmanagement suitable for various technological, economic and social settings; instead of such thorough scientific investigations there has been, according to my opinion, too much of general political discussion. Lately, however, we have been able to notice some more realistic orientation and more thorough scientific endeavors in investigations of selfmanagement as a social, economic and political phenomenon. This paper has been written as a modest contribution to these endeavors.

#### REFERENCES

- <sup>1</sup> Data by Federal Institute of Statistics, *Statistični koledar Jugoslavije*, 1969.
- <sup>2</sup> Data taken from the article 'The Financing of Investments', by Lojze Kersnič, *Teorija in praksa*, 1969,5.
- <sup>3</sup> Data by Federal Institute of Statistics, *Indeks*, 1969,6, and from the article 'Relations of Selfmanagement in the Development of the National Economy', by Jakov Sirotković, *Direktor*, 1969,3.
- <sup>4</sup> Paul A. Samuelson, *Economics*, McGraw-Hill, New York.
- <sup>5</sup> The term 'socially owned' means practically the same as the term 'public property', if we take into account the specific structure of the Yugoslav society: absence of capitalists; the means of production may be the property of individuals if used for personal

work by them and by the members of their families or in some branches of economic activity, like trade, inn-keeping, etc., if they do not employ more than five hired persons.

<sup>6</sup> The term 'working organization' used in the Constitution defines enterprises and other institutions that work under economic conditions or are treated as public services.

<sup>7</sup> The term 'organization of united labor' defines the part of an enterprise or other working organization in which members of the working community exert themselves certain rights of selfmanagement.

<sup>8</sup> Data by Federal Institute of Statistics, *Indeks*, 1969,6.

<sup>9</sup> Data taken from *Bilten gradske konferencije SKH i Gradske konferencije Socijalističkog saveza radnog naroda Hrvatske*, Zagreb, 1969,3.

<sup>10</sup> The inquiry was carried out by the School of Business and Organization of Kranj in the beginning of 1968. Figures were published later, in an article by Vladimir Arzenšek in the review *Moderna organizacija*, 1968,7.

<sup>11</sup> Article 3 of the Basic Law on Enterprises states: "The working people in the enterprise shall organize and manage the working process so as to enable the best utilization of the means of production, constant growth of the productivity, as well as to encourage immediate concern for good work and as direct a participation in management of all activities of the enterprise as possible." Article 8 of the same Law says: "The organization of work and management in the enterprise must enable the working people at every level and in every part of the working process which constitutes a whole to decide as directly as possible on matters of work, mutual relations, apportionment of income and on other matters concerning their economic position, at the same time ensuring for the enterprise as a whole the best conditions for the work and business."

<sup>12</sup> In this respect Article 74 of the Yugoslav Basic Law on Working Relations states: "Workers are entitled, on the ground of their contribution to the working and economic results of the department where they work and of the working organization as a whole, to the participation in the apportionment of the funds assigned by the working community for personal incomes."

<sup>13</sup> Average net monthly receipts of the workers employed in economic branches in Slovenia, where they are the highest in the country, have exceeded 1000 din in 1969 – one din being equal to 0.08 U.S. dollar.

<sup>14</sup> Data taken from the article 'Earnings for Some Typical Jobs', by Ilja Jurančič, *Organizacija – Kadrovska politika*, 1966,6.

<sup>15</sup> This conception is also present in Article 83 of the Basic Law on Working Relations: "The working community shall settle personal incomes of every worker by the apportionment of income ascertained by the annual balance. During the year workers shall be entitled to monthly advances dependent on the current achievement of the enterprise."

<sup>16</sup> Article 79 of the above cited Law states: "The working community shall estimate the contribution of particular workers to the achievements of the enterprise autonomously on grounds and by standards included in general regulations and respecting the prescriptions of the statutes concerning the principle of apportionment according to accomplished work."

<sup>17</sup> Data taken from the *Bilten Gradske konferencije SKH i Gradske konferencije SSRNH Zagreb*, 1969,3.

<sup>18</sup> D. Jezernik, *The Gradation of Motivating Agents within Industry*, Ljubljana 1965 (Unpublished dissertation).

<sup>19</sup> Data published in the article 'Selfmanagement as a Motivating Agent and Social Value', by V. Arzenšek, *Moderna organizacija*, 1969,1.

<sup>20</sup> J. J. Servan Schreiber, *Le défi américain*, Editions Denoël, Paris, 1967.

<sup>21</sup> H. Decroches, 'Sociology of Cooperation and Cooperative Sociology', *Sociologija*, 1960,2.

<sup>22</sup> Article 53 of the Basic Law on Enterprises stated: "The director shall be in charge of the business of the enterprise, shall execute the decisions of the workers' council and the managing board, represent the enterprise, and transact other affairs in accordance with legal prescriptions, the provisions of the statute and other general acts of the enterprise. The director shall be independent in his work and shall be personally accountable to the workers' council, the managing board and the working community. He shall safeguard the legality of the work of the enterprise, and that the enterprise discharge legally determined obligations; in this respect he shall be accountable also to the social-political community. - The director shall attend the meetings of the workers' council without, however, having authority to make decisions for the council."

<sup>23</sup> A discussion about this dilemma was held during a symposium at Bled, organized in 1967 by the School of Business and Organization at Kranj. The discussion was particularly animated on the report 'Responsibility for Business and Professional Decisions in Selfmanaged Enterprises', by Mitja Kamušič (published later in *Organizacija - Kadrovska politika*) advocating the professional concepts of management.

<sup>24</sup> Josip Županov, 'Is Management Becoming a Profession?', *Moderna organizacija*, 1968,10.

<sup>25</sup> The workers' council as the representative organ of the working community has, according to Article 48 of the Basic Law on Enterprises, besides other tasks, also the duty to make decisions concerning the economic program and plans of the enterprise, and to adopt measures for their implementation, as well as the basic orientation of the business policy and the provisions for the use of the funds of the enterprise, for the approval of the annual balance sheet, etc. The managing board, being a representative organ too, but elected indirectly, by the members of the workers' council, is entitled, according to Article 49 of the same law, to discuss future programs and annual plans, to conduct efficient management of the enterprise, etc.

<sup>26</sup> The results of this inquiry were published in *Moderna organizacija*, 1969,1.

<sup>27</sup> V. Rus, 'Status of the Professional and Managerial Staff', *Moderna organizacija*, 1968,5.

<sup>28</sup> J. Županov, *Inquiry in Economic Standpoints of the Producers*, Institute of Economics, Zagreb, 1969.

<sup>29</sup> J. Jerovšek, 'Why Persons with Graduate-School Education do not want to be Directors', *Kadrovska politika*, 1964,9.

<sup>30</sup> M. Kamušič, 'Responsibility for Business and Professional Decisions in Self-managed Enterprises', *Ekonomski revija*, 1967,3.

<sup>31</sup> Indices of costs of living and of nominal and real personal incomes for particular years from 1959 to 1969 (with 1964 as basis, i.e. 100 points) are given in the table on page 116.

<sup>32</sup> According to the data published by Federal Institute of Statistics in *Indeks*, 1969,6, there were 370000 unemployed against 3674000 employed (i.e. nearly 9%) in Yugoslavia in April 1969. If we added about 400000 workers who could not find employment in Yugoslavia and went abroad, the percentage of unemployed would be considerably greater.

<sup>33</sup> M. Korać, *An Analysis of the Standing of Economic Groups during 1962-1966*, Institute of Economics, Zagreb, 1968.

Table for note 31

Valid for	Cost of living	Personal incomes	
		Nominal	Real
1959	65	49	75
1960	71	56	79
1961	77	61	79
1962	85	67	79
1963	90	79	88
1964 (basis!)	100	100	100
1965 (economic reform!)	135	138	102
1966	165	191	116
1967	177	217	123
1968	186	238	128

Data by Federal Institute of Statistics, *Indeks*, 1969,6.

<sup>34</sup> M. Kamušič, 'The Crucial Dilemma of Further Development of Selfmanagement', *Moderna organizacija*, 1968,1.

<sup>35</sup> J. Županov, 'Economic Function of the Producers in Selfmanaged Working Organizations', *Moderna organizacija*, 1969,6.

<sup>36</sup> As a consequence of political inertia this belief has entered also the present relationships of selfmanagement. About this question an everlasting battle is being fought in Yugoslavia between the 'conservatives' and the 'progressives'.

<sup>37</sup> Deposits of private citizens in Yugoslav saving-banks, in millions din per Dec. 31 of each year as quoted below:

1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
651	898	1199	1476	2115	2964	3523	5863	7549	9597

By the end of June 1969 these deposits amounted to 10925 million, while by the same time consumers' credits amounted to 4421 million, and the credits for housing construction to 3162 million din. We can better appreciate these sums if we compare them to 4984 millions of investments of the whole Yugoslav economy during the first third of 1969, of which 'proper means' of the enterprises were only 2301 million din.

JAN TINBERGEN

## DOES SELFMANAGEMENT APPROACH THE OPTIMUM ORDER?

*Comments on Professor Kamušič's Paper*

### I. GENERAL REMARKS ON THE PAPER

Having been asked to comment on Professor Mitja Kamušič's paper 'Economic Efficiency and Workers' Selfmanagement' I will start my comments with a few general remarks on (the English translation of) Professor Kamušič's paper. My impression is that it is not only highly interesting to us here in The Netherlands, but also displays a truly scientific spirit for which we have to be grateful. The paper also contains a number of interesting inquiries, especially about how various groups in Yugoslav society think about social relations over there, which contribute to our understanding. Then, it contains some opinions of the author, which are also valuable to us; I am going to discuss these under various headings.

At first sight, and possible because of translation difficulties, there are a few passages in the paper which are less clear than most of the paper, or even seem to be mutually contradictory. These we will mention first, in the present section.

On p. 86-87, Professor Kamušič speaks about the 'two compromises' which are "embodied in ... the Law" (on Enterprises). I wonder whether I am right, if I formulate them as the compromises between (a) selfmanagement and the need for specialized management skill, and (b) selfmanagement of small units and economies of scale. If the basic idea of selfmanagement is to give a voice to everybody, we know that not everybody has the skill required for difficult decisions; and we also know that not everybody is taking into account the advantages which can be reaped from a co-ordinated decision-making for larger units which reduces the possibilities of immediate participation of every worker. I hope I interpret the author in the right way.

On pp. 95 and 103 the factors are discussed which stimulate a manager to do his job well. On p. 95 one gets the impression, often also formulated for Western managers, that their income is not so important to them, but the quality of the job. On p. 103, however, a discussion is started about

incomes not providing a sufficient stimulus. I presume incomes do play a role even if that role is sometimes belittled. I have something more to say about it later (Sections VIII-X).

Around p. 99 a number of results of 'public opinion polls' are given; one wonders what exactly their use is. Even though I find them 'interesting', I do not think we can deduce much of them. What way of utilizing the results of such polls does the author see?

On pp. 108 and 111, among others, the nature and yield of investments undertaken by the state are discussed. The picture is not quite clear; I am coming back to this subject also (Section VII).

On p. 109<sup>7</sup> one gets the impression that managers have more influence on investment financed by credits than investments financed internally (out of the enterprise's own profits). Is this a correct impression?

## II. THE YUGOSLAV SOCIO-ECONOMIC ORDER

As already observed, Professor Kamušič's paper contributes substantially to our knowledge about the Yugoslav socio-economic order. I am glad to believe, on his authority, that (p. 89) there is sufficient similarity between enterprises all over the country to consider them as representative of one type. From what he tells us (p. 97) on recent amendments in the Constitution, I conclude that there is a *high degree of decentralization* in decision making. From the figures quoted on p. 92 one gets the impression

TABLE I  
Earnings of employees with different educational levels

	Yugoslavia	The Netherlands	(40-45 years)
Graduates of higher education	194	200	University trained
Secondary education	94	100	Secondary education
Skilled workers	94	75-80	Extended primary education
Trained workers	79		
Unskilled workers	71	65-70	Primary education

*Note:* The Dutch figures have been taken from *Statistisch Zakboek*, 1968, p. 27. Incomes of those having a secondary education have been put equal to 100. The age class of 40-45 years has been chosen; for lower age classes the differences are smaller than shown here and for higher age classes they are considerably larger. The figures are salaries or wages only, excluding income from property.

that income differences are not large. Comparisons are always difficult and need more scrutiny than I can undertake. Some figures produced by the Netherlands Central Bureau of Statistics have been added to the figures of Kamušič on p. 118.

Bearing in mind that in The Netherlands non-labor incomes add to the inequality and that The Netherlands are more developed than Yugoslavia (which generally would make for more equality), income distribution in Yugoslavia can be characterized as *relatively egalitarian*. Several of the opinion polls shown suggest a rather high level of satisfaction in Yugoslavia, even though most people would "like to be" managers (p. 99). There are regional differences in income levels which are correctly explained by the author as a consequence of differences in the level of development among the regions.

It seems natural that with regard to investments lower-income earners show a somewhat narrower horizon than the leading groups. Even so it is remarkable that selfmanagement has maintained an investment of some 30% of net income (p. 106). Again it is natural only that this percentage is higher in industries with a higher average income (p. 106).

### III. IS THE YUGOSLAV ORDER CLOSE TO THE OPTIMUM?

The subject dealt with by Kamušič is the 'efficiency' of the system. Since efficiency means the ratio of result to effort, the widest sense given to that phrase is the degree to which the aspirations of the people as a whole are met. This degree will be highest in what I have called elsewhere the *optimum order*. I have defended the thesis that the optimum order is of a *mixed* character, somewhere between extreme freedom of the old type (implying complete private ownership of the means of production) and extreme regulation (of the primitive socialist type of the early days of the Soviet Union). One can expect the Yugoslav system to be close to the optimum. There are two ways of ascertaining this, to be called the *empirical* way and the *deductive* way. I will discuss what evidence of both types there is to evaluate the Yugoslav system. The empirical evidence shown by the author is of a crude character only and could hardly have been different. At most it seems to show that Yugoslavia does relatively well. A rate of growth of per capita real income of about 6%, together with a considerable degree of democracy in the everyday environment of the



mass of the producers is not easily found elsewhere. The opinion polls quoted on pp. 93 and 94, although not displaying satisfaction with all concerned, should be seen against the background of (a) the rather equal income distribution, and (b) the modest level of general development so far already attained by the country. I agree, however, with the author (p. 78) that we cannot yet conclude which of the successes of the Yugoslav economy are due in particular to selfmanagement.

#### IV. DEDUCTIVE APPRAISAL WITH THE AID OF WELFARE ECONOMICS

The *theoretical* method to judge the distance between any given order and the optimal order is to apply welfare economics and to formulate the conditions the optimum has to satisfy and then compare these with the given order. Such an analysis will be undertaken in the remainder of this paper.

A general remark may precede this attempt. It is highly improbable that the proponents (mentioned on p. 105) of a 'laissez faire theory' of selfmanagement are right. It can be convincingly shown that in the optimum order some tasks must be performed in a centralized way and cannot therefore be left to the lowest levels, even if on these levels workers would have the decision power, which is by itself a desirable thing.

The method of welfare economics consists of the following steps, which also determine the structure of this paper.

First, the *restrictions* imposed on any society by nature must be ascertained, since the optimum can only be attained within the framework of these restrictions. Then, the objective of society, or the social preference or *social welfare function* has to be determined. Finally the *optimum conditions* can be derived from the solution of the problem to maximize social welfare under the restrictions imposed by nature. Section V will contain some remarks – of relevance to the present paper – on the restrictions or data; Section VI some remarks on the social preferences to be recognized, and Sections VII–X on the optimum conditions.

#### V. RESTRICTIONS OR DATA

As a rule, we consider the most important restrictions our knowledge about *production processes* and the (limited) *availability of all resources*

(natural, human, and manmade from the past). Since in this respect there is no difference between either the Western, or the officially communist, or, finally, the Yugoslav economy, we need not discuss them in detail. For the purpose of commenting on the system of selfmanagement, however, it is of some relevance to ask the question what *influence on productivity* is exerted by various *forms of selfmanagement*. Professor Kamušič's paper contains a reference to the observed fact that in Western co-operatives an increase in the degree of direct participation of their members in the management tends to lower business efficiency (p. 97, quotation of H. Decroches). My tendency is to say that for very low levels of participation an increase in participation will raise productivity, but after a certain level Decroches's finding will probably apply. From there on we will have to *compromise* between two incompatible aims: more participation or more production (and consumption).

Further data of importance to our subject are the *tasks* defined by the production processes for all taking part in them. The methods of job classification use such data and they play a role in the incomes to be attached to the performance of these tasks. These methods are more objective than such broad distinctions as used on p. 99, where the question is discussed whether managers have a political or a professional task. In fact they have a combination of tasks, some of which are in the field of co-ordination with higher levels and may be called political, but may better be described in a technical way. Others refer to internal organization and are more clearly professional. At the same time this opens up the possibility of eliminating elements of activities which are 'political' in the 'bad' sense and not a necessary part of the production process.

#### VI. THE SOCIAL WELFARE FUNCTION

As already said, the preferences by which an order must be guided find their expression in the so-called social welfare function. The variables occurring in such a function are all *phenomena which make for the satisfaction* or happiness of the members of the community. Partly they are of an *individual* nature, such as the consumption of each individual or the efforts made to perform his task, once this has been chosen; finally, the nature of the task chosen or imposed. Partly they are of a *community character*; people's happiness is also affected by what other people consume

or do; by their relations to other people, including the participation in decision making they have, and so on. In other words, social welfare also depends on the degree of participation irrespective of whether it furthers or does not further the quantity of production. But the latter, since it is influencing consumption, will also affect people's satisfaction.

Another element of the social welfare function may be the *degree of inequality* among citizens. The less unequal living conditions are, the higher the satisfaction will be for the majority of citizens. This applies to both inequality among citizens in the same city or republic and to inequality among the republics of the Federation.

Interesting enough even social welfare functions which neglect inequality as an autonomous element and only depend on the sum, or a weighted sum, of the welfare functions of individuals will become higher if some degree of income redistribution is being applied; e.g., if it be assumed that the marginal utility of consumption is higher for individuals with low consumption than for individuals with high consumption. One unit of consumption transferred from the 'richer' to the 'poorer' individual will then increase total satisfaction.

Statements of this character are only correct if in one way or another satisfaction of different individuals can be *compared*. I will *make that assumption*, even though the majority of economists reject it. This is an open question which I will not elaborate on here, since I did so elsewhere, but which I mention in order to avoid misunderstanding.

Although our knowledge about individual and social welfare functions is limited and is in need of much further research, some statements of a general character on the nature of the optimal order can be deduced, which are of some importance for our subject. They will be discussed in the subsequent sections of this paper.

#### VII. OPTIMUM CONDITIONS: THE LEVEL OF DECISION MAKING

A first condition to arrive at optimal decisions bears on the *level on which* decisions should be made in order to be optimal. For many types of decisions there is a choice. Production decisions can be made at the highest level, say in the Federation planning bureau, or at lower levels, those of the republic, the industrial branch, the single production unit or even on the level of a single division inside a production unit. 'Production'

should be understood here in a very general sense and may also refer to education and services, including government services and among them even decisions on *measures of economic policy*, if such measures are part of the optimal order. As a general rule there is an *optimal level* of decision making characterized by a *minimum of 'external effects'*. By external effects influences outside the jurisdiction or authority of the decision maker are meant. If there are such external effects, and sometimes there exist important ones, decision making on a relatively low level may neglect these effects and the decisions may not be the best ones for the community as a whole. In such cases there is a strong reason for making the decision on some higher level. As a counteracting force there is a smaller degree of participation of individuals, since only some representatives of them may be involved. These principles must be considered as the basic principles to be used in the search for the optimal degree of decentralization in society. If no external effects exist, and this may be the case for many activities, the principles imply that a low level of decision making, and hence a high degree of participation is optimal. For industries with small equipment and whose products can be sold in small units, external effects will be absent or small as a rule and here the Yugoslav system is optimal. It may be different for activities using large indivisible units – as a technical datum – or whose products for organizational reasons cannot be sold in small units or cannot be sold to the real beneficiaries of the product. Examples of products which cannot be 'sold' in small units are the so-called *collective goods* such as security, radio and television and some other types of information, which can only either be available or not available, but not made available only to those who wish to have it. Examples of products which, for organizational reasons, cannot be sold to the actual beneficiaries are the services of a road system, with the exception of turn-pikes where individuals can pay a toll.

Summarizing this part of the argument I want to stress that the degree of decentralization that should be applied depends on the nature of the production process; alongside processes where a high degree of decentralization is optimal there are others where it is sub-optimal to such an extent that, with all the psychological advantages (in the form of self-management or participation) decisions *have nevertheless to be made at higher levels*, up to even international levels, but certainly national level. This implies that there remain tasks for the state to decide on. Among

these are decisions on security, road maintenance and building etc. and also the possible correction of mismanagement at lower levels. There may also be intermediate cases, where decisions at the *industry level* are better than decisions at the production unit level, e.g., some investment decisions, especially where investment takes a long time and duplication or underinvestment can only be avoided by more centralized decision making.

#### VIII. UNIFORMITY OF WAGES AND WAGE DISTRIBUTION

Another well-known optimum condition is that in the same region the same type of labour must have a uniform wage. This is one example only of *uniform pricing* which is characteristic for the optimum and which comes along, i.a., if prices are determined by markets. To be sure there are other institutions which can lead to the same result, but only with uniform wages can we be sure that the correct use is made of the available manpower. There may be regional differences, if for reasons of cultural preferences workers in poor regions want to stay there instead of moving to the regions where higher wages are being paid.

Wages for *different types of labour* will have to be different, however, in the optimum order. For the *suppliers* of labour, the differences should at least reflect differences in effort made or in costs attached to performing another task. If the other task requires a greater innate quality of the person apt to perform that task, there should not necessarily be a higher income attached to it. Innate qualities are distributed over individuals by nature in a way which may be called unjust. The social order may correct for this injustice by a redistribution through taxes which will be discussed below (Section IX). The only condition which must remain fulfilled is that the wage difference (after tax) between two different tasks prevailing for a person with given innate qualities must fully compensate for the differences in effort needed, including any educational efforts.

For the *demanders* of labour, wages to be paid should reflect the difference in marginal productivity of different types of labour or of tasks and these differences will also reflect the relative scarcity of the various skills.

The two principles, set out for the supply side and the demand side of the labour market can be reconciled by the tax system, as already observed. Thus, incomes after tax, relevant to suppliers, can be more, even much more, equal than incomes before tax, relevant to the demand side.

This is an important aspect of any social order and the question whether some given social order, such as the one of selfmanagement is close to the optimum, can only be answered if also details on this aspect are known.

#### IX. THE TAX SYSTEM

A fundamental role has to be played here by the tax system, since this is the only way to reconcile the two requirements of optimality which have been discussed in Section VIII. In most Western countries income and wealth taxes are being applied which help to reduce the inequality in consumption between various persons and groups of persons in society. The question must be posed, however, *what types of taxes* are compatible with the optimum and here a difficult problem arises. It can be shown that *income taxes* are not really compatible with the optimum conditions and only a second best. Income taxes imply that the supplier of labour does not make the correct choice of his job, since the difference in marginal productivity is not brought out by incomes after income tax. If he is able to perform a more difficult task, he will not always choose to do so, because he does not himself receive the full difference between the value of the services he renders to society in the two jobs. As a counteracting force which may help him to make the choice in a better way there is the satisfaction of the work which as a rule will be higher, the more difficult the task is. But ideally the tax system should direct his choice in a better way. Elsewhere I have argued that the better type of tax to be applied is a *tax on the capacity to produce* rather than a tax on the results of production, that is income.

A person's capacity to produce consists of two elements at least: his personal *wealth* and his personal *qualities*, especially the innate ones. The acquired ones, for instance those obtained by education, require an effort and it has already been argued in Section VIII that a compensation for it should be reflected even in the wage after tax. The ideal taxes should therefore be (i) a tax on wealth and (ii) one on innate qualities; let us say 'practical intelligence'. The result of such a tax system would be that a gifted person has to pay a high tax, *irrespective of the job he chooses* and that the *full* productivity difference between the jobs he can choose between remains reflected not only in the income paid by his employer but also in the income after tax he receives. Under these circumstances he will make

the correct choice and yet he may have an income after tax which is not very different (or even not different at all) from the income after tax a less gifted person receives, since the latter person will be less taxed.

The difficulty is of course that a tax on innate capability is very difficult to administer. For the time being this capability cannot be easily assessed objectively and the possibility of simulating a lower capability than the prospective tax payer actually has is clear. But there may be ways and means to arrive at better techniques than are now available. What one could imagine is that the 'capability tax' were based on the scores obtained during the person's formal education, scores which would simultaneously influence his possibility of access to further education.

To the extent that a parallelism can be assumed between a person's innate capabilities and the education received the tax we were discussing may be based simply on the diplomas obtained.

Of course a tax on wealth is easier to administer and exists in many countries; only it is much too low. But a person's wealth is the less important among the two components of his productive capacity: in present-day Western societies larger income differences are due to differences in personal capabilities than to differences in wealth.

It is in the light of the preceding remarks that we want to comment on Professor Kamušič's paper (p. 91) where he discusses the question whether decisions on the correct income scale can be taken in a democratic way, that is, in the context, decisions by the workers' council or by parliament. The outcome of our welfare economic exercise is that some aspects of the optimal income distribution depend on scientific propositions and in a general way *science cannot be developed by public opinion polls or majority decisions*. Imagine that Marx instead of developing his own ideas had formulated what the majority of his contemporaries thought to be true! There are limitations therefore to what should be left to deliberate democratic procedures. The decision, e.g., to pay different wages to persons doing the same work in more profitable and less profitable enterprises, while natural when decided upon by the various workers' councils, is definitely incorrect from a welfare-economic, that is, scientific, point of view. The decisions taken in many parliaments, to reduce inequalities by an income tax is also suboptimal. It would have been better if wages were determined for all enterprises in a region simultaneously and uniformly and it would be better if parliaments had chosen to impose higher wealth and lower income

taxes; preferably even a tax on personal capabilities. But the *degree of inequality desired* is a matter of preference of the community; it is part of choosing the preference function of society. This can be a decision by parliament. Hence also the tax *rates* may correctly be decided upon by democratic procedures.

#### X. CONCLUDING REMARKS ON INCOME DISTRIBUTION POLICIES

Let us try to sum up the conclusions we have reached with regard to the optimal income distribution and the means to be applied in order to let it materialize. I think I have shown that wage systems cannot be detached from the tax system and that the desired income distribution can at best be attained by applying both types of instruments: an 'incomes policy' cannot only be a wage policy. I have also shown that, in order to be optimal, both wage and tax policy have to fulfil certain conditions. Wages paid for the same sort of labour must be uniform and the taxes to be paid by a person of given quality and education must be independent of the job he chooses. But then, unfortunately, we have found that the best tax system should be based on a principle for which the objective assessment is not yet possible; in order to maintain the full stimulus for each person to choose the job by which he serves society best, we should tax only his productive capacity. This capacity consists of two elements at least, his personal wealth and his personal capabilities and while the former can be ascertained and hence taxed, the latter can only be assessed in a very imperfect way. I think we should make efforts to improve that assessment. It would help us to organize society in such a way that a maximum of stimulus goes together with a minimum of inequality. There remains some scope for democratic decision making about the rates of taxation, but at a higher level than that of the single enterprise. There also results the need for educating citizens so as to let them understand the societal mechanism in order that voluntarily they agree that some decisions should be taken at higher levels than the enterprise level.<sup>1</sup>

#### REFERENCE

<sup>1</sup> Prof. Tinbergen did not attend the Conference because of urgent duties for the UNO.



IVAN MAKSIMOVIĆ

## THE ECONOMIC SYSTEM AND WORKERS' SELFMANAGEMENT IN YUGOSLAVIA

### I. CERTAIN GENERAL CHARACTERISTICS OF THE SELFMANAGEMENT MODEL OF BUSINESS OPERATION

It is probable that none of the aspects of selfmanagement in Yugoslavia has become, in the course of its development, as significant and as vital for the destiny of selfmanagement socialism as the system of economic selfmanagement. At the very introduction of selfmanagement in 1950, the question of the change of the existing economic system was brought up, and each further step in the consolidation of the selfmanagement features of the economic activity could be achieved only by means of consistent affirmation and functioning of the new economic model in Yugoslavia. At the historical beginning of the practical realization of the idea and philosophy of selfmanagement socialism, the inseparable link between goals of selfmanagement in the economic sphere and adequate methods and means of their realization has been empirically perceived. The Yugoslav society, for almost two decades now, has been investing the greatest possible effort – while overcoming numerous economic difficulties that are a historic legacy and have also been created during the course of the present development – toward transcending contradictions and toward attaining the greatest possible degree of consistence of aims of the selfmanagement society and of methods for their realization. The history of these efforts constitutes the content of the development of workers' selfmanagement in Yugoslavia.

A historical move, the importance of which can be assessed more accurately only in the future, was made in Yugoslavia under the influence of external circumstances and of internally maturing social relations. Factories that until then had been under the authority of directors appointed by the state and had been managed on the basis of state plans were handed over to the workers and their management. Not all the theoretical and practical consequences and the importance of that measure were perhaps perceptible at that time. As a matter of fact, the selfmanagement concept

had not been a historically absolutely new phenomenon, since both the idea of the selfmanagement essence of socialism, and certain historical attempts, are connected with the thinking of the Marxist classics, the Paris Commune, and certain subsequent experiments. Nonetheless, the Yugoslav selfmanagement experience could establish – which most probably constitutes the broader significance of the Yugoslav social theory and practice – that the selfmanagement model of socialism is not only theoretically plausible but is also practically feasible and possible.

However, the handing over of factories to the workers 'for management' has been only the first step in the development of the economic basis of selfmanagement. In its further development the essence of economic selfmanagement was increasingly perceived to consist of the development of an economic mechanism and corresponding institutions, which will make possible the introduction and safeguarding of direct and factual control by the working class – as well as by every individual workingman – over the conditions of production and distribution of the national product and which will secure the coordination of the economic interests of individuals, of the class and society as a whole.

This doctrine of economic selfmanagement and a corresponding economic policy which focused its attention on the workingman, on his direct function in economic management, on the production organization as the basic cell of the system, on social ownership as the unalienable basis of the system, has been anti-etatist and anti-bureaucratic since the very beginning. On the one hand, it sought to bring up and to settle, at least in principle, one of the basic questions of modern socialism, the question of democracy in economic and in political development alike ([1], 41). In this sense, while admitting the significance and absolute need for state intervention in the economy, in the etatist phase and in an initial period of development of selfmanagement, the selfmanagement doctrine denied in principle the compatibility of future phases of the economic development of socialism with the existence and consolidation of the bureaucratic political super-structure ([2], 900). This was due to extremely principled theoretical and practical reasons. For bureaucracy, as mediator between the working class and the collectivized means of production, as the organizer of economic reproduction, is incompatible with the principle of direct participation of workingmen in economic decision-making. Bureaucracy cannot – for a longer period of time – be either the vehicle of

the principle of economic rationality or of the socialist principle of distribution according to the work performed ([3], 30).

That is why selfmanagement presupposed and requested in turn a new economic system which, by its economic substance and by the form of its economic activity, would substantially differ from the etatist-bureaucratic model of business operation.

The substantial and formal distinction between the new, selfmanagement economic model and the old, bureaucratic-etatist one, was reflected in the introduction of the principle of the economic interest of the direct producer and of the work organizations as the general basis of stimulation, motivation and assessment of their economic activity [4]. Economically this basis was expressed in the principle of income and its determined maximum – as the initial motives of business operation – and in the criterion of rationality of economic decisions and the selection of alternatives. The general social interests were implicitly contained in this setting. In the event of general social interests explicitly emerging in another form these are realized by means of social planning ([4], art. 12).

The substantial difference between the new selfmanagement system in relation to the old one is reflected in the introduction of commodity production, the market and its laws as a form and method of business operation, which have replaced the methods and forms of the centralized-administrative planned business operation. And yet, planning is still the constituent element of the model which secures a long-term structure and the rate of economic development of the system ([5], 403). Being continuously in a state of evolution and change, planning as well as the market character of the model reflected the changes in the material basis of the system, in the functions of state bodies and in the methods of economic policy, its ever more pronounced orientation towards the market instruments of business operation.

This model of the economic system described in its most general outlines established principles of business operation and methods of economic activity which orthodox socialist theory considered until recently (and in certain aspects still considers) at least to be remnants of the capitalist principle of business operation [6]. From this stem numerous misunderstandings of the economic side of selfmanagement which, according to some, regenerates capitalism ([7], 569). Those who say this overlook not only the existence of social ownership upon which the selfmanagement

system is based, but even the fact that commodity production and planning itself do not contain immanent features of either capitalism or socialism, but that they are elements of the method of economic activity of which the implementation depends upon the phase and degree of economic development [8]. That is why there exists no economy today that is 'purely a market economy', or rather, 'purely planned'.

## II. ECONOMIC THEORY AND MODEL OF SELFMANAGEMENT SOCIALISM

The possibility of the functioning of a market model of socialism which would be under a certain amount of control by planning bodies was described already in the pre-war economic theoretical literature [9]. In this way the theoretical hypothesis on the impossibility of an economically rational functioning of the market and independent work organizations on the basis of social ownership [10], was in fact refuted ([9], 82). The Yugoslav economic practice of selfmanagement has made possible, not only among Yugoslav economists, the further development of the concern of economic theory with the market model of socialism. It has been proved that in the sphere of purely deductive analysis the market model is not only capable of "attaining the long-term Pareto optimum level of allocation of resources, with a comparatively small share of the state, primarily through the mediation of the investment policy", but that the market also offers sufficient initiative for the settlement of conflicts of interest between firms in a model similar to the Yugoslav model ([11], 182). At the same time the possibility of effective macro-economic control of the development of the economy has been underlined. Theoretical analysis has pointed out the significant economic advantages of 'decentralized socialism' as an organizational form of business operation as compared with other models of socialism in which the centralized system of business operation prevails ([11], 262). The combined effects of the market and planned control furnish the model with considerable advantages in comparison with the models of systems in which the principle of allocation, or rather, of commanded and centralized planned allocation is acting. The decentralized criteria of investment tend to favour capital-intensive projects. On the other hand, state control over part of the investments and capital stock offered - at least theoretically - in the de-

centralized model an important agent for the elimination of undesirable monopoly-oligopoly-market structures which may emerge in practice.

It is also worth mentioning that, in the sphere of purely theoretical analysis, certain inherent weaknesses of the market model of socialism could be observed. Some anomalies have been described in the behavior of a firm which might seek to maximize income instead of production, while the curve of supply is less flexible (in certain cases it is negatively sloped) than is the case in the model of the private market economy. It has also been observed that firms in the decentralized socialist model are susceptible to signals of the market but are often inclined to adapt themselves to changes in prices and not in production, and this could be increasingly intensified by certain imperfections of the market ([11], 203).

And yet, in spite of its undeniable importance for theory and practice in developing the selfmanagement model of the economic system, the above-mentioned theoretical discussion can neither indicate the full complexity of the economic problems of the Yugoslav model of business operation, nor offer the elements necessary for their solution. The problem lies in the great difference between the theoretical model of economic selfmanagement and economic reality. The abundance of variables inherent in Yugoslav economic practice and history destroy the simplicity and consistency of the theoretical model, so that the conclusions and principles obtained by means of deduction are refuted or at least become extremely weak when confronted with the dialectics of the very contradictory and contrasting Yugoslav economic reality. An adequate functioning of the selfmanagement system of business operation presupposes, among other things, an economy at a comparatively high degree of economic development and of a homogeneous structure, a developed market, minimum direct administrative influence upon economic trends, a high degree of self-financing on the part of extremely developed economic organizations, polycentric planning, a very developed and transparent market of capital, a highly mobile labor force, and a considerable level of concentration ([12], 475).

All these pre-conditions have been achieved in Yugoslavia in varying ways, or are at various points of achievement. In spite of one of the most rapid and highest rates of increase of the social product and national income in the post-war period, the current level of the income per capita is assessed to be about 620 dollars ([13], 59). It is also known that Yugo-

slavia, in a comparatively small geographic area, contains widely different nations, cultures and civilizations along with perceptible differences in structure and in degree of economic development. This shows that the selfmanagement economic system and its problems can be viewed not only from the aspect of internal consistence, but also from the point of view of the conditions and limitations which history and contemporary development have imposed on economic structures.

### III. THE SELFMANAGEMENT ECONOMIC SYSTEM AND THE STATE

Among the most important and most characteristic limitations of the selfmanagement system of business operation we would also stress the still considerable presence of the state and of etatist social forces (bureaucracy) in it. We have not enough space for a thorough analysis of the causes of this phenomenon. The symbiosis which existed until recently between the political and administrative apparatus of the state, the fact that politics dominated the economy in the initial phases of the emergence of the model of etatist selfmanagement, the inertia but also the inevitable influence of the model of etatist socialism on the selfmanagement model where a whole range of economic spheres are still insufficiently organized or developed, can be listed as a number of important elements serving as explanation. It is a fact, however, that up to the important change after the economic reform in 1965, consequently even after the new Constitution of 1963 which legalized the selfmanagement economic system and proclaimed the workingman the vehicle of expanded reproduction, the basic vehicle of expanded reproduction had in fact been the state which thoroughly regulated economic trends by means of investment funds, planning and other instruments of economic policy ([14], 40). It is a fact that the state, for this function, appropriated – on the basis of obligations fixed by law – more than 50% of the net income of economic organizations ([13], 36). The economic reform and the constitutional amendments adopted in 1968 spell considerable qualitative changes in the sense of a reduction of this function of the state administration and a consolidation of the economic basis of selfmanagement [15], but we think that the organism of the system of economic selfmanagement has still remained dual in character. To begin with, the state appears as a special formal structure of the system of economic selfmanagement performing the functions assigned

by the constitution at all levels of the vertical axis of organization of the economic system. Articles 121 and 122 of the Constitution of the Federation establish the general trend of development of the country and the basic relations in the distribution of the social product, coordinate the development of the economy and relations between economic branches and spheres, establish the direction and conditions of trade with foreign countries, equate the general conditions of work and gaining of incomes for the sake of realization of the principle of distribution according to work performed and, this being especially important, determine the sources and volume of funds for the realization of tasks. In recent years, under the influence of the economic reform, state centralism and its economic influence have been gradually losing their importance but the economic importance and force of the decentralized state institutions, socio-political institutions at all levels (republics, municipalities) are concurrently growing. This phenomenon can be observed in the extremely brisk rise of the budget and general consumption at the republican, regional and municipal levels, along with the comparative fall of the index of the budget of the federation [16]. The decentralization of the federal economic power can be watched through the phenomenon of the transfer of 'state capital' from the competence of state bodies to the banking system and the limitation of the rights of the federation to finance investments, on the basis of the constitutional amendment in 1968 [17]. Yet, the latest constitutional amendments have altered none of the essential competences of the state administration with regard to its influence upon the economy.

We would also like to emphasize that state authority also represents an informal structure which always exerts great influence at various points of the vertical axis of the system and is also strong at the level of working organizations; this could be illustrated by the fact that even during the period of the reform (since 1965), the average annual rate of increase of the share of many socio-political institutions in the social product and national income has been somewhat higher than the percentage of increase of the social product itself and the national income [18]. A corresponding process has developed in the distribution of the net income of the economy that was achieved. While the political community was appropriating about 50% of the net income of the economy in 1964, this share was reduced to 40.4% in 1966 and displayed a tendency to increase

again in 1967 and 1968. Tables I and II clearly show this formal and informal influence of the state on the federal and republican level.

TABLE I  
Average annual rate of increase in the Socialist Republic Serbia

	Basis in 1966 (in comp. with 1969)	Basis in 1967 (in comp. with 1969)
Social product	8.2	10.1
National income	7.5	10.0
Increase of the share of the economy:		
in the social product	6.6	9.9
in the national income	5.0	9.9
Increase of the share of all appropriations of the state:		
in the social product	11.5	10.7
in the national income	11.0	10.2

TABLE II  
Ratio of distribution of national income in the SFR Yugoslavia

	1966 (100.0)	1967 (100.0)	1968 (100.0)	1969
Participation of the state	41.7	45.9	46.9	46.4
Participation of the economy	58.3	54.1	53.1	53.6

Data: *Reforma*, No. 83, 30 June, 1969.

That is why we may conclude that the characteristic feature of the present selfmanagement economic model is not the absence of the state as a factor of guidance and influence on economic trends but the tendency towards an equilibrium of influence of the state authorities and the economy, as well as towards the use of economic instead of administrative methods of state influence over the economy.

#### IV. SELFMANAGEMENT AT THE LEVEL OF ENTERPRISES – DECENTRALIZATION OF BUSINESS OPERATION

In its development the selfmanagement system has traversed the stage which began with the principle: the factories to the workers, and whose



motto is at present: income and management to the workers. Along with this, selfmanagement at the level of working organizations has been instituted, in practice, in theory and in constitutional principle, as the basis of the entire selfmanagement system.

What does selfmanagement at the level of the working organizations mean and what are its economic consequences? Selfmanagement in working organizations represents the basic point at which selfmanagement-production relations emerge and develop, and where the individual, the direct producer, performs the collective function of businessman. Two specific features characterize this function. First, the worker uses and manages means (factors of production and fixed funds) that are social property. Second, together with other members of the collective, the worker performs the functions which are typical of a businessman: he participates in decision-making and makes a selection of production alternatives, distributes into funds and personal incomes the part of the total income of the enterprise which is not subject to any legal appropriations (net income), bears the consequences, or rather, accepts the risks of his activity. The worker performs the duties of a businessman directly, forming the economic policy of his enterprise, and indirectly, being a member of the workers' council and other management bodies of selfmanagement ([4], art. 9). We underlined already that the working organization is guided in its activity by the striving to maximize the gross and net income so that in this function it is subject to laws of the market and 'conditions of business operation' that the state has created by means of economic and administrative measures.

From the above it is easy to perceive the double position of the workers and the twofold nature of selfmanagement at the level of working organizations. The worker performs the function of a collective businessman since he carries out selfmanagement together with other workers, members of the working collective, and since he performs this function using social fixed assets of production. Performing this function the worker concurrently achieves his private interests (he achieves an income) and cares for, or rather, reproduces social funds. Effectuating expanded reproduction of his income and of social funds alike, selfmanagement in fact unites in one single function what, under conditions of privately organized production, is performed by two special socio-economic subjects – the owner of the capital and the owner of the labour force.

In this sense, the entire development of selfmanagement at the level of firms and micro-economy so far can be conceived as a special kind of process of decentralization of the Yugoslav economy. In that process, the collective-selfmanagement function of the direct producers has been consolidated along with the consolidation of the economic independence and the material basis of individual work organizations. Thus has decentralization become the synonym of collective business (entrepreneurship).

The current period demonstrates another essential aspect of the development of selfmanagement as a process of decentralization. It has been proved that the further development of collective business at the level of enterprises depends upon the development of collective business at a higher level – the larger economic and social political community (commune, region, republic and federation), as well as the branches of industry. In other words, decentralization should in fact both logically and practically bring to completion, i.e., effectuate, an 'ascending decentralization' and transfer the principles of collective business to the level of the industrial branches of the republican and federal economy.

This process would concurrently represent a process of the gradual exclusion of socio-political communities, i.e., state bodies as mediator and representative of the collective business functions of the direct producers, the role and function which the state and its bodies still to a considerable degree perform in the Yugoslav economy at this juncture.

The realization of this socio-economic decentralization – which cannot be identified with technical-economic decentralization, as is often inaccurately presumed – is opposed or is made more difficult at present by numerous factors operative in Yugoslav society both in the material and ideological sphere. Certain socio-economic processes and organizational problems at the very core of selfmanagement, the economic organization, offer resistance to the realization of the entrepreneurs' function of the direct producers.

Let us deal briefly with these difficulties.

From the point of view of economic rationality, the basic question is whether the function of collective business is not contradictory, or rather, whether it contains insuperable conflicts between individual and social interests or unsurmountable contradictions in the functioning of economic selfmanagement which prevent the normal functioning of the entire economic system, or rather, an ever more intensive reproduction of col-

lective business relations. In our opinion, neither the theory nor the practice of selfmanagement are giving definite and identical replies. The problem still consists in the comparative undevelopment of both of them.

As far as theory is concerned, the analysis of collective business represents a new phenomenon on which the investigations and the interest of either post-classic or modern economic theory have not been focused. Yugoslav economists, and other theoreticians, are interested in this set of problems and have made a whole range of hypotheses and raised numerous problems of collective business for which no definite solution exists. These problems are: 'the limit of economic independence of collective businessmen transacting business with social property', or rather, 'the nature of economic functions on the basis of collective ownership'; 'the goals and motives of economic decisions'; 'the nature of business risks'; 'the twofold capability of the worker as producer and "shareholder"'; 'the character of the market and competition under conditions of socialism'; 'the character of social "capital" and planning', etc. The still considerably uneven and contradictory theoretical positions and opinions inadequately contribute to the rationalization and practical solution of the problem [19].

The practical development of selfmanagement at the level of micro-economy, on the other hand, has indicated several substantial problems, of which the analysis and settlement are becoming increasingly more complex since they are closely dependent upon trends in the sphere of macro-economy and upon a whole range of external independently changeable variables in respect to economic organizations.

To begin with, the problem has emerged of the extent to which the producer, guided by motives concerning the maximizing of his personal income and consumption, can be an efficient protector of social funds and the vehicle of accumulation and expanded reproduction in enterprises. The question is also important from the point of view of the further destiny of the process of decentralization of investments or rather of the role which the state plays in the accumulative function of society and in the entire economic development.

Statistical data, especially those relating to the period of reform from 1965 onwards, would give ground for a certain pessimism. Along with the increased percentage of participation of economic organizations in the distribution of the net product between the state and the economy,

one observes tendencies of decreased self-financing by enterprises of their production funds, the decrease of the share of accumulation in the national income in general as well as the increased participation of personal incomes in the net income of economic organizations. Since the beginning of the reform, or rather, since mid-1966, personal incomes in certain economic organizations and branches of business operation have even been growing excessively, so that the community had to react with the blocking and freezing of incomes in these organizations ([13], 78). At the same time private savings have been increasing. In mid-1968 the volume of individual savings in comparison with 'collective savings' (investments in basic capital and business funds of enterprises) was higher by about 20%. Certain economists give the alarm that it is a question of the beginning of the 'privatization of accumulation' in the Yugoslav economy ([20], 680).

But we must take into consideration the fact that the above-described process has emerged in the period of the reform of which one of the goals had been to increase the share of personal consumption in the national income, and that it is not a characteristic feature of the entire selfmanagement period. According to certain investigations the period between 1962 and 1966 shows that the majority of the working organizations has been setting aside about 30% of the income in funds ([21], 41). The existence of a certain correlation between accumulation and personal consumption has been also underlined:

In economic branches and enterprises, in which the average personal incomes have been higher than the average in the economy as a whole, a smaller percentage of the net income has been set aside for personal incomes, while a greater percentage has been set aside for purposes of accumulation than is accumulated in the economy on the average.

For a definite evaluation of the rational attitude of Yugoslav businessmen-selfmanagers in the sphere of personal and investment consumption it is necessary to bear in mind the fact that the Yugoslav economy is rather indebted and the corresponding repayments of credits and annuities considerably reduce the material basis of accumulation ([22], 634). Also, it is necessary to mention the fact that even the reform period of the Yugoslav economy has not managed at least to modify the continuous increase of budgetary and general consumption which bring pressure to bear on the net product of the economic organizations too [22; 16].

We would like to mention another set of micro-economic problems by means of which the capability of rational organization of business operation on a self-management basis is tested. Which are the integrative powers of collective businessmen in the sense of mergers in production and rationalization of production and technological processes?

The basic cell of selfmanagement production is the working unit since it is here that the income is formed and distributed. An economic organization, an enterprise, can be formed out of a large number of working units which constitute an economic and technological unity. Guided by the market boom, some working units in recent years evinced the tendency to disrupt this unity by trying to leave the enterprise or to realize their product outside the market connections of the enterprise where they could realize the maximum income. It is considered that the shortcomings of planning at the micro-level and the long-term orientation of enterprises and branches are at the root of this phenomenon ([23], 19).

It must be underlined, however, that in spite of overt and invisible resistance, caused by numerous factors, the process of integration and concentration, of cooperation between Yugoslav enterprises, including various forms of cooperation with foreign firms, goes on. In the period between 1965 and 1967 alone about 12% of the total number of economic organizations integrated. It is interesting to note that in the leading economic branches (in industry, mining, communications and building industry) big and medium-size organizations carry out integration; they include a great number of workers and their integration can produce manifold economic effects. The process of integration is particularly significant in the leading industrial branches (metallurgy, electric industry, chemical industry) in which every two, or rather every three enterprises are connected through contracts effecting some form of cooperation. Yet, selfmanagement socialism still has to prove its opportunities in this sphere because for the time being lower forms of cooperation (deliveries and purchase of raw materials, realization), are dominant, while the specialization of production is represented with only 12% [24].

At the end of this discussion of the micro-economic set of problems of selfmanagement we would like to add that numerous problems exist also in the sphere of the internal organization of the selfmanagement mechanism. We would like to underline here the still outstanding problem of the competence of individual selfmanagement bodies. In the period that has

elapsed, workers' councils and management committees were granted wide operative competences according to the doctrine that selfmanagement will become more direct if non-professional bodies of management perform an ever greater number of executive functions. Thus the director and executive professional bodies are placed in a contradictory position. Not being a member of the workers' council, the director did not bear full responsibility or risk for the implementation of the policy of the enterprise. At the same time professionally incompetent selfmanagement bodies dealt with concrete problems of realization. On the other hand, the director had an opportunity, while relying upon informal interest groups in the enterprise and the team of experts, to impose his views and interests in the phase of preparation, realization and control of the activity of the enterprise. This contradictory position of the executive officials and selfmanagement results, according to certain evaluations, in the "blockade of technological-economic rationality" ([25], 43). Additional factors have been the still relatively low professional and expert level of directors and resistance against the employment of a highly skilled labor force on the part of a section of the selfmanagement bodies, which delays a more rapid transformation of the professional personnel structure ([25], 93).

#### V. MACRO-ECONOMIC SELFMANAGEMENT: SOCIAL PLANNING AND THE PROBLEM OF CENTRALIZED AND DECENTRALIZED SELFMANAGEMENT DECISIONS

The decentralization of business operation and the development of collective entrepreneurship have effected the change of planning in Yugoslavia. The system of centralized, directive planning, achieved on the basis of administrative instruments and a uniform budget of distribution which pooled all funds of the economic organizations at the level of the communes, was abandoned in 1951. The new system confined the planned decisions of central state bodies to the creation and maintenance of global, macro-economic proportions of development. By decision of the central plan of the Federation the rates of economic development of individual branches and of the economy as a whole were determined, the primary distribution of the national income (the share of accumulation and general consumption) was carried out and the regime of foreign trade transactions was established. Within this setting, room has been left for selfmanagement

planning at the level of working organizations on the basis of criteria indicated by the market and the movement of the total income of enterprises. The purpose of the new planning system has been: to exploit all the autonomous factors acting within the framework of planned proportions in the direction of the development of profitability and rationality of business operations at the micro level. It is also important to stress that the method of planning of global proportions was conceived as a series of measures of the economic policy creating certain 'conditions of business operation' (the system), through the mediation of goods-monetary instruments: the financial and credit system, the foreign trade and foreign currency regime, the policy and regime of prices. Since planning has lost its planned function of guiding and administration, and planned proportions were individually intended for any particular economic subject, the economic organizations were economically stimulated by these measures to direct their autonomous activity to the realization of the proportions of development determined by the central plan.

The state lost the right of directly using the income and funds of the enterprises, because the tie between the financial plans of the enterprises and the financial-budgetary system of communes and higher socio-political communities was severed, and retaining the right to plan general and investment consumption by means of fiscal measures and various forms of compulsory contributions from the net income of enterprises fixed by law. Selfmanagement bodies, in turn, were granted a right which they had not had in the system of the administrative-central plan, viz., to use absolutely freely the rest of their net income. This right as well as the orientation to the market and income, represented a new, selfmanagement quality of the new planning system.

On the basis of this model of planning, the state and the enterprises made their current and annual plans while two plans of the future development of the Yugoslav economy for 1957-61 and 1961-65 were also adopted. The implementation of the second 5-year plan ceased already in 1963 and instead of this plan a draft 7-year plan of development for the period 1964-70 was worked out. However, due to the requirements of the economic reform this plan was amended in 1965 and was transformed into the plan of development for the period 1966-70.

Thanks to the above-mentioned plans extremely high rates of development of the Yugoslav economy were achieved, particularly until 1961,

and the instability of the economy was reduced. This was achieved on the basis of extensive methods of business operation, an extremely high rate of investments and employment as well as of a great increase in the physical volume of industrial production. It must be stressed that throughout the period until the economic reform in 1965, the share of the state in the direct and indirect influence upon investment has been of prime importance. However, from 1961 onwards the system of planning described above has been involved in a crisis culminating in the economic reform and an ever more frequently advanced demand that the system and method of planning be adapted to the changes that have occurred in the selfmanagement system.

What is in essence the crisis in the model of planning of global proportions? It consists above all in a growing institutional duality and in an intensification of contradictory tendencies in planning at the level of enterprises and in the global, macro-economic spheres that are under the control of the state. The system of planning contained two contradictory series of economic decisions and impulses of which one had its vehicle in the administration and the other in the selfmanagement bodies of the enterprises. The central state bodies determined the basic proportions of distribution of the gross material product and the rate of development on the basis of lineal extrapolations of the rate of growth achieved in the preceding periods of time. This method has not been adequate to the market impulses and to expectations at the level of macro-economy. In addition, through the direct influence of central investment funds and the indirect influence of the issue of money and the banking system, the state achieved almost full control over the entire investment policy and general consumption, leaving an ever smaller manoeuvring space and material basis for selfmanagement decisions in the settlement of long-term problems of accumulation at the level of the enterprises. The function of alternatively reviving and stabilizing the economy again increasingly consolidated the influence of the state upon the economy and, thereby, upon selfmanagement. Fiscal measures and central investment funds have been growing. On the other hand, inspired above all by political considerations, the state pursued a policy of extensive development, invested in insufficiently promising and non-motivated projects, created so-called 'political factories' in undeveloped areas, limited the effect of the market and delayed the realization of equal conditions of business operation by supporting



weak branches of industry and enterprises by the introduction of price and export controls, of preferential duties and export subsidies. Under these conditions, planning at the level of working organizations could not develop while the continuous changes in the regime of business operation have not created a favorable climate for a long-term planned orientation, integration and self-organization of the economy. The organizational and economic disharmony between planning at the levels of micro- and macro-economy, at the levels of central and decentralized decisions was apparent in the ever greater discrepancy between planned estimates and the realization of the plans in the increased rate of the cyclic nature of the Yugoslav economy in the course of the last decade as well as in the decrease of the general rate of growth ([26], 379; [27], 3). On the other hand, the resistance of economic organizations against planned decisions and against planning in general was reflected in the last few years in the decreasing number of economic organizations which have planned development programs, in the poor development of the planning service, personnel and methodology at the level of the enterprises, and in the pronounced criticisms made on the part of enterprises due to the adoption of planned indicators by central bodies without any cooperation or consultations with the micro-economy, as well as to their generalized and non-operative nature from the point of view of planning at the level of enterprises ([28], 22, 313).

Similar criticisms have been made by economic science in Yugoslavia. It has shown up the lack of synchronization of the measures of economic policy and planning instruments; the wrong theory and practice of the state administration which, along with the abolition of directive and administrative methods of planning, has considered itself to be ever less responsible for the negative consequences of inadequate application of economic instruments, considering that this is the concern of the economy. Economists underlined also the inconsistencies and contradictions in the measures of economic policy, the lack of expertise in the preparation of plans, the mistakes in analyses and estimates, the lack of planned control as well as the lack of responsibility of planning and executive administrative bodies for the weaknesses that have arisen and have not been eliminated in the functioning of the economic system ([25], [26]). Yet, from the point of view of the selfmanagement mechanism and the consolidation of the influence and material basis of selfmanagement bodies in the sphere o

planning, the central topic of criticism was the still strong influence of the administration and bureaucracy in the adoption of macro-economic decisions concerning the orientation of the economy, as well as the strong participation of administrative control in the formation of accumulation and in the distribution of investments ([22], 63, 103).

Along with all these criticisms considerable progress has been made in the concept of the new model of selfmanagement planning.

Theoretical progress is reflected, in our opinion, in the transcending of dichotomies that have been prevailing among economists as far back as the sixties and which have been reflected in the controversial and wrongly conceived stands of the champions of the organicist and the teleological planning doctrine ([29], 211). The problem of selfmanagement planning and economic development has been regarded exclusively from the point of view of the predominance either of the market or of the central planning will and organization, while today both the effect of the laws of the market and the conscious and controlled, organized action of the state are regarded as component, equally important elements of social planning. Macro- and micro-concomitants of planning are considered to be equally important [13; 5; 23; 29]. Current and short-term plans must be regulated by means of the usual market instruments. Selfmanagement at the level of the working organization has an extremely great influence here. Long-term economic trends which secure the necessary rate of development of macro-economic aggregates (income, employment, gross product and the regional coordination and equilibrium of balances of commercial transactions and payments) must be regulated not only through the market, but also through the social, or rather, state control of the consumption of part of the net income and investment funds ([26], 397).

Theoretically, the necessary share of investment control and centralized measures is considerably smaller than in contemporary Yugoslav practice.

Economic science in Yugoslavia rarely embarks on a sociological analysis of the structure of state authority. It confines itself to statements on the absolute need for spending part of the investments in a centralized form and for centralized control of macro-economic trends. However, by emphasizing the requirement that into the system of planned decisions state preferences should be included as well as the interests and motives of individuals and communities of selfmanagers, Yugoslav economic science has laid the theoretical basis for a different concept of central and

centralized planning decisions and considerations, or rather, of the function of the state in the macro-economic planning of a selfmanaging system [8; 30; 35].

The theoretical progress and the criticism of planning so far are expressed in the new draft law on planning which is now the subject of intensive discussions and on the basis of which must be founded the planning activity in the new 5-year plan 1971–75 [30]. In this draft, planning at the level of selfmanagement organizations is taken as the basis of the entire social planning system ([30], art. 5). The primary role of goods-monetary instruments and of the market as a method by means of which the policy of development is established and realized, is confirmed. That is why special emphasis is laid in the draft on the information services which are obliged by law to present to the working organizations the plans and intentions of all economic subjects of planning, as well as detailed information about the state of trade in the domestic and foreign markets ([30], art. 14).

As regards the method of selfmanagement planning, emphasis is laid on 'social consultations' between all participants in planning ([30], art. 15, 17.) It is also the general method for planning at the level of working organizations and for the coordination of the plans of all participants and at all levels. After all the actors in planning work have put forward their individual plans, their correction and coordination must be carried out by means of the method of 'converging' and 'two-way' planning ([31], 9). This means that all the subjects of planning are obliged by law to coordinate their plans in parallel, synchronized and to compulsory consultations. Planned coordination is secured at all levels of the vertical and horizontal axis of the system of business operation: on the horizontal axis through contracts on the coordination and planning of the long-term activity of akin and similar groups of enterprises; on the vertical axis through the coordination of the plans of organizations with the plans of communes, the participation of working organizations, groups and communes in the determination of development policies and in the preparations of the plans of larger political organizations – the republics and the federation. In this way the function and content of the central state plan is vitally changed and limited. In fact, the plan of the Federation is due to be a political-economic act which confirms the general-social consultations of the economic and political factors on the development program of the

country. The basis of this 'central' planning is the optimum composition of factors of development stemming from the development policy of smaller communities and the development programs of all participants in business operations which have been coordinated in advance.

In order to bring this intricate system of selfmanagement planning closer to its ideals, the law envisages – and this has already been done – the methodology of minimum common denominators which all the subjects of planning are obliged to use while working out their plans. The purpose of these indicators is to secure the minimum basis for future consultations on the occasion of the final determination of the development concepts at all levels of planning ([32], 2). Finally, it must be said that administrative measures and interference in economic trends on the part of the state are envisaged under the law as 'exceptional' and 'extreme' means ([30], art. 2).

At present two lines are discernible in the expert and practical discussion on the above-described draft law on social planning. One line represents those economists who view with a certain scepticism the possibilities for a rapid practical organization of such a concept of selfmanagement planning. They express their misgivings that one might prematurely begin with the abolition of the existing functions and prerogatives of the state in planning and the creation of 'a special kind of institutional vacuum' without leaving enough time for a period of transition during which one would thoroughly review the behavior of economic subjects and the anomalies perceived in the course of the last decade of selfmanagement at the level of micro-economy that have been mentioned above. They are especially alarmed due to the emergence of monopoly structures, the autonomous effect and differentiation in the creation of personal incomes, the existence of informal groups in enterprises which are against the coordination and integration of their business activity with other less developed enterprises. This is why it is apprehended that – without a long-term coordination – consultations on the coordination of the planning activity will be futile ([33], 313).

Other economists evince greater optimism. They believe in the possibility of a more rapid stabilization and self-organization of the economy and planning with the concurrent development of selfmanagement institutions which will replace the administrative function of the state in the new model [24].

The future will prove how matters will develop. And yet, one thing is unambiguously clear at present. After a long crisis in methods of planning and the frequent absence of any planned activity at all levels, the selfmanagement society in Yugoslavia, instructed by the experience of the period that has elapsed, today realizes quite clearly that the future development of planning on a selfmanagement basis is the necessary precondition of the very existence of selfmanagement and of the economic development of Yugoslavia.

#### VI. INSTEAD OF A CONCLUSION: THE PRESENT AND DESIRED SYSTEM OF ECONOMIC MANAGEMENT

From what has been said it is possible to draw a twofold conclusion on the state of economic selfmanagement in Yugoslavia. In comparison with its initial steps and forms that emerged in 1950, economic selfmanagement has considerably progressed. At the same time, the existing economic system is teeming with intricate contradictions. The elements of administrative management and the partial interests of bureaucracy clash with the collective interests of selfmanagement entrepreneurs. As a complete economic system, the selfmanagement society is now seeking to get out from the settings of micro-economy and to absorb the entire macro-economic structure of society. To that end it must conduct a twofold struggle both against informal groups and partial interests at the level of the enterprises which prevent the process of integration, and against centralist etatist structures which seek to retain a dominant influence upon the macro-economic trends of the economy. And yet, the proportions of the difficulties facing the development of the selfmanagement economy in Yugoslavia can be fully perceived only if one takes into consideration certain additional facts, viz., that Yugoslav selfmanagement economy and practice is confined to the Yugoslav dimensions and experience, that it encounters resistance in other socialist societies and that it is limited both 'from inside' and 'from outside' by the degree of economic development that is achieved, by the lack of cultural-historical homogeneity of Yugoslavia, and by the powerful influence of favoritism and blocks of countries in the international market where Yugoslavia is endeavoring to find its place.

And yet, serious difficulties and obstacles in the further development of

the selfmanagement economic system ostensibly do not diminish the force and vitality of the selfmanagement economy. In numerous aspects of economic efficacy and rationality it proves to be superior to the extremely centralized socialist economy where the influence of the state and bureaucracy prevails. The current progress in the decentralization and democratization of the economic development and in the position of the direct producers is equally important.

However, we would especially like to stress that the theory and ideology of economic selfmanagement has gained in depth and substance in the course of years. Instead of the initial, to a certain extent simplified, image of selfmanagement in which the unity and identity of individual and social interests as well as the harmony and automation in the realization of the selfmanagement economic process were naively presupposed – the development so far and the experience gained have conduced to the fact that the evaluation of the present situation is extremely realistic and critical, but this is why the vision of the future development is deeper and more comprehensive. We have not enough space to dwell on this vision but we may eventually outline in brief its principal features:

(1) The central question of the future (and desired) development of the economic system of selfmanagement is its establishment on a branch, regional and national basis. Selfmanagement must go beyond the enterprises ([34], art. 3, 4, 6, 13, 14). The path of this way out is the path of economic integration and of the development of various institutional forms of selfmanagement consultations and agreements on all vital questions which concern the interests of the economy at all levels of micro- and macro-economy. This is at the same time the path along which it is possible to settle the devolution of important economic competences, that are now in the hands of the state, upon direct producers.

(2) Second, an equally important question is the working out of new methods for the settlement of the conflicting economic interests of individuals, groups, branches and national economies which have their historical aspect in Yugoslavia. The differences and inequalities of collective entrepreneurs, enterprises and branches are objectively given with the existence of various subjective and objective differences in conditions and possibilities for business operation. The crucial problem of the future development is to find a degree of inequality which, on the one hand, is adequately stimulative from the point of view of economic efficiency

and, on the other hand is socially and economically tolerable from the point of view of the cohesion and stability of the economic system ([35], 361).

(3) Selfmanagement economic relations will increasingly have to develop in future not only as democratic but also as polyarchic relations ([35], 364). The selfmanagement economy must secure not only the interests of the majority but also those of the minority. Obstruction must thereby be prevented and a system of compensation must be introduced. The interests of the parts and of the whole must be settled upon the basis of big technological-economic systems based upon the coordination of global and partial optimums. One must bear in mind that material incentives are not always managers' incentives. The interest aspect in decision-making, with different interests involved and varied evaluations of the order and choice of economic alternatives will alter the technical optimums. That is why the future development of big systems in Yugoslavia which are absolutely necessary from the point of view of the technological-economic rationalization and increase of productivity is a far more intricate question than the development of these systems in authoritarian societies. For, in the Yugoslav model of selfmanagement, in contrast to the authoritarian models, one must concentrate on the interest aspect of management and not on the technical one.

(4) All economic categories of the market economy and planning must obtain their specific social content and new functions in the Yugoslav economic model. It is not merely a question of competition but of the development of 'cooperative competition'. It is similar with the categories of 'prices', 'social capital', 'bank capital', 'selfmanagement monopoly', and the like. For the future more rational functioning of the selfmanagement model of business operation, Yugoslav economists will have to work out a new theoretical discipline within the setting of the economy of socialism which will considerably differ from the welfare concept of socialism as well as from the centralist-planning model of business operation [36, 19].

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## A DESCENT TOWARDS PARTICULARS

Great tension can be foreseen at this conference between the large, generous and humane imprecisions characteristic of Yugoslav Marxism and the narrow, petty and technical quest for specific truths (in the plural) for which the Western economist is notorious. I wish to pretend to solidarize myself with the latter attitude, merely *ad hoc* and as *advocatus diaboli*, and to put to my Yugoslav colleagues a large number of boring questions.

It is noticeable how much more satisfactory self-administration has been sociologically, psychologically and politically than in economics. On the three former grounds I believe Yugoslavia to be the benefactor of the whole world. I hope her example is followed, with appropriate modifications, by all countries, including my own. In my own workplace I try at all times to encourage and practice such self-administration, and Yugoslavia's example has substantially affected my conduct.

But when we turn to economics we find little if any advantage. On the macro-level the sheer productive performance of self-administered Yugoslavia is excellent, but growth was no slower during the 'administrative period', and the performance of Soviet-type economies continues to be at least as good. Even certain capitalist countries do as well or better. Again inflation and rising prices are as rampant as nowhere in Europe: both capitalism and Soviet-type Communism are clearly superior in this rather minor respect, and only Latin America 'outperforms' Yugoslavia here. And on the micro-level there appear to be numerous irrationalities, specified below. There are also questions less of economics than of management: but with these the papers before the Conference deal realistically and at length. In Yugoslavia, and in parts of Israel and Algeria, the labour-controlled enterprise has come to stay. We need an applicable, realistic economic theory of it, that will answer the same questions as Western economics tries to answer in respect of the capitalist enterprise.

So much for the reasons that prompt me to be narrowly economical. Let me at once pose the questions.

(A) The accepted doctrine among Western economists<sup>1</sup> is that the labour-controlled Yugoslav enterprise tends to maximize enterprise income (i.e. value added minus taxes and interest) per head of existing labour force. The classic diagram (see Figure 1) shows the effect on employment, and therefore output, in the short run.

If the input under examination is labour, a capitalist enterprise will expand employment to  $Ob$ , where the marginal cost of labour = its marginal product, and the 'welfare' equations are satisfied. But a labour-managed enterprise will stick at  $Oa$ , thus irrationally allocating resources.

Moreover, the analysis cannot be inverted by the claim that a capitalist enterprise tries to maximize profit per unit of existing capital, and so will

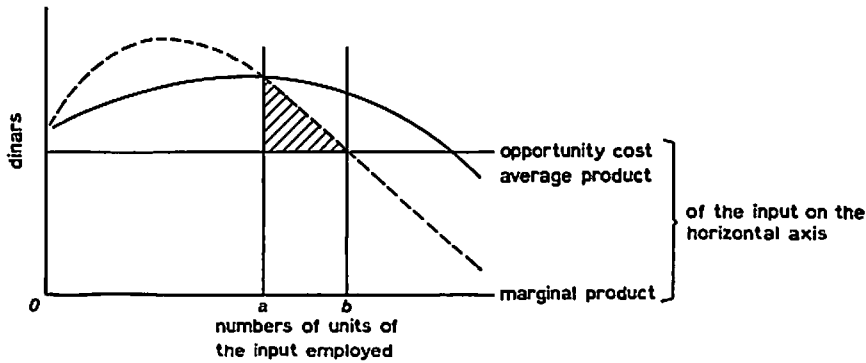


Fig. 1.

refuse to take on more capital; i.e. if the input under examination is capital, the capitalist enterprise sticks at  $Oa$ , while the labour-managed enterprise proceeds rationally to  $Ob$ . For under capitalism loan-capital is ideologically and legally permissible, and the existing equity shareholders will be delighted to hire  $ab$  at a fixed interest, adding the shaded area to their own income. Similarly an Israeli kibbutz faces indeed ideological, but not legal, inhibitions against hired wage-labour that does not share indefinitely in enterprise income; it can and does hire at a fixed wage, though under protest, because it is in the nation's interest. There is, however, no hired wage-labour in the Yugoslav socialist sector, and so the nation's interest is defied.

Additionally there is the question of power. Just as old equity holders

resent the intrusion of new ones, and insist on other ways of raising capital that give the new lender no vote, so will a labour-controlled enterprise have a ready-made oligarchy in the existing labour force. Unless a faction within them expects added strength from the newcomers, they will resist all expansion so as to retain their present power.

Well, is this attractive but abstract doctrine correct in the Yugoslav case? *Does* the workers' council act as a body of *homines economici*? If not, can we generalize *at all* about their conduct?

In particular do the following specific problems arise?

(A.i) Are workers' councils reluctant to expand employment, even apart from their enterprise's monopoly position in the product market?

(A.ii) The answer to (A.i) has of course nothing to do with Yugoslavia's inherited problem of Malthusian macro-unemployment. But it should result in the expensive organization and foundation of unnecessary numbers of new socially owned enterprises, to create employment that could have been more cheaply given by merely expanding the existing ones. Is this so?

(A.iii) What exactly is the law (or prejudice) against hiring wage-labour? Is it, as one would expect, very regularly evaded by workers' councils anxious to capture for the existing labour force the shaded area in Figure 1? The following evasions suggest themselves:

Paying fees to outside experts when administrative efficiency would dictate their permanent employment (cf. Kamušič, p. 94);

Unnecessary subcontracting, so as to obtain, instead of labour, the product of labour at a fixed price and without diluting the power structure.

(A.iv) In a given region and at a given level of skill, are inter-enterprise differences of reward to labour greater than under capitalism or Soviet-type socialism? (Cf. Kamušič, pp. 91–93. Clearly the distribution of total income must be more equal than under capitalism, but that is not my question here.)

(A.v) It has long been within the possibilities of the system that one enterprise should lend to another. Can the income from such investment be distributed normally among the members of the lending enterprise? For if not, we must expect extreme reluctance to invest 'abroad', and a very irrational bias toward ploughback (cf. Kamušič, p. 109). But would not such distribution be Marxist exploitation?

(B) It follows from (A) that labour has no market price (cf. Kamušič, pp. 94, 96).

(B.i) Is this really true, especially for common grades of skill in major cities?

(B.ii) If it is true, labour has also no opportunity cost. Then do not the central planners run into the same difficulty with the opportunity cost of labour as do Soviet central planners, thinking about kolkhoz labour? How do they solve this problem?

(B.iii) Do entrants into an enterprise demand to see the accounts? Is not the process of hiring a man rather like that of a capitalist enterprise issuing a prospectus?

(B.iv) What is the exact nature of the state's guarantee of a minimum income to enterprise members?

(C) We say under capitalism 'You can't take it with you' – when you die your money is of no further use to you. Now under Yugoslav conditions the moment of 'death' is retirement, for 'you can't take with you' whatever enterprise profits you voted – or the workers' council decided on your behalf – to plough back in earlier years.<sup>2</sup> It is natural that you should not be able to take them away in cash, but as a capitalist equity holder you are able at any moment, and not merely on retirement, to realize your holding, duly appreciated by the ploughback that has been made since you bought it, by sale to another capitalist. This being so:

(C.i) Is not there great reluctance to plough back? (This question at least is rhetorical!)

(C.ii) Are pension rights in any way linked to enterprise performance, especially enterprise ploughback? Are they transferable? Or are they standard nationally?

(C.iii) The typical voter for ploughback, on this analysis, will be a skilled and influential middle-aged worker, with a family and a satisfactory house, possibly on the workers' council. The typical voter for distribution will be the uninfluential (who obtain no psychological satisfaction from the ploughback), the young (who are mobile) and the old (who, being about to retire, are also 'mobile'). Is this so?

(C.iv) Is it still the League of Communists that ensures adequate collective saving? Is this what J. Županov means by 'social sanctions' (Kamušič, p. 107)?

(C.v) It also follows that ploughback will be directed towards quick profit, leaving long-term schemes (even economically sound ones) to the federal government. Is this so? (Kamušič, pp. 107–109).

(D) Foundation, amalgamation, take-over and bankruptcy are the ultimate events in the life of the enterprise. Under capitalism they are motivated by profit, and anyone with enterprise and initiative can engage in them (bankruptcy is often very profitable to entrepreneurs). These processes are well understood – and incidentally they are the least morally attractive part of capitalism. But in Soviet-type and Yugoslav socialism they are not well understood. In Yugoslavia, for instance:

(D.i) Has the law of bankruptcy ever been applied to a single socially owned enterprise?

(D.ii) Whence comes the modern thrust for amalgamation and take-over? Workers' councils? Managers? Banks? the LCY? The planners? The specialized state committees? The chambers of commerce? (cf. Maksimović, p. 140).

(D.iii) How often is the take-over of *X* by *Y* a substitute for the bankruptcy of *X*? How is the *Y* workers' council persuaded to do something so contrary to our image of their motivation in (A)?

(D.iv) The size of enterprise is increasing. Is not this a threat to self-administration? And to the Komuna? Even perhaps to the Republic?

(D.v) Does not Yugoslavia require a monopolies commission to control and possibly split up monopolies? (Reliance on free trade is extremely unrealistic in a small inflationary country: trade will never be free because there will always in fact be a balance of payments crisis.)

(E) Inflation, we know, is a way of life in Yugoslavia. Is this not in part due to self-administration? For:

(E.i) It is much more difficult to generate savings in this system than, *ceteris paribus*, under capitalism or Soviet-type socialism. Only in Yugoslavia is the poor man genuinely consulted about ploughback – and he votes against it ((C.i) here; Kamušič, pp. 104, 105).

(E.ii) The bank, or the treasury, always steps in to cover enterprise losses (D.i). Just as in the U.S.S.R., there is a Marxist tradition that finance ranks lower than production; but to this we must now add the direct recognition of the rights and interests of the workers concerned.

(E.iii) In all fully employed imperfect markets there is upward pressure on prices from those who pay costs and set prices. In other words cost inflation is rampant where prices are administered by the producers, supply curves of factors are inelastic, and the economy is growing. But in a capitalist market price administrators are capitalists, and owing to the class distinction the workers at least pretend not to be interested in the prices of their products. In the labour-controlled enterprise this barrier falls away, and the workers cannot but recognize, directly and continuously, their self-interest in prices.

(F) What, when we strip aside their verbiage, do Yugoslav central planners really do? A Marxist economy has to be planned, and a self-administered enterprise cannot be planned. So obscurantism and compromise are inevitable. Indeed central planners are in all countries very evasive people. They claim to use advanced techniques, and they buy expensive equipment, but the data are never suitable and the equipment gathers dust: they *talk* about techniques. In the U.S.S.R. they claim to command everything, but they do not. In France they claim to command nothing, but they do. Their descriptions of their procedures make them sound unhurried and rational, so are false. The principal weapon of the planner remains, in the immortal words of Boris Kidrič, the telephone. But if other central planners are never what they seem to be, Yugoslav central planners are worse; they do not even seem. Long study of foreign-language sources gives me no concrete picture at all.

(F.i) Would it be a correct guess that Yugoslav central planners:  
 set taxes and interest rates;  
 decide large federal investment projects;  
 influence large republican investment projects;  
 allocate some but not all foreign exchange;  
 and really have no other ways of influencing the economy?

Then are they not identical to Indian or Pakistani planners, and much less important than French ones?

(F.ii) Are the techniques of French planning really not used or going to be used? Are the compulsory consultations promised on Maksimović (p. 146) not going to result in a 'democratic input/output table'? If not, what is their purpose?

(F.iii) Why do Yugoslavs dislike computers? Do the planners *use* (not



talk about) input/output or mathematical optimization ('linear programming')?

(F.iv) Does anyone in Yugoslavia really mind the perpetual and gross non-fulfilment of central plans? (cf. Maksimović, pp. 141, 142). Is it greater than in France or in the U.S.S.R.?<sup>3</sup>

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<sup>1</sup> B. Ward in *American Economic Review* 4 (1958); E. Domar in *American Economic Review* 4 (1966); The workers' council will choose this maximand as a matter of course. But even a very dominant director will also choose it, since the matter is indifferent to him personally and even he wants to avoid conflict. Let me add that I am by no means personally committed to this theory.

<sup>2</sup> Debbie Milenkovich (Barnard College, New York), privately circulated paper, 1969; Kamušič, pp. 81-82, 85-86; Maksimović, p. 104.

<sup>3</sup> Excepting agriculture, the degree of under- and over-fulfilment of 5-year plans is the same in these two countries (Wasserman and Wiles, *Economica*, 1970).

## DISCUSSION

Mr. *Kamušič* started the discussion commenting on Mr. Wiles' comment. We are not able to say, Mr. *Kamušič* repeated, whether the economic successes of Yugoslavia are due to selfmanagement or not. Both the economic policy, which has undergone many changes in the last 20 years, and the mechanism of selfmanagement are two interconnected variables. The results of the Yugoslav economic performance cannot be ascribed to one variable only.

Wiles accepts, he said, the often heard doctrine that the labor-controlled Yugoslav enterprise tends to maximize enterprise income per head (see his Figure 1 on p. 155) to the point *Oa*. There exist, to be sure, such tendencies, but the consequences are different, because the larger the income, the smaller the portion allotted to personal incomes and the greater the portion allotted to the funds. Yugoslav enterprises tend also to maximize profit in relation to the unit of invested capital, especially in cases where an enterprise is not willing or capable to increase wages beyond an appropriate level. Wiles' hypothesis could be true if all the income would go to personal incomes, which is not the case. Therefore the Yugoslav enterprise will not expand employment only to *Oa* but to a point somewhere between *Ob* and *Oa*.

Answering the question of remuneration for outside experts, Mr. *Kamušič* said that they are as a rule better paid indeed, but he thought it only partially to be the result of a tendency to restrict employment.

Only less capable managers and only in small enterprises a ready-made hierarchy of the existing labor force can be observed to resist new employment. This is no rule, however, and is more a consequence of human nature than of selfmanagement. Usually the communities of greater enterprises do vote for integration, as is e.g. the case with Mr. Blum's firm. Concerning the question of distribution of income out of investments (lending) in other enterprises, Mr. *Kamušič* said that this income can be distributed among the workers of the lending enterprise, bearing in mind what was said in his paper on the appropriate level of personal incomes. Although in Yugoslavia labor has no market value, the system of demand

and supply has an indirect influence on the fixing of personal incomes, he said. Speaking about 'ploughback' (investment out of proper funds), Mr. Kamušič remarked that it is not necessary that the ploughback will be directed towards quick profits, but can also be directed to long-term schemes. The economic logic of capitalist shareholders cannot be applied to the labor-controlled Yugoslav enterprise, he told the audience.

Mr. Kamušič further said that the ideas of Mr. Tinbergen did not essentially contradict his own ideas about the necessary conditions to obtain an optimum order.

Mr. Kamušič said he looked at the relations between industrial democracy and economic efficiency neither from an idealistic nor from a pessimistic point of view. Both values are neither identical nor strictly opposed in the parallelogram of forces, but two components joining under a correct or somewhat less correct angle. The result of these tendencies is usually an increase of economic efficiency and democracy at the same time, although not to the extent as optimists would wish, but great enough that we remain optimistic in this respect, he declared. "Any order which deserves the attribute of optimum should contain selfmanagement, and this in a very advanced form," Mr. Kamušič concluded.

Mr. *Wiles* expressed his appreciation that so many of his questions had been answered. He only could not understand, he said, why the Yugoslav communists show such a hostility towards hired labor. After all hired labor could be very profitable for the enterprise as well as for the workers. As a second point he stated that the role of the central planners had not become clear to him as yet.

Mr. *Singleton* raised three problems: the first about the growing influence of the private sector, he spoke of half a million hired workers outside Yugoslavia. Secondly he asked whether Yugoslav capital migrated to lower wage areas and whether labor migrated to higher wage areas. The same tendency he observed with the foreign capital moving into Yugoslavia. Thirdly: how far selfmanagement can survive when the economic development is dependent on capital from abroad?

[In March 1969 150 Yugoslav enterprises had arrangements concerning cooperation with foreign firms, while only 6 cases of joint investment were recorded. Foreign capital amounted to some 210 million dinars, including 138 million from the G.D.R., according to *Vjesnik u Srijedu* 12.3.1969. – Note of the ed.]

Mr. *Samardžija*, replacing Mr. Maksimović absent because of illness too, said that the problem of agricultural workers had little to do with the problems discussed at the symposium, nor did he think it fit to discuss privately owned business, comprising (outside agriculture) less than 200000 people on a labor force of about 3.5 millions.

He dwelled to some length on the problem of the old forms of self-management and new forms of direct selfmanagement in the 'working units'. The enterprise, Mr. *Samardžija* said, had to be regarded as a kind of association of working units. This called for a 'multi-level management' and completely new economics, not known hitherto in the organization of the classic economy. Discussions were heated, he said, centering around the possible disintegration of enterprises and introducing market relations into the enterprise. We have to find out criteria for an organizational optimization of enterprises. Something is still missing; the working units should become the basis for a new integration and coordination of the whole enterprise. Mr. *Samardžija* further stated that the paper of Mr. Maksimović did not give in his opinion the right answer to the problem of coordination. The market structure, he stated, is the basic economic coordinating mechanism, which of course is not the capitalist market structure. Integration can be reached and furthered by regional agreements, based on selforganization of the economy. He agreed, however, that big industrial complexes could be of a monopolistic nature and that for that reason some sort of anti-trust policy was necessary. Mr. *Samardžija* concluded with saying that Yugoslavia does not have any plans, there is no central planning.

Mr. *Wiles* replied that he was not so much interested in what the Yugoslav planners did not do, but in what they really did.

Mr. *Samardžija* replied that Yugoslavia was now trying to define a new methodology of planning. He mentioned the several levels on which the planning of investments, the market and the financial policy is made.

At this moment some speakers asked why the Yugoslavs did not answer concrete questions as, e.g., the one posed by Mr. Singleton on the expansion of the private sector.

Mr. *Wemelsfelder* asked what was the input of the private sector on selfmanagement. Why can the private sector not expand? He saw the reasons perhaps in ideology (exploitation) which he thought to be an obsolete idea.

Mr. *Boerboom* stressed the importance of the private sector, as not being connected with planning.

Mr. *Blum* stated that the question of the planning system had not yet been solved. The part of the enterprise in income cannot be greater until we have liquidated the tasks left over to the central authorities by former planning, he said. We cannot say which system of planning we have. The whole society now tries to find a proper solution.

Mr. *Albrecht* explained the difference between personal labor and private labor. The former is fully accepted, the latter formally rejected but temporarily tolerated though limited by a progressive tax policy.

Mr. *Albrecht* said there is no question of mixed enterprises in Yugoslavia, only of mixed capital and this is no threat to selfmanagement. Any enterprise once set up becomes automatically a selfmanaged unit. Foreign investments are regulated by law, the foreign investor has only a right to participate in the profits and cannot meddle in the process of selfmanagement. Investment is not allowed to be higher than 49 % of the total capital and part of the profit must be reinvested in Yugoslavia. The third problem Mr. *Albrecht* dwelt on was the question of different wages for the same type of labor. Is it socialist that differences exist in the conditions for business operating of the enterprises? No, Mr. *Albrecht* said. Nor did he consider it to be socialist that labor is measured by different yardsticks in different enterprises. We try to find a solution, he said, that the selfmanagers themselves find out common yardsticks. Income distribution according to work performed and solidarity are not incompatible, he said. We try to find an equilibrium between these two, we do want to have a situation where everyone has an equal opportunity to acquire income.

Mr. *Kolthoff* asked whether democratic ideals have priority in the Yugoslav economy or economic efficiency. He thought the Yugoslavs were still not answering the questions laid before them.

Mr. *Stikker*, on the contrary, said the Yugoslavs were answering extremely well, people who denied this probably did not listen attentively themselves. He asked why there was the provision limiting foreign investments to 49 % of the total capital if the foreign investor after all has no right to decide on managerial questions.

Mr. *Boerboom* said that investments in key industries, although quantitatively perhaps not so important, might very well turn out to be qualitatively very important.

Mr. *Denitch* said the non-Yugoslavs here spoke with incredible abstractness about foreign capital in Yugoslavia. They forget, he said, where state power lies and who holds it. Enterprises *are* selfmanaged, the percentage of foreign capital is not important. Parliament and party *are* committed to socialism and are absolutely opposed to restoration of capitalism. The private sector he called not important, they are marginal people, he said, they have no political influence in the system. Mr. Denitch asked whether it was possible to maintain the system of selfmanaging relations without extending them to the large agricultural sector.

Mr. *Van der Horst* asked why the Yugoslavs introduce foreign private investments when they try internally to eliminate private capital?

Mr. *Vredeling* asked why the agricultural sector of the economy had been neglected. Why was this sector, comprising about 45 % of the population, left out of the socialist system of selfmanagement? How has this decision been taken? Mr. Vredeling said that the Mansholt plan for agriculture was much more socialist in his opinion than the Yugoslav policy for the countryside.

Mr. *Samardžija* gave then a short historical view of the rural policy after 1945. In 1952-53 the 'kolkhoz'-system was abandoned, it simply did not work. He denied that Yugoslavia neglected the agricultural sector. He said 85 % of the arable land is owned by individual peasants, no one owing more than 10 hectares. The individual farmer cooperates on various levels with the big socialized agricultural enterprises, and this system does work very well, he said.

Much is also done, he stressed, to raise the educational level of the rural population, and to furnish them with technical equipment.

Mr. *Albreht*, returning to the question of foreign capital, said the Yugoslav economy was in need of capital, therefore we let foreign capital in, however, he said, as a rule it is difficult to persuade foreigners to invest in Yugoslav enterprises. Secondly, Yugoslavia wants to enter the international market and therefore not only money is needed but foreign know-how and machinery as well. Foreign investors must accept the social conditions of our system and are not allowed to exert political influence. Foreign capital is invested on the basis of an agreement between our enterprise and the investor, under the control of the state. We limit its share to 49 % because on this basis part of the profits flows out of the country.

Mr. *Bilandžić* stated that the Yugoslav ideological point of departure is

that economic efficiency grows in proportion to the liberation of labor. Man's creativity is all the greater to the extent that he is free in society, he said. Is this doctrine, however, proven in practice? Here he discerned two questions: (a) are the workers ready to set aside savings for the development of the enterprise?, and (b) are the workers capable of managing a modern economy?

Mr. Bilandžić answered the first question in the affirmative; in the course of 20 years the rate of accumulation has gone up as far as comprising one-third of the national income; in some years the working class gave about 25 % of the national income for defense; the standard of living rose rapidly; the annual rate of growth for industrial production, excepting the years 1966-68, was about 12-13 %.

As for the second question, here Mr. Bilandžić saw three possible solutions:

(i) The workers give mandate to the leading team to manage the enterprise for a fixed period of time. This is unacceptable, he said, because we want the worker to run the enterprise in all phases.

(ii) The working collective decides on all matters, including technical questions. However, Mr. Bilandžić observed, it is not the purpose of self-management to make the worker an expert in all fields. If the worker permits himself to be drawn into discussions with all the various experts, Mr. Bilandžić said, then he will become a captive of the administrative apparatus. Therefore this too is an erroneous approach to selfmanagement.

(iii) Workers' selfmanagement should be considered to be the power of the worker to make decisions on the general goals of his work and on the conditions under which he performs that work. The capitalist, he told the audience, *does* manage the enterprise, but he cannot discuss the technical, economic and juridical problems with his experts. He has the power and the authority. A similar position is held by the workers' council, which takes the strategic decisions, while the experts retain their own autonomy.

Mr. *Neuberger* wanted to know who makes what decisions, what are the inputs into the decision-making on the part of the various strata in the enterprise and how are the decisions of the decision-makers coordinated. He formulated a number of specific questions and points:

(i) How are the decisions of the planners coordinated with the market system, is there a plan?

(ii) What are the goals of the Yugoslav enterprise? Maximalization of income per head of workers employed?

(iii) What about labor mobility and capital mobility?

(iv) What are the relations between the central workers' council and the councils of the working units and what is the implication of these relations for the efficiency, the democracy and the integration of the enterprise?

(v) Should day-to-day operational decisions be made by the director and his staff or by the management board? Who implements the decisions of the workers' council?

(vi) Which theory is more important in Yugoslav enterprises: the 'equal stomachs'-doctrine or the 'incentive' doctrine?

(vii) What is the relation between income and investments?

(viii) What are the consequences of the unequal income for equal jobs in different enterprises?

Mr. *Vanek* said it was very difficult to translate and explain the Yugoslav system in English terms.

The Yugoslav dimension does *not* correspond to the Ward/Doman model, reproduced in Mr. Wiles' paper, he said. The idea that the Yugoslav enterprise has only one goal, income maximalization per head of workers employed is neither correct nor a God-given criterion. This concept is in Yugoslavia practically unknown, Mr. Vanek said. The existing income theories of Todorović and Korać have very little relation to Ward's model. Mr. Vanek observed two maximands: (i) income per worker, and (ii) income per capital invested. The Yugoslav enterprise has quite a number of goals, he went on: growth (given the high investment-proneness, valid also for poor enterprises, they voluntarily accept sacrifices in order to be able to develop); increasing density of employment; wish to be trained or further skilled; development of housing services. Mr. Vanek concluded by saying that most of the economic categories, e.g. the market, behave differently indeed in Yugoslavia.

Mr. *Van der Horst* again raised the issue of foreign capital; which effects does it produce in the political field? Is there any opposition inside Yugoslavia to this 'dualism' of fighting domestic capital and letting in foreign capital?

Mr. *Burzevski* dwelt to some length on the question raised by Mr. Vredeling.

He said the socialist economy and the private farmer did cooperate and did coexist – for how long it was impossible to say.



Mr. *Wiles* said a small country *has* to buy foreign technology. The Soviet Union did and does this too, Lenin himself thought it was right with certain restrictions. Mr. *Wiles* said the Marxist doctrine of exploitation was rubbish, because it pays to be exploited. So there is exploitation, the trouble lies not with the Yugoslav policy, but with Marx.

More serious, however, he thought, was the growth of internal capitalism. There is exploitation of one enterprise by another, for they invest in other enterprises and draw interest from it and can distribute this among their own workers. Should this not be avoided? He asked for some more comments on this point.

Mr. *Wiles* raised further the question of a possible resurgence of capitalism in Yugoslavia. He asked whether it was right to say that if you have selfmanagement, you must inevitably have a capitalist economy. He pointed to the existence of considerable inequalities between enterprises and to a certain resurgence of private domestic capital. He observed that about 50 % of the labor force works for itself or for a private employer and referred to a developing capital market (bonds) and a short-term money market. Then there are the free professions. He inquired further about the cultural demonstration effect of all this (beauty contests, pornography). Although he personally thought the Yugoslavs had all this under control, he asked for some more comment on these problems.

Mr. *Samardžija* replied that influences from abroad are of course not excluded. He said in the West there was a tendency to identify socialism with the Soviet model and to proclaim anything not fitting in the Soviet model as resurgence of capitalism. He could not see why market relations were contrary to socialism, they existed before capitalism too, he said. Income inequalities cannot be avoided in a developing society as the Yugoslav one. To be sure, he added, we had at one time the idea of egalitarianism but it turned out to be detrimental to productivity.

Concerning small private business existing in Yugoslavia, he assured the audience that it was not capitalist business. If the socialist economy is not able to compete with this small business, the system could hardly be considered more progressive, he argued.

Mr. *Samardžija*, however, agreed that the banking system – about which discussions are going on in Yugoslavia – brings with it some elements of a capitalist society. It is a problem, he said; we try to separate the banking system from the state and to reach a solution in which enter-

prises have a voice in their decision-making. The bank may not be allowed to develop itself as an independent social force.

The speaker went on to say that the existence of free professions could not be avoided; however, we do not develop capitalist relations in this way, he said.

Speaking about beauty contests Mr. Samardžija said there was nothing antisocialist in a nude female body. Please, make a difference, he told the audience: what is the meaning of the capitalist system as a system of political, economic and social organization and what are the general rules, habits and values of a modern industrialized society.

Mr. *Jacobs* asked who controls and investigates the enterprises in matters of price-setting, quality and delivery of goods. How does the state interfere with the enterprises?

Mr. *Samardžija* replied that in general no binding instructions are given to the enterprises, although they are controlled by various inspection organs.

Mr. *Baumal* raised the question of financing and capital. Why do the Yugoslavs let in foreign risk-bearing capital and forbid the same to domestic capital? The only sources for financing are retained earnings, loans and bank credits. This complicates matters for management, he said. You have to pay back a considerable fixed amount of money every year. Wrong decisions are under these circumstances very dangerous. Why does the Yugoslav economy not use domestic risk-bearing capital for the financing of its own enterprises?

Mr. *Samardžija* answered that the conception of 'social ownership' of the means of production rules out the possibility of financing investments out of shares or stocks. This would lead to an undesirable form of ownership. Nobody can be treated as owner of the capital of the enterprises. Different groups (the state, the republic, the commune, the workers' council) decide on this capital at various levels. "There is no owner in the whole thing", he concluded.

Mr. *Wiles* said the worker is the equity shareholder, and he or the enterprise funds take the risk in bad years.

Mr. *Baumal* asked whether this situation was consistent with Yugoslav ideology: the banks will never suffer losses.

Mr. *Wiles* replied that there is no risk-bearing capital because it is not a capitalist system. Labor, he said, owns the enterprise, in ideology and in practice. In Yugoslavia labor is risk-bearing.

Mr. *Samardžija* did not agree with Mr. Wiles' explanation. The workers, he said, are not the owners. Everybody and nobody is owner. When an enterprise runs into losses we do not close it down, but we try to reorganize it by way of subsidizing or by a temporary compulsory administration. We try to avoid bankruptcy. Social aspects are important too, we do not look only from a purely economic standpoint at these matters. Then the community takes the risk, be it the commune, the republic or the federation.

Mr. *Baumal* said he spoke about expansion, not about endeavours not to close down enterprises. Loans as a means for financing prevent the management from taking risks, they may let good opportunities pass by. Moreover, *The Economist* [1 Nov. 1969] reported a new means of financing in Yugoslavia, namely the issue of bonds of 6 % to the public. Why not go a step further, he inquired, and issue papers? This is not linked with the ownership issue, Mr. *Baumal* concluded.

Mr. *Samardžija* agreed that some Yugoslavs have the idea to issue stocks in various forms, but personally he did not see any need to finance investments that way. The public gets 7-8 % on deposits. We have bonds, he said, but in a very restricted form. Mr. *Baumal's* idea would inevitably lead to deformations, to some new form of private ownership.

In reply to a question by Mr. *Kortterink*, Mr. *Samardžija* made the observation that a high economic growth rate in combination with full employment is hardly compatible with financial stability. Although he did not want to be considered an inflation-maker, he thought it nevertheless necessary to have a mild inflation under present conditions. The choice is between economic growth and stagnation, he said.

To Mr. *Maerz* it seemed that in decisions regarding investment things are done as in the capitalist West, where decisions are usually made by a small group of insiders. Does this not mean too that Yugoslavia is going the capitalist way? Mr. *Samardžija* replied in the negative, pointing to the important differences that exist between the institutional structures of both types of society. E.g., Yugoslavia has no investment trusts or financial markets. He pointed also to the highly important role of the Yugoslav parliamentary structure in representing all different kinds of social interests, first of all those of the working class.

In Mr. *Maerz's* opinion, however, the cited differences were of a purely formal nature. Because, when a bank credits an enterprise the decision is

taken by an institution which can be called 'private' for the simple reason that it is not responsible to the public. [The Yugoslav banks are responsible to their "Assembly" as the highest management organ, consisting of all the participating enterprises. Their yearly reports are published and publicly discussed. – Note of the ed.]

At this point Mr. *Denitch* intervened saying that Western critics of the Yugoslav selfmanagement system are sometimes inclined to forget that this system emerged as an historical alternative to the overcentralized economy of the Soviet type. It would be false to conclude, he said, from developments after 1950 that Yugoslavia is returning to capitalism.

Mr. *Kramer* had the impression that Yugoslav economists are controlled by politicians. This opinion was categorically denied by Mr. *Samardžija* who also denied that economists in Yugoslavia take into account only purely economic reasons in suggesting an economic policy to follow. There are different schools of economists in Yugoslavia, he said, with different conceptions. But all of them try to find the best solutions. The development of the economy, Mr. *Samardžija* continued, is wholly bound up with selfmanagement, we are trying to find solutions which agree with the interests of the workers. But one must always accept compromises. No society is ideal, no society is without contradictions, and Yugoslavia is no exception to this rule.

EMERIK BLUM

## THE DIRECTOR AND WORKERS' MANAGEMENT

To make his elucidation of this subject as concrete and realistic a reflection of practice as possible, the writer has selected the 'Energoinvest' Enterprise of Sarajevo, on which he has based this paper. He has been the Director of this Enterprise since its foundation.

### A. BASIC DATA ON THE 'ENERGOINVEST' ENTERPRISE OF SARAJEVO

The Enterprise was founded in 1951 (that is, 18 years ago) with 130 employees, for the planning, design and construction of investment projects in the field of power production and the processing industries. Its goal was achieved through the expansion of its designing activities and the incorporation into 'Energoinvest' of small- and medium-scale semi-industrial enterprises. This incorporation was effected primarily for the purpose of personnel expansion. Up to date, 21 enterprises have joined 'Energoinvest'. All integration is implemented under the condition that the economic organizations which join 'Energoinvest' must adopt its basic program, irrespective of their previous orientation. Most of the integration had been completed by 1960, when a program was adopted for the reconstruction and modernization of all factories, the point of departure for which was the interest of the enterprise as a whole. The production programs of the factories and plants in the enterprise were defined. This ensured that the production units were divided up in the most suitable way possible. The value of the means of production prior to the reconstruction (1960) amounted to 2.3 million dollars, whereas the present value (1968) is 38 million dollars. All investments are made on the basis of domestic and foreign credits. The extent of physical growth, reflected in the figures on quantitative changes, is evident from the fact that of the total value of means of production invested, 15% (circa 5 million dollars) was set aside for the research and development centers, which were non-existent before the reconstruction. Further, all reconstruct-

ed factories have applied modern production technology and now constitute a technological and economic whole. The number of employees in the bureaus of design has grown to over 600. The entire activity under the reconstruction program was so planned as to market 30% of the total production abroad, as the Yugoslav market does not suffice for rational production, nor could it provide the most effective check on the market value of the total activities of the enterprise. (It should be mentioned here that at that time Yugoslav industries were not at all oriented to exports.)

For purposes of illustration, in Table I we present data showing realization as against the index of the value of the means of production and the index of the employed.

TABLE I

Year	Realization	Index of value of working capital	Index of employed
1959	100	100	200
1962	142	248	118
1964	266	810	161
1965	322	1120	206
1966	511	1400	220
1967	666	1810	240
1968	825	1880	266

Exports assume a special place in realization (see Table II).

TABLE II

Year	Index
1959	100
1962	223
1964	486
1965	990
1966	1860
1967	2600
1968	2860

The figures of these tables demonstrate the rapid and dynamic development of the enterprise which, with factories and plants scattered through-

out the country, may rightfully claim to be one of the biggest enterprises in Yugoslavia.

It is self-understood that such rapid and dynamic development must, under any system, inevitably be attended by a variety of contradictions and conflicts which had to be resolved promptly. Naturally, the functions discharged by the director are part of this entire process, depending on the degree of development of the enterprise and of the management bodies which acquired a growing significance as the enterprise grew and as the material base of the whole, and the parts of the whole, increased. Simultaneously, the economic relationships between the parts of the enterprise were defined (factories, plants, sectors, etc.) on the basis of the market and the production performance of each part. In such a situation, the director plays a different role than he did in the small enterprise from which, as we said above, 'Energoinvest' has emerged.

#### B. THE DEVELOPMENT OF WORKERS' MANAGEMENT IN YUGOSLAVIA AND THE 'ENERGOINVEST' ENTERPRISE OF SARAJEVO

In 1950, state-owned economic enterprises were turned over to their working collectives to manage, on the basis of the Law on the Management of State Economic Enterprises, dating from the same year. Consequently, the 'Energoinvest' Enterprise came into being just as workers' management began to develop in Yugoslavia. Observed from the standpoint of today, workers' management was centralized, as the enterprise was managed by the Workers' Council and the Management Board. This was also the case with all other enterprises in Yugoslavia, where only these management bodies were then functioning.

By 1955, 'Energoinvest' abandoned what was known as centralized management, as new management bodies – the workers' councils of the plants – began to appear in the various parts of the enterprises. Five years after the promulgation of this Law, decentralization of workers' management was being carried out, even though this had not been provided for by law. In the course of the development of workers' management, this practice in the enterprise signified a step forward, for in addition to the Workers' Council and the Management Board of the enterprise, other representative workers' bodies may directly influence decision-making

or take part in the solution of various problems. This relates to: implementation of monthly plans, increasing labor productivity, establishing quotas, economizing on materials, classifying jobs and taking health and protection measures. This inauguration of decentralization actually represented a reconciliation of the contradictions between the legally established management bodies and the endeavour to bring the management of the enterprise as close as possible to the workers in production.

The growth of the enterprise through the annexation of other enterprises and the founding of new factories and other organizational units (at that time in Yugoslavia integration had not yet achieved any great width and was even attended by political resistance, on the part of the trade-union movement, against the tendency to enlarge enterprises in the 'Energoinvest' manner, the argument being that this would downgrade workers' management in the previously independent enterprises) made it necessary to solve problems cropping up in the sphere of workers' management. In 1960, it was stated at one of the meetings of the Workers' Council: "We cannot solve all these enterprise problems unless we advance workers' management further, that is, unless we establish such relationships in the collective as will enable the largest possible number of workers in production to take part, to a smaller or greater extent, in decision-making, not only for purposes of schematic distribution, but also to give them personal incentive. The growth of industry should not be based on the wish for a better economic achievement alone but should also be geared to promoting 'real' rather than schematic workers' management."

The decentralization is implemented by transferring responsibility to the workers' councils of the sectors and factories, via the workers' plant councils, with the Workers' Council of the enterprise deciding only on fundamental questions. Three years before the promulgation of the new Constitution of Yugoslavia (April 1963) and 5 years before the promulgation of the Basic Law on Enterprises (April 1965) which reflected and sanctioned the degree of workers' management achieved in Yugoslavia, 30 workers' councils were already functioning in 'Energoinvest' in the factories, planning and design bureaus, plants and other parts of the enterprise. In order to carry through the decentralization of workers' management and invest the bodies concerned with the real possibility of decision-making, it was indispensable to introduce relationships based on eco-



conomic considerations into and among all parts of the enterprise (production units).

Since that time, relations between these units have rested exclusively upon the market principle. The market relationship thus established has rendered it possible for each part of the enterprise to present the balance of the results achieved and to make independent dispensation of the total income earned, the wages of the workers and the profit gained. Of course, before effecting such distribution, each production unit must discharge its obligations to the community at large and to the enterprise.

A number of normative acts adopted in the intervening period have established a broad area for independent decision-making by the management bodies of parts of the enterprise.

Commensurate with the provisions of the foregoing Law on Enterprises, early in 1966 a Statute of the Enterprise was adopted as the basic act of workers' management. It not only confirmed these relationships, but through its substantive provisions, created even broader possibilities for independent decision-making by the several parts of the enterprise by enabling them to establish, themselves, the forms their management bodies would take.

According to the Statute, which is still in force in the enterprise, amendments are under preparation on the basis of new constitutional provisions adopted in 1968. Besides the Workers' Council and the Management Board, as management bodies of the enterprise, there are now functioning in the various units (sectors, planning and design bureaus, factories, plants, research and development centers, and other parts of the enterprise) the workers' councils of these units with their own executive councils, as well as workers' councils or workers' assemblies in sections of these units (accounting units) and the executives of the working unit.

The Statute is consistent in adhering to the principle that the Workers' Council of the enterprise decides on basic questions. One such question is the adoption of the enterprise plans, both long-term and current. This is attended by establishment of the internal instruments of the enterprise (resources for the joint funds (reserves) of the enterprise, resources for covering the cost of research work, and resources for covering the joint expenses of the enterprise); the process of adopting the plan is therefore the focus of attention on the part of each and every worker, as it also

establishes the basis upon which distribution of earnings will be made during the period it covers.

The manner in which the plan is adopted by the Workers' Council of the enterprise is essentially a reflection of consensus on the part of all the working people in the enterprise, and not only of their representative bodies, as it is also put up for discussion at meetings of the workers. It gives each unit and individual a clear idea as to what the future of the whole enterprise, its several parts and the individual workers, depends upon. Apart from adopting the plan, the Workers' Council of the enterprise adopts normative acts pertaining to the organization of the enterprise, the program for the activity and development of the enterprise; it also makes decisions on basic questions of enterprise policy, gives consideration to the balance sheets, decides on the utilization of joint funds, concludes long-term and short-term loans, coordinates the work of management bodies in the enterprise and submits proposals concerning the enterprise as a whole.

The Workers' Council of the enterprise is actually a representative body numbering one hundred members, comprising delegates from the units in accordance with proportional representation. Election is direct and by secret ballot. The Council as a rule meets once in 3 months. Through the years, the structure of the Workers' Council of the enterprise has changed in terms of the qualifications of its members. Table III illustrates this point.

TABLE III

Qualifications	1964 (%)	1969 (%)
Higher education	27	42
Secondary education	37	22
Highly skilled workers	10	23
Skilled workers	20	12
Others	6	1

The electoral body, comprising all the members of the collective, choose their representatives to this, the highest management body in the enterprise, with an eye to the growing expansion of the enterprise on the domestic and foreign markets, to increasingly complex business methods and to modernization of production.

The Management Board of the enterprise, as a management body, has had the scope of its activity established by Law and Statute. It submits proposals to the Workers' Council for all matters coming under its jurisdiction, concerns itself with the enforcement of decisions taken by the Workers' Council, selects candidates for the team of director's associates at the proposal of the director himself, etc. The Management Board is elected by the Workers' Council of the enterprise and numbers 11 members, one of whom is the Director. As a rule, it meets once a month.

Each unit is accorded a special place in the Statute of the enterprise. Its position is reflected in the following: it should have its own program and production plan, utilize specific resources for its work, divide earnings up into wages and reserves, invest in technical-technological advancement, adopt normative acts, determine the prices for its products and services, regulate labor relations, enforce health and protection measures, concern itself particularly with the welfare of young workers, mothers, war-disabled and occupationally disabled, education for the workers, etc.

The provisions relevant to the scope of activity of the management organs of the units simply define further and reaffirm the provisions relating to the position of the units as set out above. In each unit, which is a part of the enterprise, the function of management body may be discharged by an elected workers' council or assembly of workers, if the unit in question numbers less than 30 workers.

In addition to the workers' council of the unit, the executive committee of the same workers' council may discharge functions similar to those of the Management Board of the enterprise at the level of the enterprise. It may have from 5 to 11 members.

Naturally, the executive committee may be chosen only after the election of the workers' council of the unit in question. By dint of his position, the head of a unit becomes a member of the executive committee.

Accounting units are set up in those parts of the organization where job performance is measurable. The accounting unit is managed either by the plant workers' council, or the assembly of workers, depending on the number of persons involved and on the decision taken by the particular unit itself.

Management bodies in the enterprise and in its various parts are assisted in their work by permanent and temporary commissions, as ancillary bodies. Some commissions may also make decisions on merit.

The development of workers' management brings with it a constant increase in the numbers of members in the management bodies. In 1960, 9% of the employed were members of such bodies, whereas by 1969 that percentage had already exceeded 30%.

### C. THE FUNCTION OF THE ENTERPRISE DIRECTOR ACCORDING TO THE STATUTE

The Statute of the enterprise has been devised so as to invest the Director with a certain degree of authority which does not run counter to the principle of workers' management.

The Statute defines the relationship between the Director of the enterprise and the various units and their executives. Namely, it has been established that the Director has the right and obligation to coordinate the activities of the units in the interests of the enterprise as a whole. He has the right to issue orders to the executives of the units on all matters concerning the business and activity of those units and of the enterprise. His rights and duties along these lines devolve primarily upon the fulfilment of contracts with business partners. It is also extended to include the fulfilment of the enterprise production plan, and arbitration between production units that cannot agree on a problem requiring rapid solution. The Director never interferes in the economic relations between the units nor does he, in that sense, coordinate their work, as all disputes that might arise between the units are settled by the Arbitration Commission appointed by the Workers' Council of the enterprise. However, he does intervene if a unit does not fulfil its obligations to the reserves of the enterprise or to the community at large.

The Director has the right and duty to annul decisions by executives in the enterprise if such decisions are at odds with valid provisions or normative acts of the enterprise. He may also annul and change untenable decisions or plans made by the executives, and may also make decisions and plans which normally come under the jurisdiction of such executives if they have neglected to do so. According to the Statute, it is his responsibility first to caution the executive concerned to change the decision or plan in question.

This right of the Director is supplemented by yet another provision of the Statute in accordance with which he has the right and duty to take

especially urgent measures coming within his competence. The Director does so when such measures are imperative in order to prevent or eliminate harmful consequences in case of dislocations in the activity and business of the enterprise, or of a unit. This provision, with its emergency powers, enables the Director to avoid any possible damage that might be done to the enterprise. It may also thus be established if any individual or other factor is to blame so that responsibility for neglect may be pinpointed.

As concerns acts by the management bodies of the units, the Director has the right to stop their implementation and to propose to the Workers' Council that they be annulled if he considers them at odds with valid provisions. The Workers' Council makes the final decision. Thus the Law and Statute enable the Director to ensure that the enterprise functions in accordance with the laws. Apart from the foregoing authorization, the Director also has at his disposal the internal control service of the enterprise through which he may check on the business activities of the enterprise. This service has proved its efficiency in terms of preventive measures; as such, in the past 4 years it has issued 90 orders for the removal of irregularities in the functioning of various enterprise services. It is under the obligation to inform the director of the enterprise and the appropriate management bodies of any measures it undertakes.

The Statute has also elaborated further the legal provisions pertaining to the representation of the enterprise, to the transfer of powers, and to the signing of agreements and other acts. The Statute also stipulates that the Director, in case of absence from the enterprise, is represented by his deputy. This right is also enjoyed by heads of branch offices in the country and abroad within the scope of their sphere of activity and on the basis of their appointment. In certain cases, the Director or another management organ proposed by the Director may authorize another person possessing the necessary qualifications to represent the enterprise.

The Statute also provides for the legal possibility of the Director of the enterprise transferring certain powers to persons in executive positions in the enterprise, with the agreement of the Workers' Council of the enterprise. As the person exercising such powers, in fulfilling his function, disposes of the property of the enterprise, it is natural to require the agreement of the highest management body for his appointment.

The Director of the enterprise signs agreements on behalf of the enter-

prise, but he may also authorize other persons, with a general or special authorization, to sign contracts on behalf of the enterprise. The Director exercises this right to delegate the power of plenipotentiary, for, as a rule, the demands of business are such that he must do so.

Certain agreements are submitted by the Director to the enterprises' management bodies for approval, either because this is so decreed by law, or because long-term relations with other organizations are involved. This applies particularly to the investment of capital in other enterprises, to investment of foreign capital in our enterprise, to business and technical cooperation, and so on.

The Statute regulates the right to sign acts of the enterprise. One provision stipulates that the Director has the right to retain for himself the exclusive power of signing documents of great importance even if they come under the competence of other executives. This is a natural consequence of the fact that the Director is responsible for the overall functioning of the enterprise.

According to the Statute, the Director may submit to the Workers' Council of the enterprise a proposal to place a unit in the enterprise under compulsory administration (for 1 year at the most). He does so in cases where the activity of a unit has done considerable damage to the enterprise, or if the managing body of the respective unit is exercising its rights of management counter to the provisions and normative acts of the enterprise. The Workers' Council of the enterprise takes a decision on such matters on the basis of a written proposal by the Director. If it approves the proposal, the Workers' Council, in the same decision, dissolves the managing body of the unit and appoints a manager, or a committee for compulsory administration, and also appoints a body under the supervision of which it will act. On such occasions, the Workers' Council relieves the executive of the unit of his duties although it may in exceptional cases appoint him as the compulsory administrator.

In its experience, the 'Energoinvest' enterprise has had three cases of placing a unit under compulsory administration. The administrator, or the committee for compulsory administration, in such cases had the right to manage and to make decisions on all the affairs of the unit, to discharge the functions of a managing body and to propose the necessary sanctions. (The workers retained the right to participate in adoption of the plan of the unit and in normative acts.) The compulsory administration is an

operational body of the Workers' Council and submits reports and proposals on its work to the Workers' Council of the enterprise. After the lapse of a year, new managing bodies are elected. Experience shows that under such circumstances the workers were extremely cautious in electing new members to the workers' council, demonstrating that the period of compulsory administration had been effective.

In addition to the powers invested in the Director in the sphere of the enterprise's business activities, the Statute also establishes the material possibilities enabling him to discharge the tasks within his competence. Thus, the Director, without the approval of management bodies, may sign contracts for the purchase or sale of certain means of production.

In order that the Director may be assisted in discharging the tasks assigned to him by the Law and Statute, the Statute has made it possible for him to participate in the selection of his closest associates who do not share responsibility with him but are rather responsible for their work primarily to the Director, as members of a closely knit team. The Director, who is always a member of the Workers' Councils' Commission for Job Applications, takes part in the selection of executive personnel, and of his own team. In case of disagreement with the commission or the Management Board on selection of candidates for executive posts, the Director has the option of taking certain steps (asking for the selection competition to be repeated, handing in his resignation, etc.).

The Director is selected by a special procedure on the basis of a proposal submitted by the foregoing Commission. The choice is made by the Workers' Council of the enterprise. This method of appointment reflects the significance of this post for the enterprise.

#### D. THE PRACTICE OF MANAGEMENT AND WORKERS' MANAGEMENT IN THE 'ENERGOINVEST' ENTERPRISE

The following is a description of the development, in practice, of the relationship between management and workers' management. The examples chosen and presented below may help to elucidate some of the specific problems confronting the Yugoslav economy.

For this purpose, I have chosen two typical cases of direct contact between myself and the highest management body in the enterprise (the Workers' Council):

(1) One involved my re-election to the post of director of the enterprise, when my term of office had expired (I had already been Director for 15 years),

(2) One involved one of the turning points in the advancement of the enterprise, when the enterprise, having completed reconstruction, had to find new production methods and had in fact already set out on new roads of development. The problems facing it were not the problems of this enterprise alone, but also the problems of the Yugoslav economy at the time when it was adjusting to the new conditions introduced by the economic reform which was in full swing.

I shall not, of course, set forth the complete explanation, as I did at that time, but only a few characteristic elements which I think might be of interest for this gathering, although I believe that these problems are also to be found in capitalist enterprises which, however, approach their solution in their own way. I shall first quote parts of the text and later explain certain matters so that they might be more easily understood. For the same reasons, I should not like to systematize the selected passages, as I believe a clearer and more direct picture will result if I quote them in the order in which I presented them, as Director, to the members of the Workers' Council of the enterprise.

The first paper from which I quote was presented to the session of our Workers' Council held in February 1966, when the question of my re-election to the post of Director of the enterprise was on the agenda.

Before you vote on the proposal of the Commission for Selection of Personnel on the Basis of Competition (Job Applications Commission) I think we ought to discuss a few problems of our future policy to ascertain if we see eye to eye on them.

In the pending period, we must count on production doubling in comparison with the past period. Like any other economic enterprise, and particularly industrial enterprises, we must work and develop ceaselessly. A great deal remains to be done. We must change and discard a great deal in our present practice and outlook. I am saying this because certain measures must be implemented that I am certain will not win any plaudits. But it is precisely these things I want to talk about because I want us to be in agreement on them. If we can agree on these matters, then all that remains is to decide how we are going to do them, and not are we or are we not going to do them.

By the end of the year, we shall have invested about 25 million dollars in the enterprise. Consequently, the material base for the proper conduct of business is there, as we have laid the foundations for the most up-to-date technology. We are already in a position to buy and to transfer to our enterprise the same kind of technology that is used in the West or the East. We have nothing to change, as there is nothing specifically Yugoslav involved. But we cannot base our relationships on those in the East or those in the West. Given the modern technology, we must create modern, contemporary



relationships within our collective, appropriate to our conditions. If that modern technology is to be utilized to the hilt, we must above all fulfil the task of managing means and technology while managing people to the least possible extent. We must create conditions enabling our people to manage the means. That is why, as I see it, two basic things are required: we must make a determined break with the conception that the further development of technology is the task of workers' management and that it is premature, impossible, too early, further to transfer rights (under workers' management) to the lower organizational units. Technology is not a matter for democratic discussion nor is it an administrative matter for which intelligence alone suffices.

In order to achieve the above, it is necessary first of all to establish and determine precisely what qualifications a worker must have for his job and not, as was done earlier, to put anyone into any and even the most responsible jobs, regardless of whether he was an engineer, a technician, a skilled worker or a relatively unskilled one. If we do not have the right man for the job, then his work will not be efficient, and it may even be detrimental. There can be no compromises about the demands of each job. If we do not have the right man for the job, work must be stopped on it. I know that we shall have such cases, but that will force us to find the right people. There is no need to raise the problem of their wages, as they must be given what they deserve. Because we did not do so, because we did not compensate people properly or sufficiently, because we did not give them enough incentive, they were loath to accept responsible duties and jobs. Here, we should not listen to any unfounded hue and cry or accept the opinions of various people that lead us into egalitarianism.

The problem of getting the right man for the job has another side as well. Namely, each one of us is doing some job and the question is: is he suited to that job? We have talked about this a great deal, but now it is time to say which people must leave their present jobs and go to others. This will involve resistance, sentimentality and dissatisfaction. We must reckon with this, but we must come to grips with these problems. Naturally, it is our duty, while solving this problem as a whole, also to take account of the individuals who are to leave their present jobs, as most of them are people who have borne the brunt of development in 'Energoinvest'. Their contribution makes it incumbent upon us to deal with their assignment to new jobs with great care. They must be sent to schools and the most adequate ways must be found of giving them occupational training. However, it will be necessary for them to leave their specific jobs.

Furthermore, I should like to stress yet another requirement connected with the executive apparatus. Our Statute makes provision for the possibility of team work and it is left to the management bodies to elect executives, but the executive of a unit, and he alone, should be allowed to propose his closest associates, who should not be appointed against his will. Furthermore, in order to offer people incentive and make it possible for them to achieve the efficiency to which I referred in the beginning, we must eliminate the impersonality that has emerged in recent years, that is, we must make it possible for the man we put in a job to discharge his tasks. If he does not, then he has to leave, but if he does, then that is to be considered his own personal achievement. We should not and will not avoid saying this openly. Therefore, we must eliminate this impersonality, as that will make it possible for us to increase the responsibility of each individual.

Parallel with this, we must agree and decide another key question and that is: thoroughly to change our attitude toward and conception of how to reimburse executives and personnel dealing with problems of technology. I think no limits should be

set when we discuss these things; rather our point of departure should be to make these key executive jobs attractive from the standpoint of pay.

I also take this opportunity to raise the question of working hours. There have been reactions on the part of certain people to the proposal to introduce different working hours. There are certain people who would be ready to start working at 5 in the morning. If we were to take a vote, I am convinced that a large number would vote for starting to work at 5 a.m. However, I am certain that this does not make for efficiency. I am not 'talking through my hat', I have arguments to bolster my view. The whole modern world begins working at 9 in the morning and this has not been so arranged out of spite or for any other silly reason, but purely and simply for purposes of greater productivity. The objection may be raised that we have not developed far enough for this, that conditions here are not ripe for it, that this is the way it has been for years, and so on. I maintain, however, that our lives are not properly organized and that the new working hours will make it possible for us to change something along these lines. Why should we not be the first in our country, or among the first, to change things for the better and to adjust to the new working hours.

In conclusion, I should like to stress once again that you should think over what I have said, as voting for my re-election means voting, among other things, for the policy I have outlined here, a policy we should adopt.

At the meeting in question, I was re-elected by secret ballot to the post of director of the enterprise, with only one vote against.

The second statement, parts of which I shall quote, dates from the Workers' Council meeting held in mid-1968. At that time, the entire Yugoslav economy was in a state of flux. A bitter struggle was in progress for achievement of the principles underlying the economic and social reform.

Here are a number of quotations from that statement:

If we review the road we have traversed, we shall observe that in the past period we have wasted a great deal of time and energy on coordinating matters that were not essential or where no uniformity was necessary. Now we have dropped most of that (although there are still traces here and there) so that everything that is not indispensable for the unity of the enterprises should be regulated by the working units themselves. What remains now is, in addition to defining our general policy, a smaller volume of work but a much more delicate one: to regulate and define our mutual behaviour and procedure in all affairs which we have agreed in principle are joint affairs and integral for the entire enterprise. (These are: the plan, sales, purchases, finances, development, control, general personnel policy and organization of the enterprise.)

As you know, a year ago we laid down the bases for the organization of the enterprise. In doing so, we relied, as well as we knew how, not only on our own experience but also on the experience of similar enterprises throughout the world. So far, and even during the last reorganization, we had limited ourselves largely to the drafting of organizational plans, enumeration of the operations of various organizational units and statement of certain principles. Actually, this job was carried out only to the extent required by the specific features of our economic organization and our socio-economic and political system.

As implementation of the decisions began, it was brought home to us how afflicted we were by a general Yugoslav disease: not to implement the decisions we have and then to blame those very same decisions for all failures. As I see it, it would be untenable in the future for anyone, and above all for the director of a factory, to discuss the foundations of the recently adopted organizational scheme of an enterprise without first testing it in practice. Only after such testing it is possible to show, with proof, whether certain things should be changed or not. It should not be possible, in the future, to speak of the need for an integral enterprise without grasping that there are certain operations which can only be rational if they are, because of their nature, carried out centrally for the enterprise as a whole. Or it would be impermissible to fail to meet production targets, to put the entire enterprise in an embarrassing position, and then to place the blame for this on inadequate organizational forms, on services concerned with the joint affairs of the enterprise. I feel that the Workers' Council of the enterprise must once again put it clearly to all organizational units that the non-implementation of adopted decisions on the organization of the enterprise means that the responsible executives have not discharged basic tasks and that any fresh discussion of this question, as stated above, would be a blow to the further development and consolidation of the enterprise.

I further consider that the executives in the enterprise comprise one team working as a collegium and that they are under the obligation to implement adopted decisions. If they do not agree with them, they should ask to be transferred to another job. A modern economic organization can only be managed as it should be if it is composed of truly qualified personnel with firm discipline and a high degree of responsibility for the enforcement of decisions. Naturally, everything that has been said about the members of the collegium also applies to me as the general director.

I should like to say a few more words about the organization of the enterprise. All problems, and they do exist, which crop up in our enterprise and which relate to organization, are the result of imperfections in the enterprise. An enterprise like ours, organized along modern lines, should not differ in any way in terms of organization from enterprises in any developed society, irrespective of the social system. Everything that is specific to our social system has been respected in the basic organizational decisions, whereas the organization of business, as I stressed before and to which I have referred on many previous occasions, is a matter for elaboration by experts; as we are not experts and may say so openly, we must learn and purchase know-how, just as we did when we bought licenses to help us acquire technical disciplines. When we were buying those licenses, it was quite clear to us that we had to buy the best and most up-to-date; similarly, we must now clearly establish and take a decision to the effect that we wish to secure the most modern type of business organization and this we can do best, as it is obvious to all of us, by hiring the services of a consulting firm for management in the U.S.A. An enterprise like ours, particularly as we wish to develop it, must go one step further, that is, it must leave the business of organization to people who are sufficiently qualified to cope with it. We cannot allow matters of organization to be attended to, as they have been up to now, by all and sundry, most of them insufficiently qualified.

As the enterprise developed, certain matters and problems did not meet with the necessary understanding, either at the level of the factories or on the part of various specialized services. Today, when the economic and financial performance of various factories is much more crucial than it was before, it is normal to expect that there will be more cases of various factories not wishing to invest, for 'economic' reasons,

in anything that will not show a quick and direct return, or of certain factories not being able to perceive, from their present position, where their long-term interests lie. There will also be cases, as there already are today, where investment in certain things is in the common interest of a number of organizational units and yet agreement is difficult to achieve. Time is required for this. Some factories do perceive where their interests lie, but they do not have sufficient resources to do anything about it.

All these are reasons favoring the formation of certain resources at the level of the enterprise so that it may meet such requirements, while the earnings from production so financed would be the 'property' of the enterprise. It will then make these resources available to interested organizational units (factories), charging for their use, and then reinvest them elsewhere. I think that such practices have already been initiated, (although the regulations of our enterprise do not make provision for this) and they must now be applied in greater measure especially as the enterprise is spreading and developing and as, in addition to the common interest, there are special, justified interests. All this must receive adequate legal formulation as well.

For purposes of illustration, I should like to present some of the decisions of the Workers' Council of the enterprise on the manner of forming resources for the needs of scientific research work and application of its results, as representing a concrete example of the decisions of workers' management bodies regulating one of the joint affairs of the enterprise:

#### I

Production units in the enterprise and the planning and design Bureaus will set aside in 1966 two percent of the value of realization as a contribution for scientific research work.

#### II

Resources acquired in accordance with the manner described under Para. I of this decision will be used to cover the costs of capital (depreciation, expenses for the maintenance of basic capital, interest payments on capital assets, interest payments on loans for basic and working capital, insurance premiums, repayment of loans for basic and working capital and annuities on loans for joint consumption and rent for IBM machines in the Electronics Computing Center and the research and development centers of the enterprise) as follows:

1. The Research and Development Center for Electric Power,
2. The Research and Development Center for Thermal and Nuclear Techniques,
3. The Research and Development Center for Automation,
4. The Electronic Computing Center.

#### III

The several units of the enterprise and the research and development centers are under the obligation to establish by contract the type of work that the research and development centers will do for the requirements of the units.

#### IV

The prices for the services of the research and development centers rendered to the units are formed by taking a certain percentage of the gross personal earnings of the

workers in the research and development centers. The amount of this percentage is approved by the Management Board of the enterprise for each research and development center separately.

Although the enterprise has taken important steps to solve the workers' housing problems, we still have almost 2,000 of our employees whose housing problems have not been solved in their entirety.

It is therefore necessary to prepare a five-year program for the financing and construction of housing, to rest on the following principles and sources of funds:

- a 1% tax on the net earnings of all those employed in 'Energoinvest' (with the exception of workers whose earnings do not exceed 700 dinars),
- a special 3% levy on the gross earnings of all those employed in unit,
- by economizing throughout the entire enterprise, the resources resulting therefrom to be invested in solving the housing problem,
- progressive taxation of the wages of workers in units whose level surpasses considerably the average wage level in the enterprise,
- loans from commercial banks for the construction of housing for enterprise employees.

Our relation to the universities had been under discussion earlier in terms of our personnel policy. I repeat, we are extremely interested in the development of certain faculties in Sarajevo for, just as we have sources of raw materials, power and so on, so are the faculties sources of personnel. It is evident that we must invest in this just as we must invest in other requirements. We do not try to avoid this. We shall invest even more than hitherto in the faculties but we ask for the right to participate in the administration of those faculties. We ask for the appropriate adjustment of the educational programs of the faculties to meet our requirements.

In the total number of employed in our enterprise, there is certainly a percentage of surplus manpower which is either insufficiently utilized or not at all. We do not conceal this fact. We have often dealt with this problem at sessions of the Workers' Council and other enterprise forums. In my opinion, this is a problem we must solve and I do not agree with proposals and opinions to the effect that surplus manpower should be

sent to other branches of the economy, which would mean that someone else or the state, should solve this problem for us.

The only solution, as I see it, is to increase production to an extent greater than the productivity growth rate. Such an increase would make new jobs, which would mean decreasing the number of unemployed in this country.

The planned growth of production in 'Energoinvest' guarantees a solution of the problem of surplus manpower in the enterprise itself (although of course, not overnight) while opening the doors wide to the employment of highly skilled and qualified new workers.

As reference has already been made to integrational processes in this country, I should like to say a few words also about integration involving foreign countries or foreign partners, either abroad or in this country. In this sphere, we frequently lag behind. There may be a certain justification for this. But regardless of whether it is justified or not, we are already beginning to feel the effects of this retardation, and must endeavour to overcome it as quickly as possible. In doing so, we must use the various forms we have already utilized within the country. Among other things, I should like to mention the possibility of joint investment, the founding of joint enterprises together with foreign partners, either here or abroad.

I think the picture of this will be clearer if I cite the provisions of a specific contract between 'Energoinvest' and a French company for joint investment in a new enterprise to be formed by both partners in Sarajevo, Yugoslavia.

... in order to implement this policy, the contracting parties on behalf of their enterprises will establish a Business Committee which will function within the legal limits and competence stipulated in the agreement.

The Statute of (name of the new enterprise) should not contain provisions running counter to the provisions of this agreement. The Workers' Council will send the draft of the statute to each member of the Business Committee who may, within the time limit of one month, make a written request for modifications they feel necessary. The Workers' Council should consider the draft, taking account of the outlined measures but seeing to it that they do not run counter to this agreement and the Yugoslav laws.

All decisions of the Business Committee must be adopted unanimously by the members.

The director of (name of new enterprise) is appointed by the Workers' Council of (name of the new enterprise) on the basis of a competition and a joint recommendation by the contracting parties.

It is the duty of the director of (name of new enterprise) to respect the Yugoslav legal provisions that are in force, the provisions of this agreement, the decisions of the Business Committee, the directives and instructions of the Business Committee and the normative acts of the managing bodies.

It is evident from this concrete example that the social relationships reflected in the selfmanaging bodies of enterprises in Yugoslavia do not in any way negate anyone's interests in so far as the other partner does not negate the social interests formulated in the laws and statute of the Yugoslav partner.

I think the conclusion may be drawn from the above that the director of an enterprise organized along the lines of workers' management has the same tasks and problems as any other director. It is only the method of decision-making that differs here as it is bound up with the structure of workers' management. It is a certainty that these methods do differ for, as we have seen, it was proposed to the Workers' Council that it surrender some of its 'rights'. These were precisely the rights that no law had previously assigned to it, but as it turned out in practice the Workers' Council also 'manages' technology, independently (and frequently without sufficient consultation) appoints the associates of the director and other executives, neglecting objective, psychological and other elements. However, in the enterprise where I work, it is understood that the director himself selects his closest associates. Five years or so ago, matters were different. There are such manifestations even today in some Yugoslav enterprises but they are sporadic and it is much easier than it was before to suppress them.

Without question, all of today's modern industries have been in situations, during the past 20-30 years, when they had to 'square accounts' with earlier 'tried and true' methods. But we had to obtain some kind of approval for this, even from those whom the new policy affected adversely. This was not without its attending difficulties, and sometimes even fierce encounters. I have sometimes been in a position where I knew that I would win no applause for certain measures and therefore had to find ways of introducing them gradually so that their usefulness would be easier to perceive; as a result, they could not always be implemented in logical succession, and so on. It might be interesting to mention that in certain cases resistance was not offered only by the less qualified or poorer paid categories of workers: for instance, in implementing measures devi-

sed to introduce more modern business methods, greater resistance came from certain categories of engineers.

I have deliberately touched upon the problem of working hours, as we in 'Energoinvest' had to face it. If the problem is to be understood better, it should be recalled that Yugoslavia does not have a very large working class with a long tradition behind it. In substantial part, it consists of yesterday's (and even today's) halfpeasants. Consequently, although we introduced this measure almost three years ago, attempts are still being made to turn the clock back.

Mention has been made of the question of personnel, of large investments in scholarships and in specialization generally and of the partial financing of faculties which is a self-evident need for a large modern enterprise. We were aware of this need but it was necessary to convince the majority of it, including those with a low wage scale (for they also make decisions, if not directly then indirectly, as they elect, on a footing of equality, members of the Workers' Council) to vote for channelizing a part of the profit for new personnel rather than dividing it up into wages and salaries. Where I work, the figures for this run so high that if we did away with these investments, salaries could be raised across the board by 5-15%. (The amount of the percentage depends on whether or not we include investments in research work and not only investment in personnel.) Naturally, there have been and there will continue to be difficulties along these lines for even now there are many demands to stop these investments or at the very least to reduce them.

It might not be amiss to comment on that section of the quotation that refers to modern organization, and particularly to disciplined adherence to adopted principles. Namely, 'Energoinvest', like other Yugoslav enterprises (and like the entire Yugoslav economy) was initially organized along strictly centralized lines. All decisions were made at the center. Realizing the untenability of this system, we took a bold approach to decentralization while retaining only those attributes that make for the necessary efficiency. When we undertook decentralization, I heard many objections raised from various quarters (particularly inside the enterprise) reflecting fear of such decentralization. Later, the same persons demanded that even this minimum (really essential) of business which is integral, and therefore centralized in the enterprise, should be decentralized. My position in that situation is clear: I must ensure the modern organization of the enterprise



(and a certain level of performance) which does not permit discussion of details at the level of the enterprise but at the same time assures that certain questions will be solved exclusively from one place, meaning somewhere in my immediate vicinity. The delicacy of my position was reflected above all in the fact that I must "primarily manage means and technology and people least of all" as I told my closest associates.

I should like to conclude my exposition with the following remarks.

The director of a Yugoslav enterprise organized along the lines of workers' management is not a government-appointed employee but rather a person chosen under conditions of competition, without any interference by anyone on the outside. He may make his election or the extension of his tenure as director dependent upon a variety of elements, not all of them relating to his personal status (for instance, salary, term of office, severance pay, etc.). In his work, he enjoys a sufficient degree of independence. Not only do the workers' management bodies not impede him in his work but they actually facilitate it. Naturally, the director of a Yugoslav enterprise must have the necessary knowledge and ability required under the social system in Yugoslavia. In such a case, I think it is considerably easier for a Yugoslav director to function efficiently than it is for his colleague in the Western countries, as the workers' management bodies are not representatives of opposing interest as are, e.g., the trade unions in the West. On the other hand, if we compare his position with that of his counterparts in the administrative systems of the East he again has the advantage as he is not subject to the assessments and will of government administration and officials, but responsible only to the internal representative bodies of the enterprise and to the collective in which he works.

Whatever has been said in this paper is not based on theory alone, as it has been implemented and put to the test in practice. That is the reason why I selected this manner of describing that practice and these examples from the concrete experience of my enterprise.

A. STIKKER

## COMMENTS TO MR. BLUM'S PAPER

### A. INTRODUCTION

This paper contains some general observations with regard to the excellent and interesting description of Mr. Blum on the subject of the director and workers' management with 'Energoinvest', as well as some aspects of the present developments in the philosophy and practice of participative management of a chemical company in The Netherlands, KNZ, part of AKZO.

However, it also tries to detect some general trend in the (mostly Western) world and the relation of these trends to both the workers' management in 'Energoinvest' and the participative management in the above-mentioned company. Instead of only concentrating on differences in philosophy and practice between the two systems, it is also tried to find common denominators and the factors that appear to work towards an evolution into the same direction, although coming from a different starting point, both historical and ideological.

### B. GENERAL REMARKS

#### 1. *Evolution and Business Enterprise*

Before going later in this paper into the examination of the present situation of the industrial enterprise in Yugoslavia and The Netherlands, I would like to start with some general remarks on the role of the enterprise in the process of evolution that this earth and this world have gone through ever since the process started some 3 billion years ago.

In this long process we see the gradual growth from atoms to molecules, to cells, to organisms and eventually to man, who is now trying to successfully establish new forms and combinations in the next phase of evolution. The three striking aspects of all the phases of evolution are ever increasing complexity, interdependence of the constituting individual elements and

completely new and unpredictable results out of the efforts for new combinations.

In the present phase of evolution in this world it is a question, as Teilhard de Chardin has put it, whether we consider the social phenomenon as a consequence solely of the fact that we, mankind, become so numerous and that we just need economic and legal measures to 'organize' the human groupings; or, that we consider the new combinations as structures of nature, with their own and new complexities, and the natural extension of the organic evolution into a social evolution.

Of course, there are many forms and combinations in human groupings through which the evolution process can find its way. However, it seems that the industrial enterprise is a grouping that contains a lot of elements that make it especially apt for a fast growth, particularly in the developed countries. It is usually not hampered by national, political, religious or ideological restrictions, or by a small maximum size (such as the family is).

The balanced and conscious international development of the industrial enterprises is of so much importance, because of the sharp acceleration with which the acceleration of changes is at present taking place in the technological and material sense. Social evolution has to keep up with it. In fact the quantitative acceleration is such that we can mathematically expect an uncontrolled explosive change within 50 years if we do not keep things under control. The industrial enterprise being the most important economical motor in the development of the optimal standard of living, one of the essential parameters in the present world, it is of utmost importance on the one hand that its development is not restricted by unnatural measures, on the other hand that it realizes the uniqueness of the individual character of each human being and the responsibility it has towards society, not only with regard to the company's employees, not only towards a particular region or nation, but in the long run the responsibility of being one of the carriers of evolution that might influence the eventual fate of this world.

I think that this evaluation of the role of the industrial enterprise becomes more and more obvious and that more and more responsible managers are aware of it. This is quite different from the unqualified search for power and profit that is sometimes attributed to the management of companies as being their sole and only goal.

## *2. Business Enterprise and Society*

In the previous section I touched upon the important position of the business enterprise in the present phase of evolution, that of co-operation of mankind. When trying to ascertain what attitude the management of an enterprise will have to adopt in the near future, especially as regards the relation towards society, I subscribe to the three criteria recently laid down by Dr. Kuin:

(1) Self-investigation of the own internal and external policy (an important aspect of the former, the participative management, will be dealt with elaborately afterwards);

(2) Better presentation of the positive aspects of the business enterprise: the possibility of personal development, the benefit of working in and with a first-rate equipment and of good social securities;

(3) Integration into society, by keeping contact with the market, governmental authorities, organizations for promotion of interests and other bodies; good citizenship, lively interest for the local society where the business enterprise is established, should complement the predominantly businesslike nature of the ties between business enterprise and society.

This condition of greater interdependence of society and business enterprise is to be realized in the seventies that are ahead of us, the so-called development decade, a period characterized by a transition to completely different and social relations.

Some expectations voiced are a high rate of interest, lasting inflation, accelerated restructuring of industrial production, and – of great importance to our subject – further internationalization of business life, attended with denationalization of business enterprises.

## *3. The Process of Participation in General*

In various sectors of the Western society and notably in The Netherlands, such as church, universities, parliament and military organizations, there is an increasing desire for and a mounting pressure on 'democratizing' the organizations. This means more decentralizing of authority, more involvement of the operating ('working') part of the organization, participation in the decision shaping and decision making process, that was up to now more or less reserved for one man or a small group at the top.

This process of participation appears to be closely related to the distri-

bution of power, irrespective of whether employees in the companies are involved, or the demands by students as to management, control, organization, educational system and objectives at the university.

This is not surprising, as since Renaissance and Reformation a development of society has begun, which in a negative way might be characterized as a process of emancipation from the indisputable and absolute authority of the ecclesiastical hierarchy, of the monarchy, of the industrial capital owners and of the oligarchy of scientists, the professors.

Some spectacular events in this process of emancipation were the French Revolution, the Communist Manifesto and, nowadays, the occupation by students of university buildings all over the world.

Its positive aspect being taken as a basis, the development of society mentioned before can be considered a process of political, social and economic as well as cultural maturity of ever greater classes of the people, particularly in Western Europe. As a consequence of this maturity, there emerges the demand for a smaller or bigger say in those matters, that in former times were under control of either ecclesiastical hierarchy, monarchy, individual capital ownership or scientists.

I believe that in many parts in the Western world the presence of a quickly increasing pressure in the direction of participative management is not only recognized, but the management of a great many companies is very much in favour of taking concrete measures and action to take this into account and even to promote the evolution to participative management at various levels. This is not only the result of a reaction to a movement from other levels within the organization, or from forces outside the organization. It is also to a great extent the result of the fact that management itself is from within inclined to grow with the changes that result from new attitudes, new challenges, new problems with the ever increasing size of some companies and last but not least new generations of managers coming up, that have experienced the advantages and disadvantages of the former generations and are evolving into new times.

While then in Western Europe especially (more so than in the U.S.A.) changes are taking place through internal and external forces (pressure from labour unions and left wing politicians), it is very probable that this will be a gradual, hopefully balanced, development as long as the people

involved in effecting the changes are realistic, open-minded, and have a high sense of responsibility for the protection and an intensive knowledge of the true strengths and weaknesses of the now achieved standard of living, acknowledging the need for change, but not destroying the economic strength of the present society.

#### *4. Participative Management in The Netherlands*

The general trend indicated before, in the Western countries, is typical also for the situation in The Netherlands.

A clear tendency towards greater independence of the employee can be noticed within the business enterprise. This is substantiated by the fact that for several subjects connected with this tendency statutory regulations are under preparation, for example that the competency of the workers' council is enlarged and the employees are allowed a voice in the appointment policy as to the Board of Directors of the enterprise.

Another external factor, i.e. the government's power as to freeze the wages or at least limit the increases, seems to be behind us.

It is interesting that the direction which the Dutch trade unions have taken, is only to break open the so-called closed group of individuals, who sit on the Board of Directors of the industrial enterprises. They do not wish an executive function or power, but want more possibilities for inspection and control on measures that directly affect the employees, and influence on the nomination of directors. It seems that they do not want to share the responsibility for all the operating decisions, as is more the case in Yugoslavia.

They also want a system where the employees share in the undistributed profit of the company they work for. This is also contrary to the system in Yugoslavia. On top of that, as will be discussed later again, they do not want the employees to share the losses of the company they work for.

Altogether a rather one-sided approach and not one that will lead to the kind of involvement one would expect to achieve with the more individual type of participation.

In the latter part of this paper I will try to describe in general the organization of the company I work for and the way in which we want to try to promote participation by individuals from within, and establish relationships that will hopefully result in more and more individual satisfaction in the decision shaping and decision making process.

C. SOME COMMENTS ON 'ENERGOINVEST' AS  
DESCRIBED BY MR. BLUM

Although it is quite difficult to comment on the situation with 'Energoinvest' without having been there and realizing that it is always easy to criticize, there are a number of questions that come up when reading the report by Mr. Blum. I would like to emphasize, however, that I have the greatest respect for the way Yugoslavia has started these developments back in 1950 and that I also really admire the open and frank way in which the various authors of the papers for this symposium have exposed the strengths and weaknesses of the ever evolving system they describe.

*1. Workers' Councils and the Director; Organizational Relationship*

One of the first points that strikes me is that although the system is called the 'workers' management', I have come to the conclusion that this denomination is not representing the actual situation. A more appropriate name would be 'employees' management', as is clear from Table III of Mr. Blum's paper. Equally important is in this context (again Table III on p. 177) the considerable shift in the qualitative composition of the workers' council.

Both factors indicate that the actual system is a system where the higher educated group has the greatest influence in the management decision and that this has become of more importance as the system developed. The term 'workers' management' has, to the outside world, a different meaning than what is really meant here. In the Western world, where the people that have management responsibilities, are, especially in the larger companies, less and less the people that own the company and more and more just employees as anybody else in the company, one can also speak of 'employees' management'.

There is, of course, still a great difference in organizational relationships, but not as much as one would believe to think if only confronted with the word 'workers' management'. As in fact the word 'employee' in its original sense of the word is also not appropriate anymore, it could be useful to create a more up-to-date word: participant.

As far as the decisions and execution of decisions by the workers' council with 'Energoinvest' are concerned, it seems that the size ( $\pm 100$ ) and the frequency of meeting (once every 3 months) make it very likely that the

really fundamental, important and mostly complicated policy decisions are already so well studied and prepared by competent and specialized employees and the management, that hardly any important new input can be expected during the meeting. If this would be so, however, one wonders how the decision making process can be started all over again without excessive delays.

If the councils are more of the nature of instruments to check and control the actual outcome of management plans, one wonders what remains of the selfmanagement aspect and whether the system is not something quite different in reality, although not necessarily a wrong institution.

Also, the great many possibilities the director has to cancel, ignore and change formal decisions in cases where the situation does not develop as it should, provide the same kind of 'management by exception' as is the case in the Western world. The fact that he has the sole right to propose his own management team, gives him more power than his Western colleague.

Dr. Rudi Supek in his paper, at the end of the chapter on selfmanagement in production organizations, states that "the preservation of authoritarian structures within the framework of workers' selfmanagement in Yugoslavia is conditioned by the undeveloped state of the working class" (p. 234).

I seriously doubt whether this is an attempt to try to explain the situation with a very specific factor, rather than to recognize that in any human organization there is a natural trend towards hierarchy and authority.

The abrupt change from central state bureaucracy to workers' management has apparently proven to be too drastic and according to the various papers, has developed into more decentralized organizations (units) with a maximum of participation on the one hand, and the necessary control authority (and power) to ensure the best results for the enterprise as a whole on the other hand.

Prof. Mitja Kamušič writes in his paper: "The Yugoslav Basic law on Enterprises tries to solve this dilemma by requesting at the same time: (a) the greatest decentralization of management possible, (b) as direct participation of the working people in management as possible, (c) the most efficacious organization possible and (d) assurance of the best conditions for the operation and business activities of the enterprise" (p. 86).

As this could be just as well have been taken out of the policy statement of a so-called capitalist enterprise, the similarity in the management ap-



proach is obvious and it is also not astonishing that Mr. Blum has expressed in one of his statements the plan to engage an American organization consultant company to improve the organizational efficiency.

As far as the composition of the workers' council is concerned, it is not clear how the candidates are selected. Is there any influence here from certain formal groups (labour unions) or informal groups (co-optation)? And how are candidates for the directorship selected?

With regard to the election of the director, the question of the right man on the right place at the right time seems to be more difficult to solve, because of the static effect that seems connected with the fact that only men that are known by the local people are likely to be chosen. A management development system, where managers can be transferred all over the country to fit best experience with available directors' posts, seems more difficult to apply. This would tend to make the enterprise less flexible and less open for change.

## *2. Financing and Profits*

The fundamental aspect of financing only through loans and internally generated funds, raises a few questions.

On what basis are the banks deciding on supplying loans or not? As there will probably be the need to select, what are the rules and who makes the final decision? As the function of deciding on investments and attracting the necessary funds to finance them is a vital part of the manager's job, how do the workers' councils have influence on it? If they do not have influence, it seems that this essential function of management is controlled by outside groups. Is there a 'workers' council' at the banks and if so, how do these councils relate their 'selfmanagement' decisions to the enterprises that depend on them for money? As it seems that the basis of the Yugoslav system is that the workers are building the enterprise through their own efforts and contributions, through their own decisions on how and where the generated cash is going to be spent, the question of what happens to workers who either through automation or depth-investment or decreasing turn-over will have to leave the enterprise, becomes apparent. It seems very unjustified that they would not receive any 'share' of what they have sacrificed during their employment to the good and well-being of the enterprise. If there is no such compensation one would expect that this creates resistance to the above-mentioned measures, which

again introduces a static factor which will hamper the efficiency and competitiveness of the system.

Mitja Kamušič touches these points more in detail in his paper when he discusses the subject of the provenance of the investments, and very rightly states that while getting more pay and getting an interest of 6-8 % on owned savings at the bank, the alternative of investing more of the profit into the enterprise does not give him ownership nor return.

As, apparently, the idea of ownership by individuals exists (small enterprises with a small amount of employees), how does the former owner get compensated for his property once the number of employees exceeds the allowed limit? If this is of such a nature that it is not interesting for him, he will be tempted to keep his business small, which in some cases could mean not optimal from an economic point of view, or, consequently, not competitive in the long run. Again a static factor.

The system of allocation of profits by the workers' council is a very interesting one, as it contains some other elements, which indicate that the mentality of the workers (participants !) is quite different from that in the Western countries. There apparently is quite a spread in earnings for the same kind of work in the various enterprises, depending on how well these are performing. It also means that during less good times the workers earn less. This would probably never cross the mind of the more spoiled Western worker. It makes the price or worth of labour quite undefined.

In the Western world, where the workers can actually own shares of enterprises if they want to, whereas in Yugoslavia they actually have no title to the enterprise at all, the claims are also for more income and profit-sharing, with practically no differentiation. In enterprises where things are getting worse, the losses have to be paid by the shareholders.

### *3. International Aspects*

One wonders, when looking into the further future, with the ever increasing development of international trade and international investment and with the strong emergence of multinational companies, whether the Yugoslav system will be able to mix the concept of non-ownership with the ownership situations in the Western world:

Characteristic of the Yugoslav system is the following condition, made by the International Investment Co. for Yugoslavia, recently es-

established to assist and finance joint-venture projects of Yugoslav and foreign companies: in every case the Yugoslav partner will hold the majority of the stock.

Also Mr. Blum states that joint ventures with foreign companies are possible and indeed do already exist, but how far and how long can this be maintained? As far as management philosophy is concerned with regard to organizational relationships and participative management I think that the systems are in the long run not incompatible. But the ownership principle can, in the Western world, even if it would be desirable, not be changed within a measurable time and from this point of view, also with the implications of statutory differences, an enduring international relationship will be prohibited. Apart from the potential static aspects of the Yugoslav organization of the production enterprises, I think the long range prohibitive aspects to take part in the internationalization of this form of human organization, could be the eventual bottle neck of the system, if kept in its present extreme form. After this short commentary on some aspects of Energoinvest, I will now briefly describe some of the main features of the company I work for.

**D. SOME ASPECTS OF THE PRESENT SITUATION WITH  
N. V. KONINKLIJKE NEDERLANDSCHE ZOUTINDUSTRIE,  
THE SALT CHEMICAL DIVISION OF AKZO**

*1. General Information about AKZO*

AKZO is a company with 91 700 employees, 33 100 in The Netherlands and 58 600 outside, mainly in Europe and the U.S.A.

There are no special groups of shareholders, the shares being spread over the private public and investment companies, insurance companies and similar institutions. The shareholding capital is \$ 140 000 000, the present stock market value \$ 843 000 000, the net profit after tax in 1969 is about \$ 83 000 000, the cash flow being about 200 mln dollars, the net profit per share \$ 3.30, and the present dividend rate \$ 1.10/share (the AKZO figures are those mentioned in the announcement of merger between AKU and KZO). The group net assets are \$ 947 000 000 and the total money acquired from third parties is \$ 955 000 000. The financing is done, as can be seen, partly from internally generated funds, partly through loans, the third possibility being the issue of new shares. For the two last

methods, one has to go to the capital market, where there is competition and therefore past performance and rentability on the one hand and the trust the public and the banks have in the quality of the management on the other hand, are the only means by which competition in the capital market can be met. Profit, cash flow, performance and trust are the paramount factors for future financing.

When we exclude from consideration here the position of shareholders, the highest authority in AKZO is the Board of Directors, consisting partly of pensioned former able top managers out of the company or from outside and partly of at present active top managers from industry or banks. Major decisions for the whole company with regard to investments (about \$ 150000000 in 1969), acquisitions and/or mergers, financing and budgets are reviewed critically and objectively and eventually approved or disapproved by this board on a bimonthly basis; for special situations in between a small committee out of the board convenes with the Board of Management, the group that has the daily and executive responsibility for the performance of the company. This Board of Management consists of 15 members. These are appointed by shareholders on the recommendation of the Board of Directors. They usually come from within the company and are selected on the basis of proven ability.

The Board of Management submits all the proposals it has to get approved by the Board of Directors. The AKZO company has a relatively small central staff, with some of its Management Board members being responsible for the central functions, which are mostly specialized service departments (computer, financing, legal, insurance, construction-engineering) or specialized co-ordinating departments (research co-ordination, personnel, management development, labour contracts).

The business activities are divided up into a number of operating divisions or companies, which are in themselves highly decentralized units with their own Board of Management at the divisional or company level. The chairman of this board of management is representing his unit in the AKZO board of management.

## *2. The Salt Chemical Division*

One of the units of AKZO is the Salt Chemical Division or KNZ, with  $\pm$  4000 employees and investments in The Netherlands and abroad. The Board of Management consists of 7 directors and 2 assistant directors and

is fully responsible for the rentability and continuity of the division. They are appointed by the AKZO board of management, AKZO being the only shareholder, and have all come up from the ranks of the company with company service ranging from 8 to 22 years. All of them have had previous experience with other industrial companies and none of them has any relationship to shareholders or stock-holdings. Their ages range from 39 to 51. Apart from the general role of the chairman, all members have, next to their collective overall responsibility, specialized functional responsibilities over geographical or organizational subunits, and some central staff functions.

This group meets practically every week and discusses and decides on all major issues for the division or prepares the proposals that have to be approved at the AKZO board level (investment projects over \$ 70000, acquisitions, budgets, loans, etc.). All subjects that are discussed and decided in these meetings have been prepared by the appropriate functional member (or in some cases members) of the divisional management board.

This member, or these members, will have conceived the ultimate form of the proposal in full and open consultation with his direct collaborators who in their turn have done the same. Although it must immediately be conceded that this system does not always work as ideally and perfectly as outlined here, the evolution is more and more strongly to decentralizing the decision making and shaping and to achieve more and more participation at each level. This means that at each level a team effort is being aimed at where the leader of the team has decision making authority or the authority to participate in the decision shaping at the next higher level, depending on the specific subject.

The best illustration of this system is shown in Figure 1.

The achievement of the most effective way of compromising between authority of the heads of the units and the participation of the members of the units needs some fundamental additional elements:

(1) A long range planning procedure which analyses the strong and the weak points of the organization and the needed action to achieve long range objectives. This tool is not only necessary for the management, but also serves as an information medium through the whole organization;

(2) The divisional board of management has to define as clearly and frequently as possible its quantitative and qualitative objectives and expose the main participants in the decision shaping and the decision making

process to these objectives in an as direct and personal way as possible. This is being achieved through presentation to a group of about 50 people, consisting of the middle and lower management groups.

(3) Promotion and activation of participative management *at all levels*.

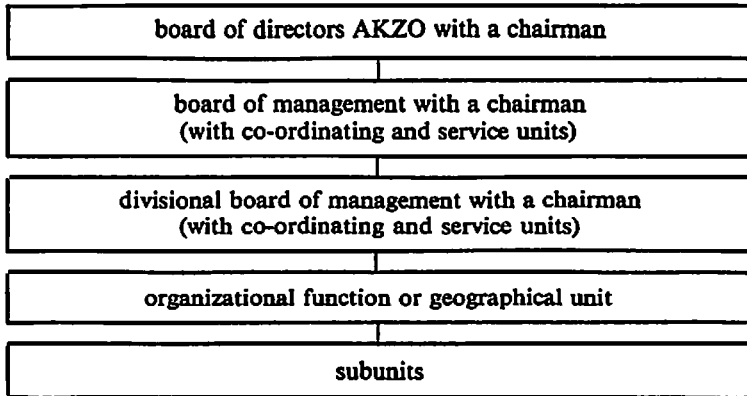


Fig. 1.

This is systematically being done by a special staff, who does not have direct line responsibilities but whose primary task is:

- (a) To widen the circle of responsibility around each individual;
- (b) To promote and propose the levels of authority as a consequence of and in line with this wider circle;
- (c) To induce the higher levels of authority to organize for maximum participation and delegation;
- (d) To have job descriptions made of and by the people involved, expressing what has been achieved in (a), (b) and (c);
- (e) To promote and install a systematic and frequent review of performance on the basis of the job descriptions and to see that promotion is effected wherever necessary and possible.

Supplementary to the necessity of a long range planning procedure as mentioned under (1), the four planning-objectives for the Salt Chemical Division are the following:

- (a) The objective of Long Range Planning is to achieve a systematical determination of the influence of anticipated internal and external developments on the freedom of choice by the SCD in drafting alternatives for its own future development;

(b) For all operating units and in all their sectors plans for the future are made. By means of a formalized planning procedure the information and communication should be optimized in all directions;

(c) On the basis of (a) and (b) the plan is to provide for insight and information which enable the board of management and the executive personnel to adopt a management policy by which also in the long term the realization of the objectives of the SCD is guaranteed;

(d) Within the scope of the management to be established in the above way and of the optimization of communication and information mentioned in (b), both the execution and the responsibility for this execution should be delegated as much as possible, as far as planned activities can be indicated already.

Summarizing the goals in (2) and (3) as information about the decision shaping and the decision making process,

widening of the job responsibility, and creation of a systematic career-planning,

we have to face the consequences of these goals for the authority of the board of management. I would like to emphasize that compliance with these goals will not and does not have to lead to a change in the distribution of power, but only in the way in which the management board exercises its authority. The management board, and at a lower level the heads of the units and subunits, are the bodies that are assigned to make the final decisions, provided however, that these are made with appropriate regard for the constructive contributions by lower level employees. In the present management philosophy the Board of Management is not only willing to accept this contribution, but is even considering it a condition for a good functioning of the enterprise.

#### E. CONCLUDING REMARKS

In the Western countries a gradual change from private manager/owner to employee/manager with more or less unidentified owners can be discerned. In Yugoslavia on the other hand and out of a completely different historical background, a system unknown in the Western world has abruptly been created, where there has been a sudden change from a state ownership and centralized government bureaucracy to the working com-

munity (employees!), with also, but differently, an unidentified ownership.

Very generally speaking it seems that from two different starting-points the operational set-up is in many respects similarly trying to achieve the optimal combination of on the one hand the advantages and always necessary elements of ultimate organizational authority and on the other hand the fullest possible freedom for the individual to participate in the decision making process and the development of individual creativity.

There remain very essential differences, such as the shareholdership and the appointment of the managing director. Some aspects of the functioning of the Yugoslav system seem bound to introduce static factors. Also the international development does not appear to be equally possible as in the Western countries. On the other hand both the similar and the different approaches are mutually instructive and inspiring.

Let us hope that we can find common ways in the future to help this world evolve into a strong and balanced human society.



## DISCUSSION

Mr. *Blum* started by expressing the hope that it would prove possible to point out roads leading to the goal of helping the contemporary world to a strong and balanced society, as Mr. *Stikker* put it in his paper. He said he hoped there would be real discussion and not mere statements. It is not necessary, he warned the audience, that we must approve of each other.

The basis of workers' selfmanagement, Mr. *Blum* said, lies in the social ownership of the means of production and in the inalienable right of the workers to exercise these rights. The workers, that is all those employed in the enterprise, do not have to fight any more to win these rights, although sometimes they are in the position of being able to thwart attempts to alienate their rights. Nobody who exercises the functions of an individual organ of management (general director, director, e.a.) is eligible to the workers' council, he added.

The social position, on the other hand, of those who demand participation in the West is quite different. They are demanding the right to be recognized as participants in the results achieved by investment of labor and capital. Therefore probably the Dutch unions do not wish to take upon them the responsibility of their participation.

However that may be, we cannot deny that we are living in times when every man is coming to realize that his participation cannot be limited only to his work on the job and receiving his money. Rather he feels that he has the right not only to his share of work but also to his share in management, that is, in managing his own destiny and that of the community to which he belongs.

Mr. *Stikker* said that Mr. *Blum* and he were talking from two different worlds, conditioned by different historical backgrounds. The great dilemma is, he said, how to build bridges between these two systems.

In the long-term view, he observed, the organizational set-up of the Yugoslav enterprises does not seem to be propulsive for growth and expansion. Is expansion possible? Can you adjust yourself in the long run to the very dynamic developments on a global scale?

Mr. *Blum* said the very fact that this symposium was organized showed that we are seeking what unites us [the interpreter translated this as "to build bridges between us" – note of the ed.]. He saw no static elements in the Yugoslav enterprises, as far as economic cooperation was concerned there were no frontiers, the only condition being that any economies that do tie up with us must respect the social relationships prevailing in Yugoslavia. Our participation abroad too respects the conditions existing in those countries, Mr. *Blum* said. We do not have joint ventures, he said, but joint investments. It was precisely the mixed companies that led to the break with the Soviet Union. Before such a joint investment begins, the mutual relationships and rights must be determined very precisely. The enterprise is obliged to ask for the approval of the government.

Answering an interruption, Mr. *Blum* stated that it depends entirely on the people in each country how things will develop.

Mr. *In 't Veld* asked whether there were, besides a central workers' council, in bigger enterprises also departmental workers' councils in the working units. Mr. *Blum* answered: yes, depending on the technological possibilities to divide the enterprise up. Mr. *In 't Veld* said this meant there are workers' council in each cost center. Are they independent, or is there a hierarchy between the central workers' council and the departmental workers' councils? he asked further. Mr. *Blum* said there was no hierarchy. Each one makes the decisions within its frame of competence. Only in case of dispute these workers' councils can ask for arbitration. It would be contrary to the spirit of selfmanagement to have hierarchical relationships. On the question of Mr. *In 't Veld* of who takes the day-to-day decisions, Mr. *Blum* said that the workers' councils do not take such decisions. It is impossible, he said, for a representative body to decide on technological problems; the effect of the decisions they can easily evaluate afterwards. But in emergency cases the council can be convened immediately. The most dangerous thing to do is, Mr. *Blum* said, for executives to take decisions and afterwards to present the workers' council with a *fait accompli*; this is the way managers may try to expropriate the workers' right of selfmanagement.

Mr. *In 't Veld* went on: who hires foremen? Who decides on that? Mr. *Blum* answered that everybody is hired at the basis of a public competition for that job. For higher executives the law prescribes a public competition. The *Energoinvest Statutes* state that an executive of a higher

level may propose a candidate. Mr. Blum added that firing is also initiated either by the 'boss' or by the workers' council. Mr. In 't Veld concluded that day-to-day decisions were taken by the executives, who are responsible for their decisions afterwards to the workers' council. He thought therefore the foreman could boss the workers just as in the West. Mr. Blum replied that measures to promote the efficiency of business-operating have nothing specific to do either with socialism or capitalism. This work can be done either well or badly, in both systems.

To a question of Mr. In 't Veld about the experience with the system in the field of education of the unskilled worker, Mr. Blum answered that it is quite impossible to make every worker a specialist in all fields; if they work poorly, then these people will have to be switched.

There are special services to do that job, but as an educational system selfmanagement had proved highly satisfactory. There is, however, no end to schooling, he added.

Mr. *In 't Veld* then turned to the problem of the specialists; do not they get the upper hand as a consequence of their technological and economic knowledge?

Mr. *Blum* wondered why this question bothers the Western participants so much. The organs of selfmanagement, he said, are usually strong enough to resist attempts to grab power, and when such an attempt is likely to bring success, the party, the trade unions or some other organization can interfere and try to stop it. Moreover, such attempts usually produce negative production results too.

Mr. *Singleton* said it was very difficult to say what is a day-to-day decision, what is a purely technical question on the one hand and what is a long-term decision on the other hand. He referred to his experience in the 'Iskra' works at Kranj consisting of 15 subsidiary factories, where a working unit decided in a referendum with a great majority to secede from 'Iskra', feeling it could sell its products better without the interference from Iskra. The central workers' council then suspended the workers' council of that unit for a year. At that session of the central council nearly all speeches were made by the managerial staff, present as guests without the right to vote. The workers' council simply ratified their proposal because it had no alternative. Is this seceding a technical question, as they put it in Iskra, or a long-term decision? Why were they not allowed to secede? What are the rights of the central workers' council?

Mr. *Blum* said that nowadays the workers do not let themselves be convinced so easily. It is difficult, however, to decide precisely what is long-term policy and what are day-to-day decisions. In case of doubt we have the Constitution, the laws, the enterprise statutes and all sort of internal rules. But, to be sure, selfmanagement is not developed in all enterprises to the same degree, it varies. Mr. *Blum* said that, e.g., Energoinvest introduced these economic units or working units 5 years before the law made them possible. Mr. *Blum* said he knew the case of Iskra. Today, he said, it would not be possible to hold that type of sessions, not even in Iskra. Mr. *Blum* stated that each working unit can secede by the decision of his own organ of selfmanagement, provided that the mutual accounts are cleared.

Mr. *Albrecht* spoke on the relations between the workers and the technical intelligentsia. You neglect, he said, in this conference the class position of the worker in Yugoslavia, and that of the technical intelligentsia whose fate is bound up with the destiny of the workers themselves. The technicians can impose their will on others, but this will give poor economic results. Who is responsible, will then be asked. Creative forces are necessary under socialism, Mr. *Albrecht* said, any intelligent worker will want to have intelligent solutions, but they will not permit the technicians to grab power.

Mr. *King* inquired after the link between the committees of the workers' council, the council and the technical staff. He asked after Mr. *Blum's* experiences with these committees consisting of a number of workers' council members, some other interested people and some technicians.

Mr. *Blum* answered that they work satisfactorily. The interests of the technical intelligentsia and the workers are identical, he stated. Usually people with higher educational qualifications get the vote in the central organs of workers' selfmanagement. This is a constant and steady tendency, he said.

Mr. *Stanković* drew attention to the lively discussion inside Yugoslavia about Constitutional Amendment XV, which he considered an unclear text. The previous system of workers' selfmanagement was now considered to be no longer adequate. Other forms of committees (business committees), with large rights can now be created. Mr. *Stanković* reminded that the Party Presidium was not satisfied with the practice of these committees. Mr. *Kardelj* even went so far as to say in an interview [*Rad* of 28 Nov.

1969 – note of the editor] that Yugoslavia would never allow this Stalinist one-man leadership to reappear. Mr. Stanković asked Mr. Blum whether this was a problem too in Energoinvest. He asked further who could change an illegal decision of the workers' council.

Mr. *Blum* replied by saying that selfmanagement is developed to such a degree that it can not be endangered any more. The Amendment became necessary, he said, because the old prescribed forms became a hindrance. Of course this Amendment was an opportunity for some forces who wanted to deprive the organs of selfmanagement of some of their powers, with the motivation that this would improve the efficiency of business. Precisely the present mobilization of the social forces, Mr. Blum added, shows that selfmanagement can be protected effectively.

Answering the second question, Mr. Blum said that in former days the director could annul illegal decisions, now he must try to convince the members of their fault. If they would stick to their decision in spite of his arguments he would resign from his post as director.

Mr. *Sierksma* asked how Mr. Blum could speak about 'building bridges' [see note on p. 209 – note of the editor] and respecting the neo-capitalist system in other countries. He asked for Mr. Blum's ideas about changing the Dutch situation. Unlike Mr. Stikker, he thought the Yugoslav system to be much more dynamic than the capitalist system. He asked Mr. Stikker to explain what is meant with 'participative management', and whether he wanted to destroy the Western system in order to make a real democratic form of management.

Mr. *Blum* replied: our point of departure is reality. It is not up to us to wage a struggle in any country for change, as we do not permit others to do it in Yugoslavia. When it is in the interest of the working class of Yugoslavia to establish cooperation with a certain country, then we do it, and in doing so we do not take the right to meddle in the political life of that country. It is, however, quite another matter in case of a liberation struggle. We are always supporting those movements. The Yugoslav standpoint in Vietnam, the Near East etc. is well known, Mr. Blum said.

Mr. *Stikker* repeated his view about the different backgrounds and the two different systems. The big question, he said, is the ownership issue, he did not want to abolish this ownership. Ownership must not be identified with the managerial staff, he said.

Mr. *Voigt* said he spoke on behalf of a group of young people who left

the university and went into industry. An increasing number of people of my age and background, Mr. Voigt said, are convinced that selfmanagement should be introduced in Dutch industries. How and in what forms, we do not know. He said many of his friends desperately tried to identify themselves with progressively thinking business managers. Therefore he asked: what is meant by participative management? Does Mr. Stikker think people like those of his group, who adapted themselves to the actual power structure, are able to introduce selfmanagement in The Netherlands? Could Mr. Stikker give an estimate of the time in which these changes could take place? Mr. Voigt asked the Yugoslavs when they thought they would have reached the majority of their aims which were put into practice in 1950. If it would last 50 years, he would have to search for other methods than the Yugoslav or the Dutch ones. Mr. Voigt said on the basis of these answers he would decide whether to try to develop industry from within or to try to develop other methods, outside the industrial sphere, to reach a selfmanaging organization.

Mr. *Stikker* answered that this problem should be understood much more intensively than had been the case in the past. We must devote more time to the problem of what is going on in the company with the people. Participative management, Mr. Stikker explained, does not mean selfmanagement. It means that all the decisions are taken on the various levels of capability with the input from the people that have to execute the same decisions. Mr. Stikker further said he did not see how we could change the system in Western Europe in a short time, even if we wanted to. We have a large number of people and institutions who own shares, he said, it would be practically impossible. Moreover we should *not* do it, because ownership has to do with individualism and with private initiative. The time question he thought to be purely academical: it is not possible. We can, Mr. Stikker concluded, evolve our system and end up in a sort of Yugoslav selfmanagement, but without the ownership problem.

Mr. *Van Zuthem* said it seemed to him an understatement when Mr. Blum said that only the methods of the director differ in the Yugoslav and the capitalist enterprise. Was not it the duty of the Yugoslav director to stimulate the workers to make use of their rights of selfmanagement, unlike the Dutch director?

Mr. *Blum* said he was on the one hand the technical executive, while on the other hand, as a Yugoslav, and from his experience that selfmanage-

ment promotes the development of an enterprise, he influenced the workers to make use of their rights.

Mr. *Stikker* said no law compelled the Dutch director to do this, but we feel it our duty to promote participation as much as possible.

Mr. *Boerboom* said there were fundamental limits in Dutch enterprises for selfmanagement. There has first of all to be a socialist society, he said. He asked whether the Yugoslavs had no responsibility with respect to the situation here.

Mr. *Blum* said he had answered this question already. We work in developing countries, he said, but we do not infiltrate our own conceptions there. We feel we must not do this.

Mr. *Van Gorkum* asked for figures of illness as an indication for satisfaction. Are there many complaints about Yugoslav workers coming too late or taking too large breaks?

Mr. *Blum* replied that he did not know the yardstick for measuring the satisfaction of the workers. But he could say definitely that the Yugoslav workers were satisfied to have the right to make their own destiny. We found, he said, that dissatisfaction (strikes) break out when this right is taken from them.

Mr. *De Sitter* said there was in his opinion not much difference between a Yugoslav and a Dutch enterprise in the day-to-day situation. Both are alienated situations, because the workers cannot express themselves in the social relations there. He asked how, in the enterprise, a situation can be realized in which we manipulate the flow of information in order to make selfmanagement a reality. Are the Yugoslav sociologists studying this issue?

Mr. *Blum* said a large number of sociologists were working in his firm. We demanded from the Mackinzeij firm that they help us to organize a proper and well-functioning information service in order that as many workers as possible get information.

Mr. *Van der Does de Willebois* said he missed in the Yugoslav answers whether they developed experiments with autonomous groups. Do you simply import old-fashioned efficiency concepts, he asked? His second question was why unskilled workers had such a modest position in the organs of selfmanagement, and whether it would not be preferable to give them more seats in the workers' councils so that they can learn the managing processes. He asked Mr. *Stikker* whether he agreed that it was a pity

there came so little initiative from the top of the Dutch enterprises, which really tried to start experiments of autonomy, democratization, etc.?

Mr. *Blum* said he had presented in his paper only the figures for the central workers' council in Energoinvest, numbering 100 persons, on an enterprise of 13 500 people. He estimated about 30 % of the total enterprise population was engaged in some form or another of selfmanagement organs. So you can see how ramified this system is. As we descend to the smaller units the workers' council corresponds more and more to the structure of the group in question. Non-skilled are nearly evenly represented on the whole, he said.

Mr. *Stikker* said he agreed with Mr. Van der Does. There is not enough initiative on the part of the enterprise, things are changing very quickly. It should be a matter of great concern in the big enterprises, he said, we should make a policy point of it. It is one of the major problems of the future, Mr. *Stikker* concluded.



RUDI SUPEK

## PROBLEMS AND PERSPECTIVES OF WORKERS' SELFMANAGEMENT IN YUGOSLAVIA

From the many problems facing workers' selfmanagement in Yugoslavia I will single out only those which seem to me to be the more important with respect to the conception of workers' selfmanagement in general. In doing so I am guided both by the experience gained from Yugoslav practice so far, and by general theoretical considerations on the possible application of this system, especially in the more developed countries; that is to say, from the perspective of a stage of development that my country will reach shortly. We will pay attention to these problems and to possible solutions (which are at the same time the dilemmas facing workers' selfmanagement in this country) in some basic fields of social life:

(1) The political system (problems of direct democracy at the global social level).

(2) The economic system (problems of planning and decentralization of economic functions).

(3) The organization of production (workers' selfmanagement at the factory level).

(4) The democratization of cultural production (especially with regard to the role of the mass media).

This, naturally, does not cover all fields of social life. Moreover, we will dwell only on those problems which we deem to be the most topical at this time and which have given rise to different points of view. We also will approach these problems not only from the standpoint of action, that is to say, with the intention of solving the immediate problems in everyday life, but also with the intention to sketch some general solutions in the tendencies of the development of workers' selfmanagement, having in mind the highly developed industrial countries. Our considerations and proposals will be more in the nature of a perspective, but I believe that besides those questions which arise from political practiciness, and the practice of every day, those questions are especially important which open to us a possible broad perspective. Our proposals will have, therefore,

partially a hypothetic character, although we will strive to avoid any arbitrariness.

#### I. DILEMMAS IN THE DEVELOPMENT OF THE POLITICAL SYSTEM

It is very well known that workers' selfmanagement arose in Yugoslavia as a reaction against the etatistic and bureaucratic socialism in the Soviet Union. It arose quite necessarily as a consequence of critical reflection on the nature of the dictatorship of the proletariat, i.e. on the nature of the 'transition period' from capitalism to socialism and, particularly, on the role of the state in this period. Interest was centered immediately on the classical theory of Marx and Lenin on the withering away of the state, for it was not difficult to demonstrate that the deformation of socialism which is called stalinism and which is sometimes very naively reduced to the term 'cult of the personality', has its roots in a definite conception of the state, of the avantgarde-role of the communist party, of the monolith nature of the political system, an extremely centralized one, with all the ensuing consequences, such as: bureaucratism, etatism, full control of ideological trends, especially of cultural creation, that is to say, complete subjugation of the intelligentsia; briefly, it has its roots in an absolutistic conception of rule 'from above' or 'over the people' in the name of the working class and the workers in general.

The attack by the Soviet Union on Yugoslavia which was proclaimed a 'fascist country' overnight instead of a socialist one, could be explained only in terms of extreme subjectivism and political pragmatism, doctrines which presuppose necessarily centralized etatist-bureaucratic structures in controlling people and public opinion.

Only after this critical confrontation with Stalin and the whole Soviet system it was possible to think about the 'own way to socialism', and only then some fundamental questions could be asked, e.g. what is it anyway, this way to socialism, respectively what is the true content of the so-called dictatorship of the proletariat?

Polemizing in his early writings Marx said very concisely that the proletariat "does not need a social revolution with a political spirit, but a political revolution with a social spirit". The former he conceived as a class struggle which ends with the taking over of the state and the estab-

ishment of a political order, such as the bourgeois-democratic order. The latter, on the contrary, he saw as a political taking over of the political state organization by the proletariat, with the purpose of carrying out a social revolution by means of political power. When speaking of the dictatorship of the proletariat, therefore, it is useful to distinguish between a political revolution, i.e. the taking over of the power in the form into which it was built by the bourgeoisie (state, representative democracy), and a social revolution, i.e. the building of such a social order in which the state vanishes as a power alienated from man, of an order which Marx called "the free association of producers", which Antonio Gramsci called "a producers' democracy" and which is called in Yugoslav terminology "a selfgoverning socialism" at the base of which is workers' selfmanagement.

Lenin took over, in his well-known work *State and Revolution*, the idea of the withering away of the state as the essence of the dictatorship of the proletariat: "The proletariat needs the state – this is repeated by all opportunists, social-chauvinists and Kautskyites, who assure us that this is what Marx taught. But they 'forget' to add that, in the first place, according to Marx, the proletariat needs only a state which is withering away, i.e., a state so constituted that it begins to wither away immediately, and cannot but wither away. And, secondly, the working people need a state, i.e. the proletariat organized as the ruling class."<sup>1</sup>

However, taking into account the weakness of the Russian proletariat, he pointed out in 1921, in the discussion with the 'workers' opposition' with Shlyapnikov and Bukharin, that the Russian proletariat was numerically too small and that workers' control of the factories (the slogan: The Factories to the Workers!) could only be foreseen in a much more far-off period.<sup>2</sup>

The alternative which Lenin chose was a strict centralization of all the administrative and production functions, although he pointed to the need of strengthening 'workers' control' against the bureaucratic deformations which he soon detected, but against which he did not find the most efficient remedy. With the adjournment of workers' control of the factories, the social revolution was adjourned, respectively reduced to nationalization of the means of production and collectivization of the countryside, for the purpose of accelerating the industrialization of the country. This way of interpreting the idea of the dictatorship of the prole-

tariat proved to be a very effective means for strengthening the state, the role of the party in social life and the party-bureaucratic top of the elite, in short for establishing what is called the 'cult of the personality'. The fact that Stalin gave a totally different meaning to the dictatorship of the proletariat by rejecting in full the theory of the withering away of the state, and by identifying the social revolution with a complete planification of the economy and with full control of public and cultural life, gave to Soviet socialism that etatist form, which has been criticized so many times before. Stalin elaborated the theory of the strengthening of the state not only for socialism, for the transition period, but even for communism.<sup>3</sup>

Both Marx and Engels, and other marxists, hold the opinion that the state has two essential functions: (a) that it is an instrument of power of the ruling class, and (b) that it is the representative or mediator of general interests, respectively of the interest of all citizens. If we assume that the state has already withered away as 'an instrument of power of the ruling class', and has remained only as a 'state of the whole people', then the question might be asked: which of its functions as an instrument of the ruling class withered away? We will not get an answer to this question.

Calling the state 'a state of the whole people', even when it is assumed that the state as an instrument of the ruling class or of a group has vanished, only proves that the social community has not been achieved and that, furthermore, one is ruled according to the principle of representation, i.e. in the name of the state as a mediator between the freedom of one citizen and the freedom of another citizen as abstract individuals.<sup>4</sup>

Among the different interpretations of the dictatorship of the proletariat the more realistic seems to be the one in which the dictatorship of the proletariat is conceived of as a form of power in the period of transition from capitalism to socialism, i.e. after a socialist revolution. This power is wielded equally in the interest of the working class (this aspect is insisted upon by the Chinese) and in the interest of the whole people (this aspect is insisted upon by the Russians). But, essential for this system of government is its contradictory character, the fact that it constitutes a transition from forms of government (over men and things) by the state, to forms of direct democracy, of the transfer of the classical functions of the state (defense, planning and control) to the social community.

Such a process contains several contrasts, and does not develop without

tensions, conflicts and struggle, especially between attempts at bureaucratization of power in the form of political and social monopolies, and at democratization of power by the working layers of the society (here the workers' trade unions, which in the U.S.S.R. have been reduced to transmission belts, have a large responsibility).

This system of government means a change from political activities in the classic sense of representative democracy to selfmanaging activities in the sense of a selfmanaging socialism. At the same time it means the vanishing of repressive elements and the reinforcement of democratic elements in the administration of society.

The political revolution gives way to a social revolution which is embodied in a gradual realization of the 'free association of producers', in such a way that at first the economic and educational-cultural functions are socialized, and then the controlling and defensive functions which depend largely on international relations. The thesis that socialism means that the rule of men shall be replaced by the administration of things only loses its technocratic character if this thesis is interpreted and complemented by the principle that the mediatory functions of the state between citizens are taken over by a process of free contracting between the members of narrower and broader social communities, i.e. selfmanaging communities.

In the Yugoslav theory of selfmanagement today it is not sufficiently stressed that selfmanagement means *dualism of power*, that it is a combination of representative democracy and selfgoverning democracy, that it is organized at a horizontal level in all sectors of social production activities in the form of selfgoverning organizations, while at the vertical axis, especially at the global social level, the state continues to exist as a representative democracy.

It should be added immediately, however, that the forms of parliamentarism are already adjusted to the needs of selfmanagement, because special producers' councils are introduced (at the levels of the commune, the republic and the federation), which collaborate on an equal footing with the People's Assembly, the highest representative body.

In connection with the dualism of power in Yugoslavia, some are of the opinion that a consequent selfmanaging system should be realized in this way, that the Congress of Selfmanagers becomes the supreme legislative body, which uses the existing state organs to execute its orders.<sup>5</sup>

This idea is especially close to the Yugoslav 'workers' opposition' which is formed nowadays within the existing system. We will not discuss the problem of whether this dualism should be solved in the nearer or farther future, and we will return to it when we will make some more remarks about the problems of selfmanagement in the field of culture.

I wish to finish these short considerations about selfmanagement as a part of the dictatorship of the proletariat or of the 'transition period' with some conclusions.

Firstly, if the proletariat wants to build a socialist society as a higher form of organization of free men, then it must in accordance with the theory on the withering away of the state from the very first day after the taking over of power work for its withering away, i.e. for the building of a selfmanaging society. The proletariat must be conscious of this task from the beginning and of the dualism of power which is connected with the transition of a political revolution to a social revolution. It depends on the degree of historical development of countries, on the socio-economic and political-cultural conditions and traditions of the peoples concerned at what speed the social revolution will be achieved after the taking over of power by the proletariat.

Secondly, if one agrees with Lenin that "the state must wither away immediately", then it may be thought that first of all some of its functions wither away, namely those which do not threaten but, on the contrary, keep unimpaired the 'historical perspective'. That is, in the first place, the monopolistic disposal by the state of the surplus of labor created by the workers and their right to decide on the results of their work. Workers' selfmanagement is therefore the first step towards the withering away of the state and the birth of a free association of producers.

It is nowadays the only thinkable alternative for democratization of a socialist society as against the etatism and bureaucratism in socialist countries. The introduction of workers' selfmanagement does not yet mean taking away from the state the functions of planning and control of the production processes. The situation in this field also remains contradictory for a long time.

Thirdly, workers' selfmanagement is not a 'higher phase' in the development of the dictatorship of the proletariat or of socialism, which follows after the 'etatist phase' (by now known in its Stalinist or Maoist version) as the 'lower phase of development'. This thesis also emerged in the

Yugoslav political literature. Indeed it would mean that the development of socialism should always pass through a typical etatist stage in which the introduction of selfmanagement in every form whatsoever is rejected. There are no theoretical reasons why one should divide socialist development in a lower, etatist, and a higher, selfmanaging, phase. This theory tries to justify not only the excessive role of the state, but also its deformations, which are known to us as stalinism. It is well known what the 'adjournment' of selfmanaging forms of power may lead to, an adjournment which Lenin deemed necessary, although he rightly feared bureaucratism. There is only one correct point of view, i.e. that the 'higher stage' should be present from the very outset in the 'lower stage' that the goal must be already present in the means, a socialist society in a socialist power.

Fourthly, one should not conceive the taking over of power in a socialist revolution as emerging from only one workers' party, as was the case in Russia or China. It might also emerge from a coalition of political parties, as was the case with the People's Liberation Front in Yugoslavia, or a coalition of parties, as in Czechoslovakia. A counterweight to these coalition forms, in so far as they comprise any remainders of the old bourgeois order, should be organized in the form of the workers' self-managing bodies, of the workers' councils, and not in the form of a disloyal and often illegal usurpation of power by only one political party. This holds true especially with respect to countries with a strong tradition of bourgeois parliamentarism.

Fifthly, workers' selfmanagement, i.e. the demand to manage the factories, is not only a problem of the 'dictatorship of the proletariat', but one of the essential demands in the strategy of the workers' movement, especially in developed countries – a demand for direct democracy against the increasingly obvious parasitism of the old capitalist property relations, against the ever greater bureaucratization and etatization of social life. In this respect the demand for selfmanagement is not only characteristic of the working class, but also of the intelligentsia and the employees in secondary and tertiary occupations, wherever rightlessness and subjugation of man to obsolete authoritarian and hierarchic structures exist. At stake is a fundamental demand for the right to decide on the essential questions of one's own existence. Instead of the traditional peasantry in developed societies the proletariat gets a new natural ally –

the hired intelligentsia, whose revolutionary role is not less important than the role of the traditional proletariat. This was shown by the workers' and students' movement last year, especially in France.<sup>6</sup>

## II. WORKERS' SELFMANAGEMENT AND THE DECENTRALIZATION OF PRODUCTION

Among marxists the opinion is widespread that socialism in the field of production means first of all a planned economy, the abolition of the spontaneous development of capitalist production and of the market economy, as the main source of commodity-money-relations, respectively of the profiteers' mentality. However, a planned economy is conceived at the same time as a strict centralization of the functions of planning, execution and control in the production, functions which must necessarily be wielded by a uniform body – state organs for planning and production – and a uniform authority in production branches and production units (the Soviet principle of *yedinonachalye*).

In the latter case, the working class manages production, as held by the Soviet economist Rumyantsev, "through its representatives in the workers' state". In this sense there exists at the same time a concentration of political power in the state with regard to the political and the production functions. There is a stern hierarchy and an authority going from the top downwards, and the workers have no right whatsoever to interfere with the production.<sup>7</sup>

The combining of political and economic functions in one strictly centralized system led to a concentration of state power unknown in modern European history, and also to that form of extreme bureaucratization already foreseen by Max Weber for socialism. To be sure, Max Weber held that such a bureaucratization would mean the victory of the principle of rational management in the production sphere. This standpoint is shared by many marxist economists (Sweezy, Bettelheim, Baran, e.a.). No doubt the strictly centralized planned economy showed its efficiency under conditions of 'primitive accumulation' in socialism, in the period of building up energetic and basic industrial plants, consequently, in the period of mass investments in those branches of the industry which least depend on the market and demand. No doubt that such a planned economy is part and parcel of the planning of military needs.



However, the rationality and the productivity itself of a strictly centralized economy have given rise to doubts not only as a result of the writings of economists in capitalist countries (P. Drucker), or as a result of experiences in the Yugoslav economy. These doubts also arise in socialist countries that doctrinally adhere to a strictly centralized model of economy (e.g. in Czechoslovakia Ota Šik, or in the Soviet Union Liberman).

Yugoslav experience has given rise to the following objections against a strictly centralized planned economy: the strengthening of etatism and bureaucratism and, in this connection, of political and economic 'subjectivism' and 'voluntarism', i.e. a certain inability to assess the real possibilities of the economic development; inefficiency of investments (the building of so-called 'political factories'); bureaucratic parasitism (the building of a superfluous administrative apparatus at all levels from the enterprise up to the Federation); non-adjustment to the market demands of the production (bad range of products, total absence of so-called 'auxiliary' or 'small' production); the piling up of market surpluses, of unsold goods (badly planned); lack of economic initiative or of entrepreneurial dynamism; no uniform criteria for investment in economically developed and less developed republics or territories, which resulted in less remunerative industries being favored and remunerative industries being passed over; the consequent tensions and problems between the nationalities; the absence of objective price-setting; artificial proportions in the fixation of economic values; monopolism of certain branches of production – in one word the absence of objective economic criteria in production; inconvertibility of the dinar and inability to link up with the world economy as a factor for stimulating and measuring the real productivity, and some other reasons.<sup>8</sup>

It goes without saying that the economic system must adapt itself to the newly introduced political system of direct democracy. Nonetheless there exist also sufficient economic reasons for its reform. On the negative aspects of a strictly centralized management of the economy enough has been written in the economic and sociological literature of Western countries. The arguments against it are nowadays also heard in the socialist countries. Here it should be pointed out that the problem of centralization or decentralization is very closely connected with the level of economic and technological development of production itself.

Contrary to the point of view of some authors (A. Meister, R. Dahrendorf, G. Friedmann) that a system of selfmanagement is suitable for economically undeveloped countries, and that with the development of modern technology it will fade out, we are of the opinion that a strictly centralized economy is suitable for economically undeveloped countries in their stage of accelerated industrialization, because it realizes the 'primitive accumulation of capital' (coupled with a low standard of living) and is not compelled to accommodate itself to the demands of the market on the base of a high standard of living as prevailing in the so-called 'affluent society'.

To be sure, G. Friedmann points especially to a technological factor like automation as diminishing the possibilities for the workers to take decisions, because the decisions are planned and calculated in special offices. Since this objection seems to be the most serious one, we will later return to it.

We only wish to draw attention to some advantages and disadvantages resulting from decentralization of the economy in Yugoslavia.

First of all I may point out that after the factories had been handed over to the workers to manage, productivity did not fall, for the rate of economic growth during the last 15 years in Yugoslavia has been one of the highest in the world.

Only when the economic reform of 1965 was carried out, there occurred a stagnation, because investments were deliberately slowed down so as to detect the 'internal reserves' of the enterprise, that is to say, so as to improve the rationality of production without new investments. The stopping of investments should serve as a certain means of discovering fallacious investments in the statist-administrative period of management of the economy. Secondly, to stimulate economic activities, more attention was paid to the principle of 'remuneration according to the results of work performed', both in the case of production collectives and of individuals.

In connection with this a struggle was waged against 'egalitarianism' (*uravnilovka*) which hits especially the higher qualified workers and experts. This resulted in a differentiation of the wage-scales. Nonetheless in the field of education in Yugoslavia wage-differentiation is not larger than 1:3, and in economic activities 1:5. Most wages revolve, however, around the average. (The economic liberalization opened in certain fields

of activity the possibility of personal enrichment, especially in the field of services, retail trade, finance, and the professions.)

Thirdly, decentralization and the abolishment of autarchic production (by monopolizing certain economic branches by means of subsidies and protectionist import duties) while limiting investments in the period of economic reform, put some big industries (coal, steel, electricity, processing industries, the chemical industry) in a difficult position, whereas the development of smaller industries was favored. That is why there are discussions about the 'cutting up' and even 'spoiling' of the economic resources of the country.

Fourthly, the liberation of competition on the market led to the development of a certain 'profiteer mentality' and to 'collective egoism', but also to a growth of a greater general interest in monetary benefits, in earnings, in raising the standard of personal living, which have their positive as well as their negative consequences (disloyal competition, bribing, corruption in trade e.a.). The negative consequences of the 'commodity-money-relations' have their source also in a certain political pragmatism which is guided only by economic principles, not looking to social development in general and thinking that the struggle against these negative consequences would be contrary to the aims of the economic policy.<sup>9</sup> To counteract the cutting up of the economy and an unhealthy monopolistic or localistic policy the production organizations initiated *processes of integration* so as to strengthen their economic base and to facilitate the modernization of production. By now, however, integration is furthered not by state or administrative bodies, but by the economic organizations and their institutions themselves (economic chambers, banks, etc.). This type of integration, from 'below', not only takes into account the economic power of the enterprise for purposes of modernization, but also the individual interests of the economic organizations. In the Yugoslav circumstances this is very important, because besides economic and technological reasons for integration in a multinational country like Yugoslavia, there are also regional and national factors. In this respect it is thought that centralist tendencies in our country reflect also hegemonistic tendencies of some national groups with better access to the central funds. (As a last stage in the process of decentralization of these funds a struggle is now being waged over the dividing up of the foreign exchange fund, the existence of which is held to be contrary to the

interests of some more developed territories, especially of Croatia and Slovenia. This has given rise to heated discussions, not only in the press, but also in the Federal Parliament.)

Fifthly. The strongest opposition against the decentralization of the economy comes from circles that represent the needs of modern technology and the scientific-technical progress of society. The representatives of this current of thought point to the interdependency of the economic system and scientific-technological progress which can be best realized in 'big systems' in which production is optimized with regard to natural resources, organization of production and consumption.<sup>10</sup>

It goes without saying that Yugoslavia in the present stage of her industrial development is not able to keep up with and promote independently a modern technology that demands close collaboration between the economy and scientific research, especially with regard to development research. In an enquiry carried out by the Federal Chamber of Commerce 40% of the enterprises concerned stated that they do not program their development, and only 5% that the social plans serve as a basis for the orientation of their own production. These examples should give food for reflection to those who consider that workers' selfgovernment suits industrially weakly developed countries. Therefore we want to give a principled answer to the problem of the relation between modern technology and a selfmanaging system.

It is clear that modern technology, especially automation, leads to a centralization of production functions, and this not only with regard to the planning of production, but also with regard to its marketing.

Is it true that modern technology, with automation, and an ever greater use of computers, which to an ever greater extent take over functions of control and decision-making in the production processes, makes it impossible to decentralize an economy that rests on selfmanaging production organizations?

This question contains two subquestions: firstly, does modern production tend to reduce man's creative role in production? And, secondly, does the organization of social life in the emerging, technologically highly developed society, depend on the organization of production itself?

Our answer to the first question is: human creativity in production depends on the variability and stage of development of human needs and

on the accommodation of production to human needs, more exactly, on the subordination of production to human needs. In that case the creative capacities in the production of consumer goods express themselves ever more in variety (against standardized consumption) and in continuous innovations in the satisfaction of human needs. In order that human creativity can fully express itself in the sphere of production, it is best to favour a decentralized production and independent production collectives (research results of modern social psychology support this thesis).

To the second question we will answer that, thanks to automation and an appreciable shortening of the working time, the production of basic goods (energy, processing and basic industry, transport and communications) will become to a great extent independent of the massive use of human labor. As a result, the production of basic goods will become a kind of social infrastructure or 'technical environment' (Friedmann), which in no way will determine the individual and collective life of man, which, on the contrary, will be organized according to deeper human needs. Among these needs we regard as the most essential the need to participate in social affairs, to participate in decision-making and in sharing the responsibility for decisions that have been made. Certain forms of direct democracy necessarily spring from this leap from 'the realm of need into the realm of freedom', embodied in a highly developed society without exploitation of human labor power.

Therefore, we are of the opinion that the development of technology, in spite of the centralization of the production functions, leads to the liberation of human society, in the principles of its organization, from subordination to production tasks and, consequently, to any form of centralization of production functions; it leads to a real liberation of society from servitude to work and production and to the creation of a human community on the principles of a free association of men.

Indeed, technological development and modern production only confirm that selfmanaging forms of association do not develop exclusively within production communities; they spread to living communities, which are interlaced and mutually conditioned in their functions, with an outspoken tendency to favour living communities at the cost of production communities.<sup>11</sup>

## III. SELFMANAGEMENT IN PRODUCTION ORGANIZATIONS

At the outset it should be pointed out that selfmanagement in production organizations has been the object of much sociological and social-psychological research, so that the problems in these production organizations are best known to us. This does not mean, however, that they are known in a fully satisfactory manner. In the study of workers' selfmanagement in enterprises there often predominates a rather empirical way of tackling the problem. Although we do not possess as yet a consistent sociological theory with elaborated basic categories by which we could be guided in analyzing the functioning of workers' selfmanagement, nevertheless there exist some basic theoretical trends which may be summarized as follows:

Firstly, it is tried to study the functioning of production organizations rather in their inter-organizational than in their intra-organizational aspect, i.e., in relation to the global social system. This is reflected more in the use of basic conceptions of scientific analysis, that are borrowed from constitutional and organizational acts as well as from a very abstract marxist theory on workers' selfmanagement, than from the research itself, because the latter remains mainly limited to the production organizations as units for study.

Many investigations are therefore more normative-hypothetical than organicistic or functionalistic, although functionalist conceptions have been exercising a notable influence on Yugoslav sociology in this field, as indeed in other fields too.<sup>12</sup>

Secondly, because workers' selfmanagement is not an institution created spontaneously by the workers from below, but created from above by measures of the government and by law, the basic problem is how far it has been accepted by the workers, to what extent it has been realized as a form of new relationships, to what extent it has come into conflict with the old, authoritarian structure of management of the enterprise?

If we accept the definition of the London School of production organizations as a *sociotechnical system*, then we may say that research hitherto has been more directed to a confrontation of the social aspects – the old and the new system of social relations – than to a confrontation of the social structure with the technological structure.<sup>13</sup>

Thirdly, because workers' selfmanagement was developed as a part of the general social system, to approach it as a special kind of association,

as the utopian socialists or the corporatists did, is to a certain extent inadequate, although methodologically it is permitted to start from that point of view, if one wants to see to what extent the principles of a real production community are present. Nevertheless it is necessary, when using this approach, to keep in mind that we are here dealing with an organization that is essentially a kind of 'subsystem' in a broader system. Sociological research so far demonstrates that there exists a firm network of social relations outside the enterprise that is reflected in its organization. This is valid especially for political and social relations.<sup>14</sup>

Fourthly, under the influence of a marxist orientation, to which a great number of philosophers and sociologists adhere, especially those grouped around the review *Praxis*, the theory of alienation by Marx has been taken as a theoretical basis for the study of man in production relations. Workers' selfmanagement is looked upon as an organization of production which permits the producer to plan, realize, control and dispose of his own work as social work, and in which he exercises those functions that lead to desalienation. The problem of alienation which is caused by the division or specialization of labour remains, however.

In this connection the influence of the technological factor on the behavior of the workers in the working process has been studied (handicraft, mechanized and automated work).

Because it is impossible to remove the influence of the technological factor, workers' selfmanagement gives a certain compensation for discomfort and alienation.<sup>15</sup>

What problems have been pointed up by the research done so far on workers' selfmanagement in production organizations? Selfmanagement in tertiary activities has not so far been the object of systematical research. Only E. Pusić investigated the functioning of the commune, that is, the communal administration.<sup>16</sup> Sociological research in Yugoslavia started only in the sixties, 10 years after the first workers' councils had come into existence. Consequently, workers' selfmanagement could not be observed from the very beginning. The first research was started in 1960, when a group of sociologists from the Institute of Social Sciences in Belgrade, led by R. Supek, tried by means of content analysis to study the minutes of workers' councils from 1950 onwards, analyzing also the party and factory press. This research made it clear that the work of the workers' councils was more intensive right after the introduction of workers' selfmanage-

ment than later on. It made also clear that in the beginning problems pertaining to the organization of workers' selfmanagement and interpersonal relations dominated, which is understandable, while later problems connected with the running of the business became more important.<sup>17</sup> It could also clearly be seen that the activity of workers' councils, as far as the number of problems treated is concerned, was always greater in newly founded than in old workers' councils.

This leads us to a general conclusion with regard to the dynamics of a democratic form of managing enterprises: it is always greatest at the beginning, after its introduction, and afterwards slows down gradually, becoming a routine activity, in which the technical problems of running business predominate over problems of participation of the members and social problems in general. Probably this rule holds good for all newly formed institutions of a democratic character, because in the beginning the participation of the members of a community is greater and afterwards it slows down and becomes more a matter of routine. This behavior could be observed in our whole social system from the war up to the present. That would mean that every democratic institution, and therefore also institutions of direct democracy, are subjected to a time dynamics in the sense that participation is greater at the beginning and then becomes more passive, routine, takes on perhaps a more defensive character. This can be seen from the fact that in *critical* situations participation again becomes very intensive.

This study<sup>18</sup> like many other studies on the participation of workers in selfmanagement, has shown that the participation of the workers is much greater when problems are at stake that affect their direct personal interests, that is to say, problems connected with the division of profit or a rise in wages, the distribution or building of flats, the organization of transport from and to work e.a., than when questions are at stake like the economic policy of the enterprise, the relations on the market or relations with other enterprises. The solving of these problems is generally left to the experts and the proposals by representatives of specialized bodies or of the professional advisory board of the director, who are not members of the workers' council, are generally adopted without discussion.<sup>19</sup>

Apart from this study of the general dynamics of the development of workers' selfmanagement, the interest of the researchers has been mainly concentrated on the question of the real democratization of the manage-



ment of the enterprise, that is to say, on the real participation of the workers, more particularly, on the structure of influence or power in the enterprise. In this field the most fundamental research has been done, and very interesting results have been obtained.

The theoretically and methodologically most interesting study on the subject of participation and motivation of the workers, in relation to the technological level of the organization of work and production, is that by J. Obradović. It covers 20 enterprises (with 527 workers) on handicraft, mechanized and automated levels of production. Guided by the theories of K. Marx, E. Fromm and G. Friedmann on the position of the worker in the production process in different stages of technological development, and by the results of research by R. Walker, F. Mann, T. Lodhal and others, Obradović examined how the technical level under conditions of workers' selfmanagement affects the attitudes towards work, job satisfaction, alienation in work, satisfaction with wages, perception of the possibilities of promotion, the feeling of being owner of the means of production, the conditions of work, interestedness of work, perception of social status, of workers' selfmanagement e.a. (The so-called variables were measured by different scales of the type described by Thurstone, Likert, the semantic differential and numerical scales, while the influence of the different variables was analyzed by means of a multivariational correlation analysis.)<sup>20</sup>

What have been the results of this study, which aimed at ascertaining to what extent a certain system of workers' participation removes those discomforts of work, which are caused by the specialization of labor and the alienation of the workers in the production process?

It should be said that the results did not refute some of the conclusions reached by similar studies in other countries. For instance, work in enterprises on the handicraft level gives the worker greater satisfaction than work in an automated enterprise, while the satisfaction is least in a mechanized enterprise. The results show that all opinions concerning the work and the position in work, regardless of the system of workers' participation in selfmanagement itself, point to a certain alienation in the sense of Marx.

As to expectations of social promotion, these are greatest at the handicraft level, and least at the mechanized level. Seemingly paradoxical is the result that workers, as well as members of workers' councils, regard them-

selves as the owners of the work to the highest extent on the mechanized level (effect of compensation?) and least at the handicraft level.

At the automated level the workers show the highest satisfaction with their position in the work, although the work itself is not more attractive or interesting than work at the mechanized level. This is in accordance with some observations in other countries showing that, although the work itself is not more interesting in automated enterprises, satisfaction with work is higher, because of its importance, of the greater responsibility, e.a.

As to expectation of professional promotion, the most positive perception occurs among workers in the handicraft enterprises, and the most negative in the automated enterprises. In many other respects, as e.g. the satisfaction with wages, the need for promotion, the need for interesting work etc., there are no essential differences between the technical levels.

On the whole, this study points to an interesting phenomenon, namely, that workers at the mechanized level of production, who are least content with the work they perform, feel themselves to the highest degree as managers, or as owners of their work. We might say that in this case the compensational effect of a social system in relation to the negative sides of a technological system comes to the fore in an experimental way. This result supports no doubt the theory on the interdependence of socio-technical systems.

To what extent have the workers' councils really been democratized? What is the real influence of the workers in the workers' councils? Do the workers participate in equal measure or with equal weight as other categories of employed (as e.g. the director, representatives of the administration, or of the technical staff)?

As far as the real influence of the workers in the workers' councils or the problems of the structure of power in enterprises are concerned much research has been done.

The first study was carried out on the basis of the *perception of influence* among the workers in an enterprise. In investigating the perception of influence, J. Županov and A. S. Tannenbaum used a 'graph of control' of influence. This study showed that the workers still regard the director as the most powerful person in the enterprise. The professional advisory board comes next, then the foremen, and in the fourth or fifth place only

the workers' council. It is interesting to note that even the party organization ranges fifth. The trade union branch usually comes last. However, when the workers are asked to give the desirable hierarchy of influence, the workers' council is generally placed first. This means that the workers with regard to their 'selfmanagerial conscience' deem it fully natural that the workers' council should come first, whereas in fact the director still occupies this place.<sup>21</sup>

Personally, we have been able to verify these results by an investigation which took also the technological level of production into account. It is interesting to note that at the handicraft and the mechanized levels of production the director comes first, whereas at the automated level the engineers come first. One might say that the sociocratic structure of power is changing into a technocratic structure of power.

Since the above research work was based on the perception of power, and this perception, being subject to the 'effect of pregnancy' according to which the director stands out at once in performing authoritative functions, although his power may in fact be limited by other factors (e.g. the party organization, which comes only in the fifth place), might be false, we decided to investigate the structure of power by direct observation of the way decisions are made, the way they are discussed, who makes proposals on behalf of which group in the enterprise, etc., inside the workers' councils. It goes without saying that such an investigation required direct observation of the course of the meetings of workers' councils over a longer period (average during 2 years).

This investigation, which has just been concluded and whose results will be shortly published, confirms that the structure of power in our enterprises is still *very authoritarian*, that the directors and the representatives of the specialized services play first fiddle.<sup>22</sup>

Concerning the democratization of the enterprises in Yugoslavia, we can say that the structures of influence are still largely authoritarian, i.e. that the director and some groups have a predominant influence. This does not mean that the director and such groups are always able to carry through their own wishes. The Yugoslav press has signalized quite a number of instances of a director resigning after having come into conflict with the workers' council. The preservation of authoritarian structures within the framework of workers' selfmanagement in Yugoslavia is conditioned by the undeveloped state of the working class (a very high

percentage of which is still half peasant/half industrial worker). This class has not yet, on account of its provenance, reached the level of schooling, working habits or workers' conscience of the working class in industrially developed countries with its rich tradition of working-class struggle.

However, there is no doubt that precisely a system of workers' self-management is the best way for the working class, whilst taking over the responsibility for managing the enterprises, to reach that level of maturity which will enable them in full measure to play their role of selfmanagers.

#### IV. PROBLEMS OF SELFMANAGEMENT IN THE FIELD OF CULTURE

It is not necessary to point out that the development of contemporary society, of the tertiary activities, of the intellectual professions, of the mass media, of leisure with all the different forms of a mass consumption culture, with an ever greater role of the so-called mediators and organizers of leisure becomes increasingly significant in the life of modern man. The field of culture in the broadest sense of the word is becoming as important as the field of work or production. That is the reason why in this field the problems of selfmanagement are nearly as important as in the field of production.

In the field of culture, selfmanagement can only mean the same as in the field of material production, i.e. the production of cultural goods also requires that the creators plan, produce and dispose of the defined goods. In fact, cultural creation in social life is best defined with the help of the following functions: creation, communication, acceptance; this is the form of cultural communication between creator and recipient of a work of culture. In modern society, however, the communication function has acquired a decisive significance, because it has become an object for special 'mediating' institutions between creator and public. These institutions are: publishing houses, the press, radio and television, museums, galleries, libraries, etc. Especially the publishing houses and the means of mass-communication have great influence and play a big role in the field of culture. From a sociological point of view it is important to note the fact that the mediators subordinate creators as well as recipients, that the simple functions of mediation of cultural goods have developed into factors that pursue and determine cultural policy, i.e. decide what will be communicated, and what the public will receive.

The mediatory function has changed into a monopolistic function. The negative consequences of this situation are well known from numerous works that deal with the problems of 'mass culture' or the 'manipulation of the social consciousness' (the works of W. White, D. Riesman, E. Fromm, H. Marcuse, and others). This monopolistic power can be wielded not only from the point of view of an outspoken market and profiteer logic that strives for cheap entertainment, but also from the point of view of a political and ideological monopoly. Usually both aspects are combined, though to a different extent. In Yugoslavia today both the one and the other find expression.

Now, what about the aspect of workers' selfmanagement in the field of culture? At the very outset it should be pointed out that its real sense can be distorted and wrongly interpreted precisely in the name of selfmanagement, so that the monopolistic position of the mediators grows stronger instead of weaker. This happens very often in my country, therefore it is necessary to elucidate the situation.

As is probably known, the Yugoslav Constitution distinguishes between selfmanagement and *social management*. Social management comes to the fore wherever there is question of social institutions of general social interest, e.g. educational institutions, but also a good many cultural institutions. In the new Yugoslav Constitution (of April 1963) there are clauses stressing the inalienability of the means of production, which remain social property, and the inalienability of human work by any form of exploitation, because only the producers should dispose of their surplus labor. Art. 9 of the Constitution defines the rights of the citizens as members of working communities. But in this article we come across a restriction of this right where it says: "Citizens and representatives of organizations concerned and of the social community may participate in the management of a working organization in affairs of special concern to the social community."

This restriction defines the term 'social management', because in the management of the working community (publishing houses, newspaper concerns, e.a.) also other persons can participate, representatives of the citizens, of social organizations, among which the most important are the organizations representing the cultural creators. It should immediately be added that so far not much attention has been paid to the recruitment of the 'interested citizens', although these organizations (publishing houses,

museums, galleries, theatres, e.a.) have as a rule, in addition to a workers' council representing the working community, councils of representatives of social organizations. The Constitution therefore provides that 'interested citizens' and social organizations control the work of these mediatory cultural organizations.<sup>23</sup>

Although the Constitution makes provision that the mediators in the field of culture be, in the way of 'social management', controlled to some extent by the creators and the consumers, who are all in one way and another represented through socialized or general social organizations, in practice the working community plays the leading role, behaving as all other working communities at the base of workers' selfmanagement, i.e. taking into account first of all their own interests, and to a lesser extent the interests of the broader social organization. Naturally, among editors there are always cultural persons striving to make as few concessions to the market of 'mass consumption', to sensational literature and kitsch as possible, but there are also enterprises that are interested almost exclusively in making profit. They appeal to the weakly educated and uncultured social layers, and often flatter the lowest instincts of the masses. This applies even more to newspaper concerns, which are editing, as e.g. *Vjesnik* in Zagreb, a mass of different weekly editions for 'broad use', in which sex, sensationalism, biographies of actors and chansonniers, sports' stars e.a. dominate. These subjects have nothing in common with a socialist or a cultural policy. This may be called the commercialization of culture. In short, the general situation in the field of culture is characterized by the fact that some forms of workers' selfmanagement predominate at the cost of social management, i.e. that the specific interests of the producers of cultural goods, especially in the field of the mass media of communication, the press and the publishing houses, conflict with the general interests of society. This can be explained by the greater dependence of these organizations on the market, by the cultural underdevelopment of that same market and, thirdly, by the almost total lack of social aid in this field.

The monopolistic position of the means of mass communication came into existence under the influence of political and ideological control of public opinion, but nowadays they are becoming more and more independent, especially in those sectors that are not of immediate political interest. For that matter, the 'structure of power' in the field of the mass

media, as distinct from many other cultural institutions in which the cultural workers predominate, still express the presence of a firm network of people bound together by politics and party ties.

The investigation and study of the problems of selfmanagement in our country is still in its infancy. Having defined the cultural field with the help of two dimensions: creation–communication–reception as the horizontal axis of cultural activity with all corresponding institutions, and preparation/education–action/creation–judgment/evaluation at the vertical axis, we could systematize all relations in the cultural field between men and institutions. After having defined the field of culture, we turned to a systematic investigation of the situation affecting the cultural creators and those cultural institutions that have relations with either the creators, the mediators or the consumers of cultural goods. So far there has been only one investigation concerning plastic arts (in Croatia), and it produced very interesting insights in the relations of society and artists. It should be said that the artists find they have complete liberty for artistic creation, but they complain rather strongly of the lack of a corresponding ‘cultural environment’, whilst they put the blame for that on the critics of the arts, the mass media, the representatives of social organizations and the lack of culture of the public itself. This has led to a weak buying and, in general, pretty bad material position of the artists, with the exception of those who succeeded in asserting themselves in Yugoslavia and abroad. They do not complain too much of the mediators – museums and galleries – because they think that these do not dispose of sufficient funds so as to be able to pursue a policy of buying works. The plastic arts, it is generally thought, develop in a rather closed circle. One might say that in the context of the whole cultural development after the war, cultural life developed from a stage of totalization (general participation in the public and political life) to a stage of detotalization, i.e. to a certain fragmentation and isolation in separate sectors of creation and in narrower and specialized cultural environments of *groups*.

This stage of detotalization is typical for a certain privatization of public interests and a fragmentation to narrower groups of intellectual creators. This incoherence of the cultural environment for high quality creation sufficiently explains why we witness the attack and development of a standardized and less valuable ‘mass culture’.<sup>24</sup>

Let me finally summarize the significance of selfmanagement and social

management in the field of culture. With the transition from a so-called 'society of want' to an 'affluent society', with the shortening of the necessary working time, with the rise of the standard of living, with the development of tertiary activities, especially those in the field of culture, recreation and mass means of communication, the problem of social management in culture becomes of paramount significance. The exploitation of the cultural creators does not provoke less revulsion than the exploitation of the artisans. What is acquiring significance today has been sufficiently shown by the student events in several European and non-European countries, by the very important fact of the students' struggle against the press monopoly and manipulation of human consciousness by the Springer-Verlag in Western Germany, and by the occupation of radio and television in Paris in May 1968 by the employees and the journalists in the name of selfmanagement. The demand for selfmanagement was in this case clearly raised as a protest against the ideologically biased activity of state organs that controlled this institution in an authoritarian way.

The demand for selfmanagement in the field of manual labor, i.e. in production organizations (the enterprises) has its natural ally in the demand for selfmanagement and social management on the base of a selfmanaging system in the intellectual and tertiary activities. As once the poor peasantry was the mightiest ally of the revolutionary proletariat, so nowadays it is the hired intelligentsia and all citizens that are of the opinion that they don't have the possibility to decide on their essential needs, which lie not only in the field of material goods, but more and more also in the field of cultural goods. The question of human liberties and human freedom to decide is nowadays as important as the question of material well-being or security of life.

#### REFERENCES

<sup>1</sup> V. I. Lenin, *Collected Works*, vol. 25, p. 402.

<sup>2</sup> This was the answer Lenin gave to Bukharin: "Just when will the state wither away? We shall have managed to convene more than two congresses before the time comes to say: see how our state is withering away. It is too early for that. To proclaim the withering away of the state prematurely would distort the historical perspective." Cited from V. I. Lenin, *Collected Works*, vol. 27, p. 148.

<sup>3</sup> In *Problems of Leninism* Stalin puts the question: "Will the present state be preserved in the period of communism? Yes, it will be preserved, till the capitalist encirclement



is liquidated." Thirty years, however, after Stalin's words, when there was no reason to speak of "a capitalist encirclement", when it was proclaimed that in the Soviet Union "socialism was established", we still read in the Program of the CPSU from 1961: "The state as an organization of the whole people will be preserved till the complete victory of socialism." No hope, therefore, that the state will wither away so soon!

<sup>4</sup> Marx left in his *Towards the Critique of Hegel's Philosophy of Right* no doubt as to his conviction that the theory on "equal participation of the citizens in the government of the state" was a bourgeois-democratic principle.

<sup>5</sup> "Both these associations (of the selfmanagers in the framework of political-territorial communities or of separate production branches, R.S.) should be crowned by a permanent, representative, central governing body – the Congress of Selfmanagement – or a parliament of labour, which should be based on scientific analysis and selfgoverning instruments in directing social trends. The organs of social administration, as far as they are needed, should be mere factual instruments of this parliament of labour", states V. Cvjetičanin in his unpublished Ph.D. thesis *The Withering Away of the State as a Process of Selfgovernment in Yugoslavia*, Zagreb 1965 (in Serbocroatian).

<sup>6</sup> On some aspects of the strategy of the proletariat in the struggle for power in the developed countries André Gorz wrote very penetratingly in his book *Stratégie ouvrière et néocapitalisme*, Ed. du Seuil, Paris, 1964.

<sup>7</sup> "The economic controlling organs (trusts and directions) have the full right to manage the factories entrusted to them. Interference of the trade unions with the management of factories is impermissible", states Arakelyan in his book *The Management of Socialist Enterprises*, Moscow 1947 (in Russian). The demand for management of the factories by the workers is regarded as anarcho-syndicalism, bourgeois-socialist and revisionist by both stalinists and maoists.

<sup>8</sup> A very good review of the problems which arise from an economic view in connection with a centralized or decentralized economy is given by B. Horvat in his book *Essay on Yugoslav Society*, New York 1969.

<sup>9</sup> This way of looking at social processes reflected itself in the manifold attacks of political leaders on the philosophers and sociologists gathered around the review *Praxis*, who, although they did not interfere with the economic problems, pointed to the need to struggle against negative phenomena that are engendered by the market economy under the conditions of a country not only economically, but also socially and culturally underdeveloped.

<sup>10</sup> In a recent discussion organized by the editorial board of the review *Socijalizam* about selfmanagement and technology, professor Rajko Tomović stated: "Scientific-technological progress demands not only an integration of the production from the viewpoint of the market and sale, but also investments in new technology. Seen from this point of view we think that the situation is pretty serious. Because, first of all, there practically does not exist a circulation of knowledge within Yugoslavia, which is the base of everything. We do not have a single big project which unites the common Yugoslav powers so as to win new technology" (cited from *Socijalizam*, 1969,6).

<sup>11</sup> I wrote more on this problem in an article 'The Fate of the Production Community', *Praxis*, 1965,2/3, international edition.

<sup>12</sup> Characteristic of this orientation are the articles published in the miscellany *The Director under Selfmanaging Conditions*, Ekonomski Institut, Zagreb, 1967 (in Serbocroatian).

<sup>13</sup> An exception is the work of J. Obradović, 'Participation and Motivation in Workers'

Selfmanagement with respect to the Technological Level of Development', PhD. Zagreb 1967 (still unpublished), and a detailed study on the same problem published by the Institute for Social Research, Zagreb 1968 (in Serbocroatian).

<sup>14</sup> J. Županov polemized from this point of view in his article 'The Enterprise and the Association: A Real or a Fictitious Dilemma', Ekonomski Institut, Zagreb, 1967, with the approach of Albert Meister in his book *Socialisme et Autogestion. L'expérience yougoslave*, Ed. du Seuil, Paris, 1964.

<sup>15</sup> On the theory of alienation from a sociological point of view in the works of Marx and newer authors V. Milić wrote: 'The Idea of Alienation and Modern Sociology', in the miscellany *Humanism and Socialism*, Naprijed, Zagreb, 1963, and R. Supek in his book *Sociology and Socialism*, Znanje, Zagreb, 1966, J. Obradović made the first attempt in Yugoslavia to operationalize the theory of alienation, applying it in empirical research in his already mentioned unpublished Ph.D. (all in Serbocroatian).

<sup>16</sup> E. Pusić, *Selfmanagement*, Narodne Novine, Zagreb, 1968 (in Serbocroatian).

<sup>17</sup> See the article of Ž. Tanić, 'Some Tendencies in the Work of Workers' Councils So Far', *Sociologija*, 1961,2 (in Serbocroatian).

<sup>18</sup> Published in the collective work *Workers' Selfmanagement in Theory and Practice*, Institut Društvenih Nauka, Belgrade, 1964 (in Serbocroatian).

<sup>19</sup> This emerges clearly from a longitudinal research study (systematic following during 2 years) of the work of workers' councils, just finished by a group of research-fellows in the Institut za Društvena Istraživanja in Zagreb, led by R. Supek and J. Obradović.

<sup>20</sup> J. Obradović, PhD., see note 13.

<sup>21</sup> See J. Županov, 'Some Empirical Data on the Responsibility in Working Organisations', *Organizacija in kadrovska politika*, 1967,3/4. Further: B. Kavčič, V. Rus, and A. S. Tannenbaum, 'Participation and Effectiveness in Four Yugoslav Industrial Organisations', ms. Ljubljana 1968, and: D. Gorupić, 'Tendencies in the Development of Workers' Selfgovernment in Yugoslavia', in the miscellany *The Director under Conditions of Selfmanagement*, Ekonomski Institut, Zagreb, 1967 (all in Serbocroatian).

<sup>22</sup> Veljko Rus carried out an investigation that confirms the existence of cliques in enterprises as the exponents of power, See V. Rus, *A Comparative Analysis of Communications, Power and Responsibility in Two Industrial Working Organisations*, Institut za Sociologijo in Filozofijo, Ljubljana, 1968 (in Slovenian). This has been confirmed by other investigations too.

<sup>23</sup> A more detailed exposition of this situation is given in my article 'Problems of Social Management and Selfmanagement in the Field of Culture', *Sociologija*, 1965,2 (in Serbocroatian).

<sup>24</sup> The mentioned investigation was carried out by R. Supek, M. Minček, and J. Damjanov: *The Plastic Artists and the Cultural Scene*, Institut za Društvena Istraživanja, Zagreb, 1969 (in Serbocroatian). Besides the plastic arts, the musical, literacy, theater and film sections are yet to be included.

ON THE REPORT BY R. SUPEK CONCERNING  
THE CONDITIONS OF SELFMANAGEMENT

The reflexions of R. Supek on selfmanagement concern the historical context of the social régime, installed in Yugoslavia in 1950, as well as a theoretical point of view based on the conceptions of Marx and Lenin. Indeed it seems to be necessary to take both into account if one wants to evaluate – in some experimental way – the solutions in Yugoslavia at this moment. Supek introduces some new ideas in the analysis and I would like to make, above all, my remarks on these ideas. I will follow the order of paragraphs of his report.

I

Regarding the functions of the state Supek posits that they result from a dualism of power, consisting of the ‘combination of representative democracy and selfgoverning democracy’. This interpretation, however, raises considerable difficulties.

What to understand, in this particular case of Yugoslavia, by dualism of power?

When Lenin used this expression of ‘dyarchy’ in 1917, he applied it to the existence of the Soviets, representing the exploited classes, the blue and white collar workers and peasants, in the form of an organization demanding power, simultaneously with the provisional government, representing the capitalist bourgeoisie. The government was the established power, the Soviets were the power which sometimes tried to collaborate with the government, sometimes tried to overthrow it.

Consequently, this dualism of power was of an instable nature, was the expression of a gap, of a disequilibrium, and had to be solved by the victory of one power or another.

Lenin characterized the state forces which tried to reconcile these opposite powers, to maintain the equilibrium, as a Bonapartist system (referring to Napoleon III rather than to Napoleon I). In short, the conception of the dyarchy was worked out as one of non-lasting coexistence, a

struggle in which the capitalist bourgeoisie and the proletariat are the opposite classes. Trotsky drew the same analogy in 1917.

Can this conception be applied to reality in Yugoslavia? In other words, can we regard the difficulties, contradictions and the opposition, appearing in this régime, as being the expression of a class antagonism in the form of a dualism of power, either latent or openly declared?

Supek seems to adhere to this point of view, when he says that "the proletariat must be conscious of its task [i.e. to organize a selfmanaging society by making the state wither away], and of the dualism of power which is connected with the transition of a political revolution to a social revolution".

This point of view is reinforced when he assigns as a central task to the workers organized in selfmanagement, to contest "the monopolistic disposal by the State of the surplus of labor created by the workers" by defending "their right to decide on the results of their work".

As the problems of the creation and appropriation of any surplus value are central problems in any market economy society, one should understand that indeed the dualism of power presupposes a class struggle of some kind.

However, one should analyse this conception of the 'dualism of power' more precisely lest there be confusion.

In order to understand the conception of the 'dualism of power' in Yugoslavia, it seems that one has to consider first the political and social forms of this dualism: the economic forms would not be so clear. Does one have to regard, under these conditions, the 'dualism of power' that is expressed in the double system of the 'representative democracy' and the 'selfmanaging democracy' as being unrelated to an economically based class struggle or, on the contrary, as expressing this class struggle? Knowing, on the other hand, that the functions of the party (League of Communists) are administratively separated from the functions of the state, and knowing that the trade unions have an autonomous function as well, does one have to admit that the party and the trade unions have independent functions unrelated to the dualism of power, or does one have to admit on the contrary that they partake in this dualism as well? — —

Let us add that the workers' councils of the enterprises, and the Communes (the members of which are elected, like in Parliament), may represent certain forms of the dualism of power.

Of course, one can use the conception of the dualism of power and at the same time modify the content the Bolshevik party gave it in 1917. Lenin's formula is not intangible, and Trotsky used it under different circumstances, while the stalinist bureaucracy got slowly hold of the power in the U.S.S.R.

Lenin, indeed, considered the dualism Soviets – Provisional government as being a dyarchy in a period in which the Soviets, backed by the Bolshevik party and part of the Mensheviks and Socialist-Revolutionaries, demanded "all the power". This revolutionary power had both a political and an economic program: overthrowing the bourgeois power of the Provisional government, and establishing the economic base of a socialist régime (land nationalization, workers' control of the production, state appropriation of the big public services and of the credit banks).

Yugoslavia is in a different situation, as the economic power of a capitalist class has been eliminated, while partly the nature of the capitalist economy has been maintained (market, buying and selling of working power, money, etc.). In this case, the existing dualism of power can only be interpreted in three ways:

(a) It can be considered a duality, or double form, of the administrative expression of power; this duality would be a cooperation and not an opposition between two ways of representation: delegation based on the individual choice of every citizen (elections for parliament, for Communes etc.), and delegation based on the role of workers in the production, by enterprises (workers' councils, selfmanagement, trade unions).

In this conception it is supposed that the production relations in the whole of society, or rather in the State, are not of an antagonistic nature. On the other hand, no account is taken of the 'administrative apparatus' in the narrower sense (bureaucracy, State managers, functionaries), the armed forces and the police, and the educational corps, who are not elected representatives.

(b) It can be considered that the cooperation of these two kinds of representation forms at least a germ of antagonism as far as they are expressions of social and even economic oppositions. The administrative bodies (civil and military) would link up more easily with the organs of 'parliamentary democracy' than with those of workers' selfmanagement. Selfmanagement on the level of the enterprises may, on the other hand, create or maintain social oppositions between enterprises (between blue

collar and white collar workers, peasants and workers, or even among blue collar workers themselves), and serve as an expression of certain forms of dualism of power.

If this interpretation forms the best approach to reality, it means that the dualism of power is the result of an instability of the social relations; the party is still decisive in these matters, which explains in part why the Communist League has separated itself from the State administration and from the organisms of selfmanagement.

(c) A third conception is the view that dualism of power, in its political form, is the expression of a class division on an economic base. On the one hand, state power, holding the means of repression, is formed by a coalition of the administrative apparatus, the army and the party, while, on the other hand, the organisms of selfmanagement represent the industrial workers and the exploited peasants.

In this case the dualism would mean that a real struggle for power is possible, and even necessary, in order to overcome the bureaucratic and etatistic forms of social administration. According to this point of view, it is supposed that an economic revolution must be accompanied by a political revolution.

The analysis of R. Supek shows that it is not easy to decide which of these three interpretations is actually the best one. In all probability, all three may become true, depending upon the circumstances. Within these possibilities, one should not underestimate the factors pertaining to the international relations between countries in which state socialism is ruling at present.

## II

Concerning the problems of 'centralization' or 'decentralization' of the production, R. Supek seems to be of the opinion that a strictly centralized planning (i.e. a centralization of planning of which the economic interests are fixed by national organisms) can only be justified in a régime of 'primitive accumulation', but that this centralized planning is much less effective when the productivity increases, and when big-scale industrial production gains ground upon agrarian production and traditional craftsmanship. The demands of modern technology would not prevent, according to Mr. Supek, a tendency towards decentralization.

To say the truth, the discussion on this point remains a bit formal, as

long as the criteria, from which the concrete problems arise that are connected with the centralization and decentralization, are not determined.

On the other hand, it has to be noted that from a formal point of view this question is as interesting for the capitalist structures as for the socialist structures (here defined by the non-existence of a bourgeoisie of capitalist owners and by the preponderance of a communist party). The Yugoslav government was brought by empirical ways to search for an equilibrium between the national nature of some decisions and the local nature of some others. The search for this equilibrium is a permanent preoccupation of any society, and the efforts made in this direction in Yugoslavia do not seem to be much different from the ones brought into action at different times in the U.S.S.R., in Czechoslovakia, or even in China.

The same problems arise in capitalist countries. This would indicate that some formal conditions of the relation between the whole and the parts, or rather between the integration of factors effective at different levels, arise in all social régimes. Mr. Supek writes that on the level of production "to counteract the cutting up of the economy and an unhealthy monopolistic or localistic policy the production organization initiated *processes of integration* so as to strengthen their economic base and to facilitate the modernization of production".

This scheme is not at all typical for Yugoslavia but can be found in different forms in any country.

It does not seem that the forms, typical for the Yugoslav practice, add truly new conceptions on this point.

One could say that the Yugoslav régime found itself in conditions particularly difficult in this respect, for reasons pertaining to the internal structure of the country as well as to its international position.

The federal structure of the country, which is an expression of unequal economic development, and a difficult social and ethnic inheritance of the different regions, goes together with a relatively isolated position on the international plan (i.e. the refusal of a unilateral association with an economic or political constellation). The result of this is a great variety in the internal and external decision-systems functioning for problem-solving.

As is known, the questions pertaining to the ambivalence centralization/decentralization can only be solved as a function of two criteria, linked to one another: the *kind* of decisions to be made, and the *process*

to be followed in order to make these decisions. There exists a relation between the level on which the decisions have to be made, and the kind of decisions to be made (i.e. their object). Considering the kind of decisions, or their object, the great difficulty consists of the fact that an apparent object can have a fictitious aspect and cover or hide a true object, being quite different.

Considering the process of decision-making the difficulty refers to the area in which the decision can be of purpose, i.e. the determination of the 'units' in which a decision is effective.

The national state in principle delimits the sovereignty of the decisions. But this state is obliged to consider international constellations, so that the state decisions are subordinated, in certain cases, to the decisions of other states (or international constellations).

E.g., foreign trade or the introduction of foreign investments can only take place in the international market, and depends in general on national decisions; but the decisions may concern geographic regions or economic areas that have a special position in the country.

Is this question modified by the principles of selfmanagement? This depends on the *area* to which selfmanagement is applied and on the *form* it takes, depending upon the area. The possibly leading principle for analysis is the following: any decision, the effectivity of which does not depend on a decision made on a superior level, has to be made on the lowest level. The difficulty then is in measuring the necessary effectivity.

### III

R. Supek discusses selfmanagement in the field of the production organizations (and later on in the cultural field). Nevertheless I submit the question whether it can be justified to isolate the organisms of production in this way. It seems that at present it is impossible to think of the meaning of selfmanagement, restricting this meaning to production organizations if indeed by 'production' is meant the production of material goods, as distinct from the production of services and from maintenance services, let alone 'intellectual' work in general, including education. This leads to the question whether the sociotechnical selfmanaged structures pertain to the area of production, and not to that of consumption, or in broader terms, to exchange value, and not to commodity value.



Mr. Supek recognizes that it is a disputable matter to analyze the principles of selfmanagement on the level of particular units of production, if one does not take into consideration the environment in which these units are combined. He observes also that the system of selfmanagement, since it has been decided upon 'from above', is an expression neither of the spontaneous relationships between social structure and the technological structure, nor of the kind of relationships that may exist between forms of association characteristic of the enterprise and the general social relationships.

Finally he remarks that the relationships between the division of labor and 'alienation' are far from clarified by the principles of selfmanagement, at least by selfmanagement as practised in the framework of separate production units.

The fact that these problems are far from being solved is expressed in the tendency, as revealed by a series of enquiries, that workers are interested in management in the beginning, only to leave it later more and more to delegates or specialists and to focus their interest on questions concerning their *means of consumption* (distribution of profit, salary level, lodging, transports) rather than on their *means of production* (economic plans, technical progress, production costs, organization of work).

To this very important remark Mr. Supek adds: the more the technical level of the enterprise advances (in the sense of automation), the more the qualified workers of the enterprise appear to be interested in problems of the techno-economical management, which often raises conflicts between the techno-economical trend of the enterprise and the social requirements of selfmanagement.

So the practical experience in Yugoslavia permits us to raise a problem which can hardly be studied anywhere else: is the system of selfmanagement a general organizational principle of all the collective activities, be they productive or not? Or is it a system which is exclusively applicable to the production system?

It might be that, if comparative surveys were carried out both in the field of consumption – and even of private life – and in the field of production, one would obtain interesting results. Perhaps we would realize better the link which may exist between the functioning of natural-social communities like the family, or free and spontaneous associations (e.g., a cinema club, a group of tourists or a philatelists' club), and the coopera-

tive associations represented by selfmanaging productive enterprises. In this case it would be wrong to consider the cultural scene as an autonomous area, comparable with those of production and consumption.

The case of the service activities, where the means as much as the end is consumption, could clear up the question in a useful way, especially if the time during which the various activities are performed is taken into consideration.

If the length of the average working day (whatever the nature of the work) remains as long as it is today, i.e. 8–10 hours, it is possible that individuals will be more inclined to be interested in their working conditions than if this length is brought back to 4–5 hours, which should be an objective of socialism.

On the other hand, the nature itself of the production relations defined by wage-labor (in State socialism as well as in capitalism, although in a different form), has as a result the preoccupation of the producer/consumer above all with the value-relation of what he makes and what he receives in exchange.

Both the form and the amount of his remuneration, i.e. his possible consumption most often determine his activities towards the conditions of his productive work. As long as wage-labor exists, it is inevitable that the collectives of workers consider selfmanagement in the first place as something which is, or should be, a system capable of increasing the part of the variable capital they live on, including in it as high a value as possible counted as surplus labor. Through selfmanagement they are therefore interested above all in norms of consumption, and they probably see this in relation with their conditions of life outside their work, i.e. in relation to the forms of their private and collective life out of reach of the restraints of the organized life in the enterprise.

As the time the individual spends on productive work tends to diminish thanks to increasing productivity, the more one must suppose that the focus of the selfmanaging association must move towards the problems of life outside work.

Undoubtedly it is not yet possible, in Yugoslavia or anywhere else, to solve or even to put these problems in a practical way; but one could get the idea of it by carrying out, as I indicated, comparative studies on the ways of associated life in the area of production and in the area of consumption.

In the area of tertiary services, however, of the administrative services, of maintenance and education, the question is raised already in a practical way, since one is more and more obliged to take into consideration the functions of the consumer and of the group of consumers.

Supek remarks that in the productive unity the nature of management power is still quite authoritarian, i.e. that the decisions of an authority are irrevocable after certain foregoing examinations have been made.

The reason lies in certain traditions in the technical demands, in the still hierarchical form of the division of labor, in the at least transitory necessity to obtain in the shortest way possible the obedience and adhesion of the workers.

But things are a bit different regarding the services, whether private or public, where there is a direct contact with the final consumer. In this case, it seems that the principle of selfmanagement implies a common participation of producers and consumers of the service.

It is no longer a question of the functioning of the means only, but also of the functioning of the end, i.e., the service itself as a form of consumption. It seems to me that the same preoccupations come forth from cultural problems.

However this may be, they make it possible that considerations concerning consumption are inoculated with preoccupations concerning creation, initiative, innovation. Certainly in this area the system of selfmanagement must give a maximum of advantages. Experience shows, however, that the demands of a great liberty of expression, demands linked to the forms of selfmanagement, are largely restrained by the compulsion coming forth from the state functions. This is one of the oppositions that can be classified under category (b) as distinguished above.

## DISCUSSION

Mr. *Supek* dealt with four questions:

(i) The content and meaning of a social revolution in a socialist country. A social revolution, Mr. *Supek* said, means to pass from the first stage, the seizure of power by the proletariat, to an effective change of society, according to Marx: "We do not need a social revolution with a political soul, but we need a political revolution with a social soul." This point was never treated after Lenin's *State and Revolution* by theoreticians of social revolution. The new power to be established must be conceived as a desalienation. Representative democracy is always a form of alienation. This form of delegation must be abolished and replaced by a kind of human community. We must abolish the mediated will of representative democracy.

Till now, the hierarchical structures have always been respected, as well as the ownership of the means of production, in bureaucratic or mechanistic models as well as in organic models with introduction of modern communications. The hypothetical possibility in this model is to introduce the model of democratization of bourgeois global society with the division of executive and legislative power in the enterprises, but this plausible hypothesis was never applied to the theory of organization, probably it is a social taboo to think through the categories that do not conform to social reality.

(ii) The double character of political power in a socialist country. Mr. *Supek* said he did not refer here to the duality of power that, in 1917, existed in Russia. This duality exists also after the seizure of power. Mr. *Supek* referred to the discussions in Russia in 1921 with the 'workers' opposition'. That was a crucial moment when the proletariat claimed to have direct control over production. Lenin said he did agree in principle, but thought its realization unrealistic at the time. Afterwards the theory about the withering away of the state in the Soviet Union was completely abandoned and replaced by an opposite theory, to be found also in the CPSU new programme.

Mr. Supek remarked that even the representative democracy, the Soviets, has diminished in public life, they are now only symbolical. So state power combined economic and political power, a power without precedent. Lenin was absolutely conscious of the dangers of this concentration of social power. In the U.S.S.R. the means of production are not socialized, therefore we speak of state socialism.

Yugoslav marxism, Mr. Supek went on, perceived that this doctrine, a positivist one, based on so-called objective laws of development, was adapted to the state power. The individual and the community had to be subordinate and conform to the social system. All the possibilities to criticize this doctrine in the name of humanistic and communitarian communist ideas were abolished by the elimination of the theory of alienation. The dialectics of the individual and the social do not exist in official Marxism-Leninism. Therefore it is right to qualify this as a new kind of positivism, of Contist tradition, where the authority of the state is something sacral.

The Yugoslav marxists were not only against this revision of Marxism-Leninism, but they were concerned about the role of this ideology as well. In state socialism all the power is concentrated on the production. Therefore the legislative power and the intellectuals must be only transmission belts to control man directly in the factory or in the university. Therefore we have a monolithic situation with an absolute control of the ideas, of the freedom of creation and of the intellectuals. A repressive system must have an ideology to help in this task. Our criterion, however, is that we must liberate the creative forces of man from the monolithic situation. In Yugoslavia we never had a censorship of the intellectual activity, which does not mean that it is exempt from criticism. The doctrine of socialist realism is directed against all possible developments, it is a doctrine based on a normative concept of creation, and that is an in-human situation.

(iii) The humanistic significance of selfgovernment in enterprises and living communities.

Mr. Supek criticized the thought of Marcuse that selfgovernment does not mean selfdetermination (*Selbstbestimmung*). This is not correct, Mr. Supek observed, because selfgovernment means the overcoming of an essential kind of human alienation, alienation in the productive process, alienation by the division of labor, by overspecialization, by subor-

dination to parcellist, fragmentary work, leading to 'this crippled worker', as Marx put it.

Selfgovernment is reestablishing the human activities in three essential moments: – to plan his work; to execute and control his work, and, lastly, to dispose of the products of his work. Only in a selfgoverning system each worker is able to do that. Therefore we have in Yugoslavia a solution for a humanistic problem which exists not only in manual but also in intellectual work (*Fachidiotismus*). The division of labor, moreover, is even a kind of social ideology, namely that each one must do only his own work and not transcend the limit of his activities. It is a conservative ideology and the basis of new technocratic tendencies.

This kind of integration in selfgovernment is very important, but, Mr. Supek said, we cannot find a full solution in the actual conditions. In any case we are obliged to transcend the limits of working communities, to establish some interrelations, connections between the living and the working community.

Mr. Supek then criticized some modern theories saying that time spent on production is not important, that the working day will be shortened, and that we should not worry about problems connected with work, because man is really free in his leisure time. Man is manipulated and alienated in his free time too. It is a necessity for a human being to be a real integrated personality, not to be a homo duplex or even multiplex.

In the Yugoslav system the commune is really an integrative factor, where the worker disposes of his surplus labor (housing, education, social services), to make a consistent policy in the framework of the community. Mr. Supek answered this to Marcuse: *Selbstbestimmung* always signifies that man is taking his decisions on behalf of his human needs. Modern society is more and more obliged to go this way, but in developed societies we see a lot of mediators, thence the danger of manipulation of other human needs, of rendering man powerless.

(iv) The cultural field in selfgoverning socialism.

Mr. Supek said it was crucial to eliminate, in the cultural field, the mediators between creation and consumption falsifying both the human needs and creativity. The printing houses, the press, the mass media can manipulate the human needs and separate the intelligentsia from the people. Therefore we have in Yugoslavia provisions on 'social selfgovernment' in the Constitution. We must, in this field, have representation

of the creators as well as of the consumers. Therefore we have representatives of society in our Faculty Councils and of the students, the latter being producers and consumers at the same time. But we see, in these cultural institutions, collectivities of mediators claiming to be only a selfgoverning organization. Then they are not ready to take into account the requirements of the consumers and the creators. This gives rise to the danger of commercialization and a tendency to lower the criteria, to flatter the uncultivated part of the public. It is best to be a responsible, independent, intellectual creator, fully conscious of his social responsibility. Mr. Supek then mentioned the problem of detotalization after the revolutionary zeal of the beginning phase when a normal and necessary diversification takes place. That is natural, he said. But for a Marxist it is natural that he has the future in mind, he must be a Utopian, without which society cannot function, because we are always living in the name of the future. It is the role of the intellectuals to carry this visionary moment. The real sense of a cultural revolution in a socialist country, Mr. Supek concluded, is to give freedom of full creativity to the intellectual.

Mr. *Naville* said it was very difficult to use general concepts in different situations; he urged the necessity of finding new tools of analysis and interpretation to explain new structures.

So in the Yugoslav case we must distinguish between conjunctural and structural situations. The Yugoslav situation was in the beginning a conjunctural reaction to the Soviet policy, it was not only the development of an internal situation at the time. Dialectically this situation (the self-management concept) obliged the Yugoslavs to research where this new policy could lead to. If we are not aware of these dialectics, we cannot interpret the situation.

Mr. *Naville* further asked whether at the root of the duality of power, mentioned in the paper of Mr. Supek (between representative democracy and selfmanaging organizations), there lay a class struggle. This conflict cannot be overcome if we do not recognize that there is some element of class struggle, presenting itself differently in Yugoslavia because of the absence of a bourgeoisie as a class, and of wage labor. Mr. *Naville* could not accept the Yugoslav interpretation that there are conflicts because the system does not work well. The same, he said, holds for conflicts in the capitalist system.

Mr. Naville did not agree with Mr. Supek's distinction between a political revolution and a social revolution. The two are intermingled, he said, the latter cannot be carried out overnight, therefore it seems there are two revolutions. On the other hand, the problem was not only to have an expansion of the economic and social revolution, but also a political revolution. Mr. Naville was not sure at all that in the East-European countries we shall not see some popular political revolution in the next few years or decades.

The first thing to do, both in Eastern and Western Europe, is to make some revolution now, it is necessary to discuss openly the problems involving the revolutionary development of both worlds, Mr. Naville concluded.

Mr. *Kolthoff* wanted to hear from Mr. Supek whether he agreed with a remark of Mr. Stikker that there are fundamental differences between workers' selfmanagement and workers' participation in the West.

Mr. *Supek* answered that there is a fundamental difference between the two. Participation does not fundamentally transform the position of the worker. However, this kind of restricted participation may or may not be an instrument for manipulation, depending on the collective consciousness of the working class of what is possible and what is not. In France, during May 1968, there were claims to pass from quantitative revendications to qualitative ones. Therefore, participation needs not be viewed as a means of manipulation if the working class is aware of what to do.

Mr. *Singleton* agreed with Mr. Supek that selfmanagement should result in a radical change in the traditional habits of thought. But does the majority of the Yugoslav population accept the selfmanaging system? Have its noble goals been realized? Mr. Singleton pointed to the roughly 6500000 people in Yugoslavia not involved in social production, to the roughly half a million workers abroad and to the doubling of the private sector after 1965. Both policies, the centralized as well as the decentralized one, failed with respect to the underdeveloped areas in Yugoslavia. The gap even widened. The income per capita in Slovenia rose from 175 in 1947 to 188 in 1969, in Kosovo it fell from 50 to 35. Selfmanagement on a decentralized basis would increase these differences. Here Yugoslavia fails the test of socialism. Mr. Singleton further said he was astonished that the Yugoslavs did not protest Mr. Stikker's remark that industrial democracy had nothing to do with ownership.



Mr. *Supek* answered that selfmanagement was not to blame for the investment policy. The economic reform, meant to objectify economic criteria, aggravated the differences, whose roots lay in historical and cultural developments. Political factories too, Mr. *Supek* said, created tensions between the various areas. Moreover the policy of equalization is in principle not abandoned, only put to the test. Because of the fragmented situation the working class is not able to intervene on this level.

Mr. *Naville* inquired whether there is a relation between Yugoslavia's federal and national policy and its refusal to partake in Comecon otherwise than as an associated member.

Mr. *Supek* answered that the reason for this was to be sought in the economic structure of the Comecon countries. Integration with Comecon would mean to accept their system.

Mr. *Van de Vall* observed that the power structure in the Yugoslav enterprise was strikingly similar to that in the West and might be called still largely authoritarian. Some observers noted the delegation of real autonomy to the working units. This would be indeed new and revolutionary. Why has this subject not been mentioned so far?

Mr. *Supek* agreed to some extent with the foregoing speaker, but he pointed to the difficulties of the Michigan control-graph method of investigation. The authoritarian structure of Yugoslav enterprises partly arose from the predominantly rural background of most workers. In critical situations it is not the director but the workers' council and the party organization which decide. The workers' council is fully accepted as a legislative power, ranking first on the list of desirable hierarchy. So there is no similarity to the Western system. The Yugoslav worker has a legal opportunity to intervene when he thinks it is important.

Mr. *Ter Hoeven* speculated on the prospect of a managerial socialism in Yugoslavia, caused by the requirements of modern technological developments, as a result of which the man-in-the-street might be left in the lurch. What social forces are there to counteract such developments, that managers will not have their way completely?

Mr. *Supek* disagreed with these observations, saying that precisely the technical and economic intelligentsia is weakly represented in the leading organs. Most people there are professional politicians, then many come from humanitarian faculties. The Yugoslav structure is not a typical managerial one in the modern sense. But the danger exists. It can be

counteracted by rotation and compulsory reelections every fourth year, the working class must be conscious and fight managerial tendencies. The social origin of a great many managers is working class, whereas in the West managers are recruited from the big bourgeoisie.

Mr. *Mikke* said he rejected Mr. Stikker's statement on the connection between ownership, freedom and individualism being a reason for Western society not to evolve into a Yugoslav system. Why then not make every worker an owner?

Mr. *Naville* said in France, too, managers of Gaullist orientation had the illusion that the Yugoslav system could be adapted to the French system.

Mr. *Avineri* asked how far the Yugoslav blueprint was really working, and how much this blueprint lived up to the original Marxist blueprint of socialism. So long as you have wage labor, profit, division of labor, differences between working and living time, so long you have alienation. Has something like rotation of jobs as in the Israeli kibbutzim been tried in Yugoslavia? Do the Yugoslavs attempt to plan future cities in such a way that the difference between city and suburb can be eliminated?

Mr. *Supek* said he was not satisfied with Yugoslav city planning, we are underdeveloped in this respect, he said. To be sure, Yugoslav socialism is far from fully developed, but in order to eliminate wage labor it is necessary that the worker disposes of his own surplus labor. And precisely that is possible in the Yugoslav system. Concerning the kibbutzim Mr. *Supek* said the original community there vanishes after some time. He deemed these kibbutzim to be short-lived specimens of utopian socialism.

Mr. *Van Dooijeweert* asked whether the Yugoslav worker could choose not to participate; does he have a right or the duty to selfmanagement? He thought the Yugoslavs exaggerated the importance of work and productivity.

Mr. *Supek* replied that it is good to participate and good not to participate.

Mr. *Denitch* drew attention to the egalitarian character of Yugoslav income distribution – the general wage range is 1 : 4 between the unskilled workers and the managerial staff – and the nearly complete equality between managers and workers as to social origin. 60 % of the managers of top enterprises were of peasant origin, about 20 % of worker origin. There is no gap in style of life between them either. Data about turnover

of enterprise directors show that they are easily replaced and that their election is not a fiction. The social origin of students also indicates that Yugoslav society is highly mobile. 22 % of the students are of peasant origin, 33 % of worker origin, and they are the ones who study at the managerial or technical faculties.

The division of labor is not simply determined by outside criteria. Workers in Yugoslavia do decide on the pace of work, on working conditions, on promotion, on the division and rotation of tasks. They develop their own technical cadre by sending workers to the universities. This means the development of a community where indeed the classical division of labor has been warped, both by mobility and by investments of the plant in universities. This is quite desirable. Mr. Denitch asked whether it was not necessary in the Yugoslav system to have horizontal cross-cutting institutions where divergent points of view could be fought out.

Mr. *Supek* said this was the task of the trade unions.

Mr. *Ernsting* said he missed in the Yugoslav papers the mention of a creative policy towards developing an alternative pattern of individual needs and consumption. What chances are there for a highly necessary mental revolution to support the revolutionary process of change? Can something be said here about the socialization of information, the relations between production and creation and the satisfaction of needs?

Mr. *Supek* said privatization of life was the greatest danger for an active society. The degree is much lower in Yugoslavia than elsewhere. It is not right to qualify the Yugoslav position as mechanical or self-supporting. Information and education are basic conditions for the success of the Yugoslav system. Mr. *Supek* pointed to the network of workers' universities, although he was not satisfied with the actual level of education.

Mr. *Eriksson* said it was necessary to have an etatist political structure before introducing selfmanagement. Mr. *Supek* denied this. Mr. *Eriksson* further asked whether the take-over of factories in Catalonia in 1936 had been a source of inspiration for the Yugoslavs. He further said it was not easy to get rid of Mr. Blum who had succeeded, in his opinion, in suppressing the tendency of the workers to take over. Mr. *Eriksson* asked also whether the LYC was withering away too.

Mr. *Supek* replied that Mr. Blum was a very good director. Why suppress management? We shall always need a board of specialists, but we

must control them. In order to have a more democratic passage to socialism it is necessary to have a more radical change of power in the basic structures of the economic relationships. "Selfgovernment", Mr. Supek concluded, "is not a phase in the development of socialism, for me it is a strategic requirement of the workers' movement in all developed countries."

In reply to Mr. *Walraven* Mr. *Supek* said it was difficult to operationalize the concept of alienation. The meaning of alienation is to be found not only in subjective perceptions, but in the Marxist approach connected with social consciousness as well. Resistance to alienation should be offered at a global level, not only in the sphere of production. There exists a tendency in Yugoslavia striving for a congress of selfgoverning communities as the only and supreme power.

Mr. *Naville* said that there are two limitations to the possibility of desalienation. First the limitation of exploitation, secondly alienation can only be overcome on a world scale. It is the question of socialism being possible in one country.

Mr. *Magaziner* wondered how in Yugoslavia different opinions could be formed as there is only one vehicle for opinion, only one party. Who represents society as a whole in the mass media? When Mr. Supek states there is no censorship in Yugoslavia, does this mean there is really freedom of opinion?

Mr. *Supek* answered that in Yugoslavia there are many organs influencing public opinion, a lot of reviews, more than e.g. in Austria, and behind each review there is a group with special conceptions and interests. So there exist many different opinions, also in the LYC and the Socialist Alliance. All groups, the Church too, influence the shaping of opinions, not in the sense of party opposition, but in that of effective opinions. This real large gamma of opinions, Mr. Supek stated again, is not controlled.

At the end of this concluding session Mr. *Broekmeyer* said the necessity of having a symposium like this had been clearly demonstrated. In his opinion it had been shown that the workers are interested in managing their enterprises and that they are capable of doing so. He hoped it would be possible to organize another symposium, perhaps on a broader scale, on a related subject in the near future.

