

INSTITUTIONAL CONFLICT AND POWER: THE CASE OF CAPITAL
AND FINANCIAL INSTITUTIONS IN RELATION TO
SELF-MANAGEMENT

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INTRODUCTION

The development of self-management entails the extension of workers' control over the means of production, the production process, products and their future development, and, above all, the institutional context of work. This definition necessarily relates the concept of self-management — and more generally, economic liberation — to the socio-political and institutional context. From such a *holistic perspective*, the larger context in which work, processes and work organization take place is of utmost importance.

This paper is concerned with the extension of workers' knowledge and control over the social context of self-management institutions. Toward this end, it sketches a framework with which to analyze ways in which self-management institutions interact with, and are constrained and contradicted by other key social institutions, for example financial ones.

Part 1 presents the key notions of our theoretical approach and its implications for an institutional analysis of self-management. Part 2 discusses the problem of finance and financial institutions in relation to self-managed enterprises in terms of this framework. In Part 3 we suggest several general policy and strategic implications of the analysis.

It is our hope that the following analysis, even in this highly preliminary and tentative form, will contribute to the discussion and clarification of constraints on the development of self-management institutions and of creative potentialities and strategies for their further development as well. As should be apparent from our discussion, we evaluate social institutions and their development in terms of a democratic socialist model. For our purposes here, it is enough to say that, among other things, this means the establishment and reproduction of democratic participation and solidarity in social life, and the achievement of human

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control over social relationships and the relationship between human society and nature.

PART I CONFLICT AND MUTUAL CONSTRAINT AMONG SOCIAL INSTITUTIONS

The arrangement of multiple institutions in a society makes up a *totality* and generates within it opposing or contradictory tendencies. The operation of one institution often limits and undermines the intended operation and development of another. In this sense, one may speak of conflict and contradiction among societal institutions. Section 3 below focuses ways in which economic and particularly market institutions may constrain self-management. This discussion is preceded by a brief introduction to our concept of self-management and a presentation of several key notions in our approach.

1. Self-management

Self-management entails a distribution of power and control which allows human actors — individuals and groups — to exercise decision-making control over their activities and the environments constraining them. This conceptualization has several interrelated features:¹⁾

(i) Actors have the capacity to structure the production relations and processes in which they are involved. Production is here broadly conceived to cover all spheres of human activity, i. e., economic, political and socio-cultural.

(ii) They have control over the products of their production processes, including the spin-offs and spill-overs impinging on actors in the production processes and spheres other than the ones in which their activity is located.

(iii) They exercise control over their "social units of production", the basic cells of the social system.²⁾ This implies, in particular, control of their development.

(iv) They have the capacity to *participate* in the control over the economic, political and socio-cultural environments which influence and constrain the activities of their units of production.

One major implication of this formulation of self-management is that such a system is not expected to be free of conflict. Self-control over as many aspects of the social system as possible will inevitably bring individuals and groups into conflict with one another, especially in modern, complex social systems with substantial interdependencies. The challenge to the development of self-management is to identify such conflicts and contradictions and to design structures and processes which (i) have conflict resolving and harmonizing capabilities, and (ii)

¹⁾ See Baumgartner et al., (1979 a,b) for a further discussion. This conceptualization is too a substantial degree convergent with the definition of a socialist society given by Horvat (1975 a: 127—129).

²⁾ Social units of production include enterprises as well as political groupings and the many formal and informal groups which are the units of production in the political and socio-cultural spheres.

are compatible (or coherent) with the fundamental properties of self-management societies. The discussion in the remainder of the paper is an effort to respond to this challenge.

2. Analytical Points of Departure

Our approach to the analysis of self-management and its development within a societal totality is based on the following notions:³⁾

(i) Societal development entails institutional innovation, the shaping and reshaping of social institutions. Their outcome cannot be fully predicted. Invariably, there will be *unintended consequences* and *unanticipated developments*. Therefore, institutional change — whether motivated by system maintaining or transforming interests — involves some degree of *social experimentation*. This is particularly so in the case of Yugoslavia since Yugoslavs did not have a clear-cut societal model to follow. Rather, they have been engaged in the process of developing and testing such a model. The workability and compatibility of concepts and institutions have had to be tested and judged through praxis. Alterations have had to be made on the basis of performance results and understood experience (Dubey, 1975).

(ii) Different societal values are pursued through distinct but typically interrelated institutions. This *institutional arrangement* tends to generate conflicting developments among groups centered in specific institutional activities, and also within institutions to the extent that opposing groups interpenetrate different areas. As a consequence, *the reproduction and development of desirable structures and processes, such as self-management, is not guaranteed*.

The dynamics of Yugoslav society derives in part from combining different institutions: self-management in the economic and increasingly in the political sphere; commodity production for markets and participation in the international division of labour; social ownership of the means of production; and a single, revolutionary party seeking to transform Yugoslavia into a socialist society. Yugoslav societal dynamics can be interpreted in terms of the relationships and struggles between different groups. It can also be understood in terms of conflicting social values and patterns of activity which are pursued through multiple, and partially incompatible institutions making up an institutional arrangement. This arrangement produces unexpected and unintended developments. For instance, it generated growing pluralism and conflict, increasingly uneven socio-economic development, and potential threats to the leadership of the LYC in the period 1965—1972. These developments were inconsistent with basic notions about the appropriate organization and development of Yugoslav society held by the dominant leadership of the LYC, provoking it into using its power to undertake institution restructuring and innovation. The result is, for example, the 1975 constitution and the 1976 planning law.

³⁾ Sections 1 and 2 draw on a theoretical framework outlined in Baumgartner et al., (1978) and which is applied to an analysis of industrial democracy measures both in a capitalist and a Yugoslav-type system in Baumgartner et al., (1979 a,b).

(iii) A major task of societal analysis is to identify the conflicts and contradictions occurring, or likely to occur, in particular institutional arrangements, and to specify and analyze the dilemmas they present. On this basis, one explores concepts and strategies which deal with dilemmas and which contribute to developing desirable societal structures and processes.

3. Constraints on Self-management Socialism through Market Allocation

This section is concerned with constraints on the effective development of self-management socialism, i.e., democratic participation, equality, and solidarity, in the context of economic market institutions.

(i) A system of self-management operating under market rules tends to result in differential accumulation and uneven development defined in material as well as social and political terms. At the micro-level, this entails social differentiation and hierarchization within enterprises due to the technical division labour and differential involvement in work and management processes. Unequal resource accumulation and uneven development occur at the macro-level between enterprises, sectors and regions.

(ii) Non-egalitarian developments and conditions within the economic sphere typically generate parallel and reinforcing developments within the political and socio-cultural spheres. For instance, emphasis on professional expertise to enhance economic performance as opposed to stress on egalitarian values, tends to reinforce the political importance of professional expertise. Hence, experts are in a position to bring their economist orientation to bear on political and socio-cultural decisions and developments. Such effects in non-economic spheres can strengthen processes of hierarchization and uneven development in the economic sub-system. The overall effects, if not opposed or regulated, is to weaken democratic and egalitarian principles in society as a whole.

Such differentiation processes may, however, also generate opposing developments, leading eventually to struggle for institutional restructuring. Some groups will seek to maintain existing institutions, the "rules of the game", and patterns of development generated by them. Others will seek to change them. Such processes and conflicts are underlying the dialectical shifts and discontinuities in Yugoslav post-war societal development. The point is though that such shifts may not be controllable or subject to planning through self-management, or, indeed, through other social institutions.

(iii) Self-managed enterprises provide minimal social integrative mechanisms. Indeed, the context of market allocation is likely to generate disintegrative differentiation and uneven developments. And this in turn exacerbates easily nationalist tendencies in the context of Yugoslavia.

In general, an atomized self-management society cannot deal effectively with coordination and related collective action problems. In practically every sphere where coordination is required at levels above self-managed enterprises and local socio-political units (communes), there have been problems in pre-1972 Yugoslavia. The introduction of a variety

of new institutional devices such as self-management agreements and social compacts can be understood easily in light of this observation.

(iv) Self-managed enterprises operating in markets, especially international ones, cannot deal with and regulate technical innovations and system developments with a view to develop and reproduce self-management institutions. Technologies (e. g. assembly lines) and division of labour (e. g. segmentation and hierarchy) are selected for success in market competition, not for their compatibility with self-management institutions. Yet, they provide internal power to managers and technicians, especially when combined with related values of "economic rationality" and "technocratism". Hence, they limit the realization of self-management understood as participation in control and decision-making.⁴⁾

Enterprises operating in the context of markets also find it advantageous to grow in size (Sachs, 1976). However, the larger the enterprise — certainly beyond some yet unspecified optimal size — the more difficult it is to practice self-management (Hunnius, 1973: 314—315). Of course, decentralized management is possible, and the institution of BOAL has been introduced for this purpose. But increasingly there are functions of *meta-management* and *strategic planning* for the multiple division enterprise from which the majority of workers are excluded due to enterprise size relative to the number of persons who can participate effectively.⁵⁾ The adoption of developments of this type is not a matter of workers' choice. It is "given" by the pressures of market processes and institutions. Yet, these developments tend to amplify differences in function, outlook, and power within enterprises. They thus work against the full development of self-management institutions.

(v) Self-managed enterprises operating in markets compete with one another for resources. Economic criteria dominate — and ultimately must dominate — in the calculus of decision-making and action to the detriment of criteria related to the values of self-management and social ownership. Although there is *no private ownership of the means of production, the evaluation and decision criteria tend to be predominantly economic*. Market rules and processes tend thereby to become an accepted paradigm for economic development, allocation of societal resources, and the production and reproduction of competitive, instead of cooperative, social relationships.

Of course, the stress on a rational allocation of resources is motivated by a desire to increase productivity and incomes in order to raise the material standards of workers and to provide the material base for further societal development. Nevertheless, there are dilemmas here in that economic institutions and processes may operate contrary to es-

⁴⁾ Rus (1977:21) points out that the traditional "scientific division of work" is one of the main obstacles to the full development of self-management. Workers come to rely on the greater knowledge, skill and presumed ability of the technical and managerial personnel for the sake of enterprise viability and success.

⁵⁾ The multi nationalization of some Yugoslav enterprises, i. e., their expansion into foreign countries, obviously sharpens this problem. Size therefore will remain a critical problem. The underaccumulation of self-managed firms cannot, therefore, be evaluated negatively, at least from this perspective.

sential norms and values of self-management socialism like democratic participation, equality and solidarity. This dilemma and issues related to it are examined in the next part of the paper which deals with the relationship between self-management and financial institutions.

PART II FINANCING AND FINANCIAL INSTITUTIONS IN RELATION TO SELF-MANAGEMENT

Workers' participation and self-management are emergent forms of production in many countries. This development will take a variety of forms and will have to function in a range of institutional contexts. But they all will come into conflict — albeit to different degrees — with each other. Of particular interest to us is the way capital, financing and financial organisations are treated conceptually, theoretically and in practice in relation to self-management, and this for two reasons. For one, enterprise and system performance in terms of accumulation has become a major issue in the evaluation of the theoretical merits of capitalist and self-management systems. And secondly, practical problems of accumulation and financing systems have existed and continue to exist in the Yugoslav self-management as well as the capitalist system (and especially its cooperative enclaves).

We limit ourselves here to a substantially theoretical discussion of key arguments underlying the tendency of self-management theory and practice to argue for capital charges and sources of external financing — in the latter case leading to the emergence of a bank-like financial sector. Section 1 raises some conceptual questions about the way of arguing for these institutions. Section 2 then reviews the theoretical debate with respect to capital accumulation in worker-managed enterprises. Section 3 discusses some empirical findings which supposedly support these arguments. And Section 4 draws attention to problems of power which tend to get overlooked in connection with the implementation of external financing.

1. Self-management and 'Appropriate' Theorizing

A specific theory of the Yugoslav self-management system is only beginning to emerge (Horvat, 1971, 1976).⁴ The evaluation of self-management, both in theoretical and practical terms, is therefore still dominated by the metastructure of neo-classical economics. Vanek's classic works in this field, and especially his recent contribution in this journal, lend themselves well to the questioning of neo-classical concepts, assumptions and procedures which are underpinning the proposal for capital charges

⁴ The dynamic and experimental nature of the Yugoslav system makes this difficult and uncertain undertaking. Such a theory has to be based on an agreed upon interpretation of the system and its institutions. This has been a problem in the past (see Horvat, 1971 and 1976) and seems still to be one today if the summary by Očić (1977) of the debate about capital charges is a valid indication.

and external financing. Our approach is counterposed to Vanek's in several ways?)

- He utilizes traditional capital/labour production functions. We stress the complex character of production processes and the importance of institutional context for its organization.
- He utilizes traditional utility functions and a uni-dimensional incentive structure (maximizing average net-income). We insist on the importance of institutional context which may provide for (and allow the expression of) multiple goals and interests of workers and other actors in the system.
- He proposes the institution of external financing based on a presumed separation of ownership from control. We feel that this implied technical neutrality of institutions is the result of abstracting from questions of power.
- He finds supporting data for his theoretical propositions about a self-management system by looking at the "negative" cases of cooperatives within capitalist systems and by comparing Yugoslav performance to that of other countries. This neglects the investigation of contextual and historical factors which could explain the results, or which, more seriously, should disallow the implied use of the *ceteris paribus* assumption.

We are not saying that this type of micro-economic analysis is incorrect. But we are suggesting that it is not well suited for evaluating a (still emergent) self-management system, and, in particular, for supporting the *creative task of searching for, designing, and evaluating appropriate structural and institutional solutions*. It is not, because neo-classical theorizing is:

- neglecting structural and institutional factors, especially the mutual interaction between them and the outcomes of economic processes.
- built on definitions of actors, processes, inputs and outputs which are definable in uni-dimensional terms. But self-management, if it makes any sense at all, is based on complex, multi-dimensional definitions and interactions. Workers are workers and employers. While working they both work and consume work. They bear risks and make decisions with respect to them.
- assuming that *market processes transcend efficiently collective action problems* (which are the basis of any social system). Hence it neglects conflict and power processes which inevitably link economics with politics and the socio-cultural. But self-management is a system set-up to deal explicitly with conflict and power.

⁵ We refer mostly to Vanek (1970, 1971, 1975b) and to Vanek (1978). But see also Nützing (1975) in this journal, or the French analysis by Daurès and Dumas (1977).

The implied criticism cannot detract from the great value of Vanek's work for the development of self-management theory. The establishment of a school of analysis typically means that all future work must start by considering critically the initial investigation.

The next three sections illustrate and elaborate the points made here.

2. *The Perverse Behavior of the Self-managed Firm*

Since Ward (1958), much has been made of the fact that self-managed firm in neo-classical theory behave perversely:

- They reduce output and employment in reaction to an increase in output price.
- And they accumulate less than a capitalist firm, and the production methods are more capital intensive.⁸⁾

Self-management therefore is inflationary, lacks growth and provides little employment. Vanek (1975b), and in some ways even Meade (1975), suggest that if not stopped, self-managed firms will self-extinct through a vicious circle of labour-shedding to maximize average net-income with the given capital stock and of desinvestment to align rates of time preference and marginal capital productivity.⁹⁾

Analysis of the first point has shown that more realistic assumptions about production produce almost "normal" behavior, and that, under actual forms of wage determination, the behavior of actual forms of wage determination, the behavior of a capitalist firm can be obtained (Horvat, 1971: 35—36).¹⁰⁾ Steinherr and Thisse (1978) have recently shown that the firm also behaves "normally" if workers exhibit socialist solidarity and take into account not only their income gains, but the losses of those being laid-off. Similarly, if workers take into account the risk, when voting for or against income maximization, that they themselves might be among the workers to be laid-off, even lack of socialist solidarity prevents them from voting for contradiction.¹¹⁾

To solve the second problem, Vanek (1975a, 1978) proposes to turn the worker-managed into a "quasi-capitalist" labour-managed enterprise by linking capital use to charges for depreciation and use. To prevent the financing of accumulation through almost exclusive reliance on bank credit¹²⁾, Vanek suggests the introduction of workers' financial claims

⁸⁾ On this, see Vanek (1975b, 1978: 111—14), Nutzinger (1975), and Furubotn and Pejovich (1973).

⁹⁾ Both Vanek and Meade are of course assuming material/capital to be "putty-putty", an assumption criticized a long time ago by Joan Robinson and found to be severely lacking in the context of transferring technology to developing countries. One wonders for example how the single worker left with a whole factory is in fact able to produce anything at all. (See Meade (1975: 415) for this assumption.)

¹⁰⁾ For a Yugoslav source, see Horvat (1967a) and references given in Horvat (1971, 1976).

¹¹⁾ The Steinherr and Thisse results do not, of course, exclude contraction through normal labour wastage through retirement and normal labour mobility. However, the latter is rather low in the Yugoslav context (and not only for the negative reasons given by Furubotn and Pejovich (1973). Retirement could only become effective if it was assumed that the higher price remained in force for the long period.

¹²⁾ As has happened in Yugoslavia (Nutzinger, 1975; Furubotn and Pejovich, 1973).

equivalent to the value of assets accumulated out of retained net income. The power implications of this solution are discussed in Section 4. What is of interest here is the assumption underlying this analysis with respect to utility functions.

Neo-classical utility functions are strictly defined. They contain one argument, income, and the social utility function is the additive result of individual functions, all of them with the same structure. In practice, certainly in Yugoslavia since 1972, utility functions in self-management systems are likely to be different, both at the social and the individual levels.¹³⁾ Workers are no longer institutionally constrained to be nothing but suppliers of labour and recipients of income. They can have and express interest in work conditions, the long-term survival of their firm, and the welfare of their commune which depends in part on the performance of their enterprise.

Furthermore, it is clearly illegitimate to conclude from the postulated behavior of a self-managed firm in social isolation, or as exception within a capitalist system, to the behavior of this firm in a self-management system. Yet, both Vanek (1975b) and Daurès and Dumas (1977) seem to make this error, which, of course, comes natural within a theoretical edifice based on a pure market model.¹⁴⁾ But self-management system implies the participation of social actors in enterprise decision-making, if only to solve collective-action problems and to deal with the many externalities occurring in any system. But this means that the utility function at the enterprise level is the end result of a complex social information, influence and decision-making process through which are reconciled the utility functions of a large number of societal actor with individual income maximization.¹⁵⁾

Of course, irrespective of all these divergences between neo-classical assumptions and real features of a self-management system, one should question the value of institutional arrangements and social control mechanisms designed solely to compensate for a lacking performance (compared to a capitalist firm and system) in terms of accumulation and factor proportions. Supposedly, socialism means more than this as Vanek (1978) is at pains to stress all the time.

¹³⁾ The analysis of Steinherr and Thisse (1978) implies interdependence of individual utility functions. This, of course, leads to innumerable difficulties in constructing a neo-classical social utility function.

¹⁴⁾ Similarly, time is treated as a simple periodization factor, not as a concrete physical, historical and social phenomena linking firms to their environment and each other, forcing them to act on and react in a dynamic, i. e., changing system.

¹⁵⁾ Decision-making influence in Yugoslavia has so far differed substantially from the pure model implied by neo-classical analysis. (See the data and references to studies by Obradović, Rus and Zupanov in Baumgartner et al., (1979b).) This suggests among other things that Yugoslav micro and macro-data represents only tenuously a pure self-management system of the type analyzed by Vanek.

3. The Case of Historical Precedent

The empirical verification of the theoretical propositions about self-management, which are under review here, rests on two cases: The performance of producer cooperatives in the capitalist system compared to other countries. Vanek (1978) refers to both of them. We discuss in turn the appropriateness of both of these "proofs" for a supposed underperformance of worker-managed enterprises and systems.

A. Self-management Experiments and Cooperatives

Self-managed enterprises in capitalist systems are either an experiment or an exception. If their performance is to be taken as a valid indication for the behavior of self-managed enterprises in general¹⁶⁾, two conditions have to hold: (i) The fact of being an experiment and an exception should not affect behavior and action possibilities. And (ii), the firms engaged in these experiments and finding themselves in this exceptional position should represent a correct sample of the total population of firms in the system. We of course know that neither of these conditions is fulfilled in practice.

We know that experimental situations influence positively effort and behavior. This holds for individuals and groups, as the Hawthorne experiment demonstrated a long time ago. Self-management experiments in Belgium (Vandermosten, 1978) and in France with LIP (Baumgartner et al., 1978b) suggests the same for the enterprise level, especially if public recognition and support is high. This probably holds for the systemic level too, for example the Yugoslav self-management system.¹⁷⁾

But being involved in a risky experiment, and an exceptional and often marginal situation, where experience suggests a high failure rate, has a negative behavioral effect. Awareness of a weak resource base, the hostility of one's environment including key economic and political actors, and the lack of support from the state saps morale and effort, and often incites the most dynamic and mobile workers to leave. Producer cooperatives find themselves frequently in such situations (Horvat, 1975b). In most cases, these negative effects will dominate the positive ones of the preceding paragraph, especially because of situational conditions enumerated in the next two paragraphs.

Cooperatives often have to operate in a hostile environment. Suppliers, customers, and financial institutions do not know how to evaluate and deal with such a "non-capitalist" entity. More frequently, they are hostile to such alternative institutions. Both factors severely limit the action possibilities of cooperatives, making the achievement of normal performances so much more difficult (Horvat, 1975b).

Producer cooperatives and self-management experiments are in most cases successors to failing or bankrupt capitalist firms. (This limits the

¹⁶⁾ The remarks on pp. 588/589 should be kept in mind: One cannot extend such results to a self-management system as a whole.

¹⁷⁾ The Yugoslav leadership clearly uses this fact. The translation of "patriotism" and national fervor into individual effort has of course its limits, as centrally planned systems and war time efforts demonstrate. But they can be sustained for quite a while if other conditions like equality and justice are met.

positive effects of being an experimental case.) These firms are from birth saddled with weak products facing shrinking markets, low market shares, outdated production technologies, non-existent research and product development capabilities and hence lack new products with which to launch a revival. They lack financial resources, access to supplier and customer credit, and financial institutions justify their reluctance to help alternative institutions with the argument of the firms' low profitability, a respectable argument concordant with the economic logic of the system. In most cases, the labour force will be relatively old, uneducated and of low skills.¹⁹⁾

It is such factors that explain an *inability* of self-managed enterprises to perform at par with capitalist enterprises. It explains, of course, also an *unwillingness* of worker-owners to attempt to redress the situation through internally financed accumulation out of their labour income. The initial emergence of the cooperative itself has been the result of a refusal by capitalists to attempt to redress the situation through the investment of their *own* funds. Thus we are inclined to reconsider the interpretation that Vanek (1978:12) gives to the research of Jones. *Smallness and under-capitalization* of producer cooperatives are due to the *initial and continuing contextual conditions* with which the enterprise has to contend, rather than the result of the postulated "rational behavior" of worker-owners in a neo-classical economic world. It is low profitability which explains the lackluster economic performance of such enterprises, not "unwillingness" to invest.

It is inappropriate to let one's theoretical development be guided by "observed facts", if these fact also serve to validate the resultant theoretical hypothesis.²¹⁾ More fundamentally, it is not appropriate, in terms of the theoretical framework sketched in Part I, to *generalize* from the experience of a Social organization if it is "extraordinary" in the context of this particular society. Nor is it appropriate to reach conclusions and make proposals about the behavioral effectiveness of such social constructions in another social context, even if it is more fully compatible with their needs.

¹⁹⁾ Self-managed firms which emerge out of prosperous enterprises, through the action of benevolent owners, do rather well. Examples are IPG in the U.S. (Zwerdling, 1977) and Porst in Germany (*Business Week*, Dec. 11, 1978).

²⁰⁾ High average age is in part the reflection of the bad contextual situation. It also explains the attempt at a cooperative solution despite generally negative perspectives. At their age, workers, finding themselves in a declining firm, region and industry, can find reemployment only at the price of dequalification. A struggling cooperative may not provide a better economic solution, but it minimizes the non-economic, socio-cultural and psychological costs of an unavoidable catastrophe.

²¹⁾ The misinterpretation of the Vanek-type analysis derives from the fact that neo-classical production function analysis reposes "on an idealized economy... [where]... full employment of resources prevails" (Vanek, 1978: 12). Unfortunately, producer cooperatives find themselves in the real world where most points on the production function surface are unattainable for them.

²²⁾ It is like with the proof of monetarist theory: Money is that variable which correlates best with GNP. Then reverse the procedure and show that fluctuations in the money stock correlate with changes in GNP.

B. The Comparative Performance of Yugoslavia

Vanek (1978: 8—11, 17ff) summarizes interesting and substantial comparative data on Yugoslav economic performance:

- Yugoslavia has an accumulation rate some 10 points above what could be expected for a country of its level of development.
- Its total productivity growth (up to 1970) is about double what it is for the U.S. and peripheral European countries.²³⁾
- However, its growth rate is not significantly different from what is predicted from a world sample of 70 countries.²⁴⁾

The discrepancy is explained in part with the presence of an overvalued exchange rate and, what is of interest here, the lack of proper capital charges, both together accounting for about 5 points of the missing potential growth rate. The theoretical argument about the micro-level behavior of worker-managed firms permits the reconciliation of high productivity growth potential liberated through a self-management system with the more "normal" growth performance of the system as a whole.²⁴⁾

The high accumulation rate is used to justify an expected high growth rate.²⁵⁾ The growth gap thus created is ascribed to the faulty pricing policy with respect to capital. Yet, these pricing policies go hand in hand with a high accumulation rate instead of producing under-accumulation as predicted by the neo-classical analysis. High accumulation instead of under-accumulation is explained with the presence of political persuasion — the positive effect of experimentation? —, the high social consciousness of workers, and the influence of socio-political actors exerted through social contracts.

The latter factor cannot have exerted much influence during the pre-1970 period investigated and we are therefore left with social consciousness and political pressure to explain the conundrum. But why not consider these institutions as of equal value and legitimacy as capital charges and portable claims to accumulated assets for inciting self-management firms in capitalist and self-management systems to behave properly?

The analysis raises also a question about the treatment of contextual factors when making inter-systemic comparisons. The productivity

²³⁾ However, Spain (1959—65) has a higher and Romania (1953—65) the same productivity growth rate (Balassa and Bertrand, 1975: 343).

²⁴⁾ Employment in manufacturing and services is about 4 and 26 points below the predicted values in the absence of imperfect capital pricing.

²⁵⁾ Our interpretation of micro-level behavior (Section 2 and 3A) suggests the need for other factors to explain the non-realization of material growth.

²⁶⁾ Data in developing countries are notoriously unreliable and make some of the conclusions seem rather speculative. Furthermore, capital market imperfection is derived from the difference between a real rate of interest and an estimated "actual" marginal product of capital. The latter is estimated with a regression analysis which raises questions about the power-determined component of the profit rate and the existence of significant market imperfection in factor markets in developing countries. It seems doubtful that "true" capital productivity can be thus estimated across different economic systems which have different power structures.

growth rates used to show that the Yugoslav self-management system has the expected liberating effect is compared to U.S. data for a much longer period and going back to 1925 and even 1869. The comparability of these data is subject to serious restrictions:

- The different periods used include different business cycle histories. In particular, the U.S. data includes the effects of the 1930 and even earlier depressions. The Yugoslav data reflects an international environment of exceptional vigor.
- The history of technological advance is different for the different countries. In particular, Yugoslavia started out from relative underdevelopment and drew upon a stock of knowledge accumulated during the long period reflected in the U.S. data. The comparison favors Yugoslavia which drew on resources accumulated during the U.S. period, an accumulation probably costing some productivity growth.
- Is it permissible to characterize the post-1950 period in Yugoslavia as one dominated by one stable self-management system and to assign it the responsibility for the favorable productivity growth? Horvat (1971, 1976) and Baumgartner et al., (1979b) show dramatically how the Yugoslav system has evolved through a series of stages characterized by substantially different institutions, processes and values.

Furthermore, Horvat (1971:17) suggests that this history of experimentation and institutional development has been quite costly in terms of material growth lost. Could this possibly explain the "unexpected" underperformance of the Yugoslav system? We suggest that the Yugoslav data about productivity and material growth cannot be taken as a reflection of the performance potential of a stable self-management system. The Yugoslav economic history since 1950 is neither defined by *one* self-management system, nor by a period in which any one system could be said to have been *stabilized*. Nor can it be validly compared to the histories of other countries unless it can be shown that development out of underdevelopment is the same as the development of a mature system, and that the growth impetus coming from the international system have been the same for the different countries and the periods considered. The Yugoslav self-management system is still too much a social experiment too provide an indication of what self-management as a system could mean in terms of economic performance.

4. External Financing: The Problems of Institutional Power and Incoherence

The preceding sections have presented arguments suggesting that the clear neo-classical policy and institutional proposals — capital charges and titles to individual ownership — rest on a rather shaky basis. Here we discuss the control and power implication of such institutions and control mechanisms.

Vanek (1971, 1975b) proposed two possibilities for realizing individual ownership rights: the institution of cooperative shareholders

and/or lenders, and the mediation between savings and credits by a financial sector paying and charging interest. The interest focuses mostly on the second solution as only this one could guarantee some stability to enterprises. Vanek proposes a state bank as the financial intermediary for producer cooperatives in a capitalist system, and the use of bank, insurance, trade union and individual funds in a full self-management system.²⁶⁾

The proposed solution appeared as straightforward to Vanek (1978: 7—8). The first-order difference between systems turns around the exercise of control by workers or capitalists, while the question of ownership, in the sense of "right to an income", is of a secondary nature, differentiating worker from labour-managed systems. The question then becomes one of determining the exact nature of rights and powers which go with this right to receive an income. Nobody has ever pretended that owners of bonds and notes, and providers of loans and credits in capitalist systems do not have some rights of control over the affairs of the debtor even though these instruments give formally only the right to an income.²⁷⁾

We would argue that a right to an income provides also and always a right to some form of control over the creditor, if only to assure that proper management is exercised thus guaranteeing the future income stream. Vanek poses the wrong question. Self-management always implies management within constraints and violation of these constraints has to lead to the intervention of an outside actor exercising some type of control. In Yugoslavia, communes had always the right and duty to intervene into the management of an enterprise if it proved unable to fulfill its financial obligation, thus very much fulfilling the role of the bankers and creditors in capitalist system.

The problem is to design institutions which preserve a balance between the concept of "self-management" and the desired and necessary control rights of outside actors. Of course, providers of external funds will prefer to exercise as much control as possible and to intervene as soon as threats to the financial viability of the enterprise appear. The question about the appropriate structure of the financial system as well as other systems in society — with respect to self-management institu-

²⁶⁾ Daurès and Dumas (1977: 96) propose government rule-making to specify the use of net-income. This is, of course, the Yugoslav solution of 1972 (Funibotn and Pejovich, 1973: 294—297).

²⁷⁾ This is influenced by both the importance of credit for the financing of enterprise accumulation and the structure of the banking system. Both developed in ways highly favorable to the exercise of control rights by banks in the pre-1972 period in Yugoslavia (Horvat, 1971: 70; Nutzinger, 1976: 193—194; Funibotn and Pejovich, 1973: 270; Dubey, 1975).

²⁸⁾ See Dmilović (1973) and Milenkovich (1977) on this point of intervention. As Horvat (1971: 37) points out, everybody participating in the Yugoslav debate on ownership agreed that social ownership does not imply an unlimited right over things.

tions is a central one.²⁸⁾ The debate in Yugoslavia about these matters indicates their centrality. Since they involve questions of the distribution of well-being and of the power and meta-power to determine future developments of the social system, this system as a totality becomes the focus of analysis and societal planning. A purely economic approach in the neo-classical tradition is a very limited basis indeed for such an analysis.

PART III POLICY AND STRATEGY

We have suggested ways in which market pressures and financial institutions distort and constrain the actual practice of self-management in Yugoslavia. An important task in support of self-management development is the determination of constraints and regulatory institutions which might contribute to the development of self-management institutions and values. Section 1 below points to areas which deserve future attention. Section 2 points out, however, that dilemmas and contradictions are rather natural and cannot be completely eliminated through such institutional structuring.

1. The Liberation of Work

Several areas can be identified where new or additional controls and regulatory institutions could provide an appropriate and facilitating context for the development of self-management structures and processes.

(1) The design and use of "appropriate" technologies could favor egalitarian participation in decision-making and production and develop the workers' capacity for doing so. For this purpose, new technologies would have to allow for (Fusfeld, 1978:8):

- the development and use of decision-making abilities of workers at all levels, replacing the present pattern of routinizing work
- shifting individual workers between jobs
- bringing workers together in small, self-organizing and semi-autonomous work groups
- flexibility in task definition and organization so that the same machinery can be used for specialized learning as well as enriched routine production activity.

(2) The limitation of the division of labour — especially between skilled/unskilled, productive/administrative, and routinized/creative work — could contribute to dehierarchization.

²⁹⁾ Neo-classical analysis brushes this problem aside. Meade (1975: 394), for example, argues that it does not make any difference if finance capital is provided through a competitive market and many private savers, or a central state lending institution charging a market-clearing interest rate. The problem is obviously not this, but without power, as a central analytical concept, not much can be done.

(3) The determination and specification of the *optimal size of organization* compatible with the effective exercise of self-management could allow the institutionalization of rules to limit enterprise growth and concentration in order to allow for as much direct participation in decision-making as possible. The search for efficient small-scale technologies is of great importance for converging minimal economic and maximal participatory sizes.

(4) The *regulation of market forces* could keep differentiation processes within and between enterprises within acceptable limits. This would involve, besides limits on accumulation and concentration processes, new institutions to complement, and in some instances to replace, the market.

(5) The exploration of *alternative institutions* to regulate the dilemma between consumption and accumulation, and between external financing and limits to individual enterprise growth, could help overcome tensions existing in self-management systems.

(6) The establishment of *appropriate educational processes* in family, community, and at work, as well as in the usual cultural and educational institutions could support the development and reproduction of self-management in the economic sphere.

(7) The establishment of *compatible political institutions* and the effective practice of politics could favor the exercise of enterprise self-management.

The problems of enterprise size and the convergence between self-management practices in the economic, socio-cultural, and political spheres are central to the liberation of work. Successful self-management at the micro-level depends to a large extent on the existence of relatively small, decentralized decision and production units. Otherwise, direct participation is reduced; concrete and direct experience in acquiring relevant knowledge, and in evaluation and decision-making is likely to be diminished; and specialization, if not hierarchization in decision-making and planning sets in. The institutionalization of BOAL's in Yugoslavia seems to bear this out.

The development of norms and rules to assure a constraint on the united differential accumulation of resources is therefore of prime importance.³⁰⁾ These rules should ensure that production and administrative units do not grow substantially beyond the mean size for a given industry and technology. This means that the rules may have to be adjusted as new technologies allow efficient production in smaller-sized enterprises. At the same time, special institutions for resource accumulation may have to be designed for those industries where economies-of-scale imply large enterprises in relation to existing markets.

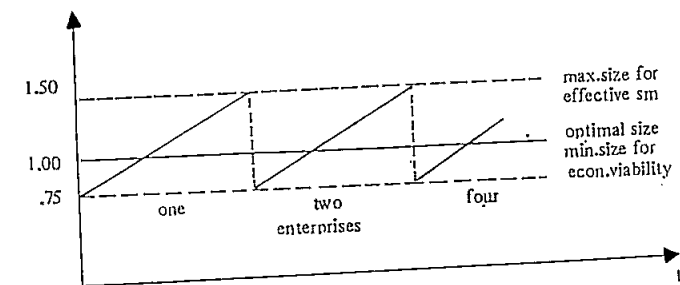
³⁰⁾ Two remarks are in order. For one, regulation through punctual intervention by planners and politicians is inappropriate to a self-management system. In any case, it could not ensure consistent results. Secondly, the limit to growth of enterprises observed in self-management systems (see Part II) is in this sense positive. Norms and rules have in this case to make sure that (a) an enterprise bumping against its size limit does not stop investing to achieve qualitative growth, and that (b) some accumulation is still taking place to favor the formation of new enterprises.

It is important that these rules and institutions induce self-management units to accumulate for their own growth up to the limit specified, and then to split up into at least two independent units or to continue to accumulate for the benefit of other enterprises.³¹⁾ The institutions and rules facilitating the division of enterprises having reached the upper limits of optimal size should be carefully framed so as to assure an equitable division of material, human and knowledge resources, of power and metapower resources, and above all of those resources providing the impetus for growth.³²⁾

The concepts and the institutions of social property, social compact, and self-management agreement also provide regulatory instruments to control enterprise size and uneven developments. Agreements can be used to concentrate service activities — including administrative tasks like bookkeeping — in independent units providing services on a contractual basis. This would favor deconcentration not only because it hives off administrative work from traditional enterprises, but also because most service activities can be performed in rather small units without losing the benefits of scale. Social compacts with a wide range of organizations in different spheres give political and social actors the instrument with which they can assure a certain evenness in enterprise growth and community development.³³⁾

Of course, this argumentation raises the question about the extent to which economic liberation through self-management in the economic sphere implies in fact the "liberation of political power" or workers' control over politics, or vice versa. Clearly, economic liberation in the limited sense of control over the production process and its products does

³¹⁾ An enterprise's growth path could then look like this:



³²⁾ Here we think especially about the need to allocate evenly dynamic personalities and units. It is precisely the uneven possession of such dynamic elements which account for the tendency of uneven development among Chinese communes (Peerman, 1976: 35ff).

³³⁾ It should be pointed out that such a rule and norm system may have to vary according to the stage of development and the nature of the system's structure. Development towards "evenness" from a situation and history and substantial inequalities — as is the case in Yugoslavia today — demands different constraints than the reproduction of an even socio-economic structure.

not necessarily provide the (meta) power to shape the institutional environment and rules governing self-managed enterprises. But it provides important enabling conditions for the following reasons:

- Self-management of enterprises contributes to the articulation of self-management concepts and norms in social life. They may be extended to the macro-political sphere as part of a global process of participatory democratization.
- Workers are likely to acquire competence and confidence to participate and exercise influence in the political and socio-cultural spheres to the extent that self-management in enterprises functions effectively.
- Working people may be able to bring about restructuring of the institutional context within which enterprises operate through their participation and representation in political organizations and labour unions.
- Producers have some leverage on the structuring of the economic environment through their control (within general allocative rules) of revenue and transfer payments to the political, administrative and socio-cultural subsystems.
- Socialist ideology, and its activation in political and socio-cultural production processes, provides a favorable context for regulating market institutions.

In sum, a more complete economic liberation entails extending workers' control beyond the enterprise to its environment — in particular the economic market institutions and the political and socio-cultural spheres. But such control is only a necessary, not a sufficient condition. It will also be necessary to exercise power in a way producing conditions and processes compatible with the development and reproduction of self-management.

2. Contradictions, Dilemmas, and Institutional Development

Conflicts inherent in the values and activities of different institutions, which are part of an institutional arrangement, pose societal dilemmas. In this paper we have concentrated on the dilemma between self-management institutions and values, and the unrestrained operation of market forces. Effective control of market forces requires restricting the accumulation of resources and power by enterprises, communes, regions and Republics, and, of course, constraining the exercise of power by managers and technicians. This is likely to limit economic development, at least in the short run.³⁴⁾ Thus there may exist a dilemma between the

³⁴⁾ The tolerance of hierarchical developments on such grounds as improved technical-economic performance is likely to be revealed as a short-term cost-efficient solution only. They are inefficient in a long-term perspective as they inhibit and undermine socialist development. The short duration of strikes in Yugoslavia indicates one of the benefits of taking the long view.

development of self-management and the achievement of high standards of living.³⁵⁾

A related dilemma is that between effective participation and effective instrumental performance. If participation of workers in management and planning functions — and its cultural and educational aspects — are to be maximized, a short term in office is necessary. But if members of workers' councils and other self-management bodies are to be effective decision-makers and participants in long-term planning, then the opposite organizational principle, i.e., long office terms, would be appropriate (Pateman, 1970:97).³⁶⁾ In part, this dilemma is the result of the existing uneven distribution of knowledge and capabilities between managers and workers. Effective and high-quality participation — to the extent it leads to learning — should attenuate this dilemma. Increased familiarity of workers with enterprise and societal conditions and problems should facilitate the assumption of decision-making positions within self-management institutions even if office rotation is rather quick.³⁷⁾

A major dilemma in the Yugoslav system is that between localism — and social integration implied by social ownership and socialist solidarity. The tension between the autonomy of enterprises and the interests of the wider community poses a particularly serious problem for the poorer communes (Hunnius, 1973:288). A commune may be forced to make demands and to rely on the cooperation of the enterprises within its jurisdiction. This may hurt the development of the enterprises. In general, self-management as a institutional device stresses local and particular interests, whereas social ownership, the state and the leading party, as institutions, stress universal interests. This dilemma is one which continues to challenge the theory and practice of self-management.

Finally, there is the dilemma between the power to liberate and the liberation of power. On the one hand, a political leadership acts to establish and develop self-management and participatory democracy. On the other hand, the realization of these goals and values implies a negation of the power of the leadership.³⁸⁾

³⁵⁾ There is also the dilemma between the use of market mechanisms to minimize direct state control and to reduce communication and administrative costs, and the facilitating of unequal accumulation and uneven development through market institutions.

³⁶⁾ Some forms of participation appear to be efficient in realizing economic objectives and stimulating worker responsibility and morale while being inefficient in actualizing ethical and humanistic objectives (Rais, 1977).

³⁷⁾ Self-management can be expected to produce a general consensus about enterprise development. This would reduce the inefficiency of reorientation which goes frequently hand in hand with a rotation of officeholders.

³⁸⁾ Ionescu (1976: 33) suggests that a major contradiction in Eastern European Countries exists between emerging socio-economic and existing political forms:

The real object of the contradiction is the necessity to adapt Leninist structures to the technological revolutions that have swept the industrial world since World War II. By now it is universally clear that the industrial-technological society, with its built-in corporate structures and therefore with its essential need for expanding pluralization, can no longer live within the narrow Leninist boundaries and parameters.

3. Conclusion

The readiness to socially experiment and to explore the possibilities and meaning of the socialist vision is one of the most characteristic features of contemporary Yugoslavia. This has enhanced its development capabilities by allowing it to deal creatively with changes in its international environment. It also enabled Yugoslavia to transform in constructive ways internal conflicts and contradictions since flexible organizational and institutional structures allowed the generation of new options, the transformation of perceptions and value structures, and, ultimately, changes in the "rules of the game" and the institutional set-up.³⁹⁾

Contradictions between hierarchical developments within enterprises and uneven economic developments generally, and social movements within the socio-cultural and political sub-systems can be expected to continue. Yugoslavia will therefore have to maintain its dynamic character. It appears as essential that committed ideological and political activities continue to exist and be extended into the economic sphere to (a) counter-act and to minimize hierarchical developments and to (b) minimize tendencies of uneven development as a whole.⁴⁰⁾ Otherwise, social cohesion and collective commitment to the reproduction and development of socialist institutions could become threatened. In that case, the openness and "continual flux" of the Yugoslav system — which presently appear as basically positive features — could become its greatest weakness.

It is unlikely that even the best of societal models will tell us what the emerging institutional arrangements will or even should entail, at least not in any detail. But the process of development can be understood as a process of innovation, experimentation, critical assessment in terms of socialist objectives, and further restructuring and experimentation.⁴¹⁾ It is essential that the broadest possible participation is obtained in this meta-process of structuring new institutions. For this is also production and its work calls for liberation.

³⁹⁾ Creative conflict is in part a function of social cohesion and of the commitment of social actors to the maintenance and development of society. These are likely to persist as long as inequalities do not become extreme and are seen as temporary and correctable "dysfunctionalities", and as long as most — if not all — social groups have opportunities to exercise meaningful control over the system so as to be able to renegotiate and correct felt injustices.

⁴⁰⁾ Major or key collective actors in the society — labour unions, the Party, local and national leaders — are committed to further socialist development. Interests within enterprises, including managers and technicians, are opposed to the return of capitalism as such. The private sector lacks political and socio-cultural influence (Humnius, 1973).

⁴¹⁾ Such social learning entails the development of a language, concepts, as well as strategies for knowledge and capability development. This is particularly important in areas which have been dominated by the interests, language, and concepts of technical and managerial elites.

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INSTITUCIONALNI KONFLIKT I MOĆ: ODNOS FINANSIJSKIH INSTITUCIJA I SAMOUPRAVLJANJA

Tom BAUMGARTNER i Tom BURNS

R e z i m e

Samoupravljanje podrazumeva deobu moći koja subjektima (akterima) omogućava odlučivanje u procesu upravljanja proizvodnim aktivnostima kao i odgovarajući kontekst koji deluje ograničavajuće na donošenje odluka. Polazeći od ovih elementarnih pretpostavki, članak prezentuje okvir za analizu načina na koje samoupravne institucije i druge ključne društvene institucije (kao što su tržište, kapital, finansije) međusobno deluju uzajamno ograničavajući polja dejstva dolazeći eventualno u konflikt. Društvene vrednosti se realizuju preko različitih, ali međusobno povezanih institucija. To generiše konflikte: nepredviđene pravce razvoja kao i neplanirane konsekvence, posebno u situacijama (kao što je jugoslovenska) gde se samoupravna institucionalizacija mora osloniti na znatno socijalno eksperimentisanje (zbog odsustva istorijskih presedana).

Efikasan razvoj samoupravljanja, po mišljenju autora, ograničen je ekonomskim tržišnim institucijama. One teže da generišu neravnomenan razvoj, i pritiske u pravcu socijalne diferencijacije i hijerarhizacije preko produbljavanja tehničke podele rada: nejednakog učestvovanja u procesima upravljanja. Ovakav neegalitarni razvoj po pravilu dovodi do otvaranja paralelnih tendencija u političkim i socio-kulturnim sferama koje, ako nisu kontrolisane deluju povratno na ekonomsku sferu, jačajući u njoj neželjene tendencije razvoja. Međutim, ovakvi procesi diferencijacije mogu generisati i suprotne pritiske koji, kao što je to slučaj s Jugoslavijom, vode, na dijalektički način, korak napred u društvenom razvoju. Analiza ekonomike samoupravljanja inspirisana neoklasičnim modelom sugerise da se samoupravna preduzeća ponašaju abnormalno, sve dok ne počnu da posluju u kontekstu naplate naknade za

upotrebu kapitala (i titulara individualne svojine) posredovane finansijskim institucijama. Ekonomske performanse proizvođačkih kooperativa u kapitalističkom sistemu i u Jugoslaviji u poređenju sa performansama u drugim zemljama podržavaju ovakvu analizu. Autori žele da dovedu u pitanje ovakav prilaz, tj. konceptualnu, teorijsku i empirijsku adekvatnost neoklasičnog modela u analizi samoupravljanja, njegovih problema i institucionalnog prestrukturiranja.

Neoklasična teorija je nesposobna da modelira interakcije strukturalnih i institucionalnih faktora, s jedne strane, i procesa i njihovih ishoda, s druge strane. A upravo u toj tački praktično realizacija i neprodukcija samoupravnog sistema zahteva analizu i na njoj zasnovane mere politike. Staviše, ova teorija je zasnovana na jednodimenzionalnim koncepcijama aktera, procesa, inputa i outputa. Samoupravni sistem, međutim, zasnovan je na prevladavanju strukturalne podele između kapitala i rada, upravljača i radnika, rada i potrošnje. Kao što to pokazuje jugoslovenski slučaj, koncept društvene svojine implicira snažno uzajamno preplitanje ekonomske politike i sociokulturne sfere, njihovih aktera i procesa. Stoga, neoklasične funkcije proizvodnje i korisnosti predstavljaju neadekvatnu osnovu za analizu takvog sistema.

Empirijskoj analizi koja podržava neoklasične teorijske rezultate takođe treba prići s određenim rezervama. Izgleda opasno iz ponašanja izolovanih kooperatora u kapitalističkom sistemu izvlačiti zaključke o verovatnom ponašanju samoupravnih preduzeća u samoupravnom sistemu. Staviše, stvarno ponašanje kooperativa verovatno je u najvećoj mери determinisano njihovom izuzetnom institucionalnom situacijom i činjenicom da su one naslednici neuspešnih i bankrotiranih kapitalističkih firmi. To predstavlja loše početne uslove koji ograničavaju ekspanziju kooperativa. To je, stvarni razlog za njihovu limitiranu ekspanziju, a ne neka navodna averzija prema akumuliranju.

Komparativna analiza jugoslovenskih ekonomskih performansi u interpretaciji podataka ne uzima u obzir činjenicu da li podaci za različite zemlje stvarno odražavaju performanse ostvarene u sličnim istorijskim i kontekstualnim situacijama. Staviše, čini se opasnim izjednačavati jugoslovenski sistem neposredno posle 1950. godine sa u potpunosti razvijenim i zrelim samoupravnim sistemom. Ako to nije moguće, onda je neopravdano objašnjavati jugoslovenske ekonomske performanse kao da su one posledica defekata samoupravne prakse i samoupravnih institucija.

To, međutim, ne znači da autori sugerišu ideju o postojanju savršenih samoupravnih institucija. Konflikti i dileme uvek postoje, bez obzira na izbor ovih ili onih konkretnih slučajeva. Naravno, oslobađanje rada moguće je doprineći razvoju onih tehnologija koje ograničavaju hijerarhizaciju i podelu rada, utvrđivanjem realizacijom onih optimalnih veličina organizacija koje su kompatibilne sa efektivnom praksom samoupravljanja i jačanjem kompatibilnih obrazovnih i političkih procesa. Međutim, dilema između realizacije samoupravnih vrednosti i rezultata tržišnih procesa, između lokalne autonomije i društvene organizacije koja treba da se bavi problemima kolektivne akcije, između moći oslobađanja koju drže politički akteri i potrebe za oslobađanjem političke moći kao što to implicira koncept samoupravljanja, nastaviće se i zahtevaće volju i sposobnost za socijalno eksperimentisanje.

Ovo, zauzvrat, podrazumeva sposobnost prevladavanja internih konflikata i protivrečnosti putem institucionalnog prestrukturiranja. A njegova praksa treba da bude zasnovana na socijalnoj koheziji i kolektivnoj privrženosti reprodukciji i razvoju socijalističkih vrednosti.

WORKER EDUCATION AND WORKER PARTICIPATION: REFLECTIONS ON THE U.S. EXPERIENCE

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Trade Unions in the United States have barely begun to address issues of worker participation and control. The labor movement has had an instrumental view toward work and production. Historically its concern has been with the pay check, or questions of distribution, as opposed to participation in management, or the organization of production. In this respect the United States lags behind many advanced capitalist societies where the focus of activity is shifting from the distribution of the products of labor to a renewed interest in worker participation in the management of production. Why is the United States so far behind? Part of the reason lies in the absence of a "cultural and educational base", to support effective demands for worker participation.¹⁾ How has the education of workers inhibited the extension of economic democracy? What have been some of the underlying assumptions and characteristics of worker education in the United States? This paper attempts to examine these questions and to explore a new attempt to enhance the ability of education to speak to problems of worker participation.

In the United States the inability to provide an alternative framework for worker education stems in part from the success liberals have had in perpetuating the myth that education is the means toward realizing the ideals of democratic participation. In this view the inherent tension between social class inequality and democratic participation is reduced through individual social mobility to which education is the direct access route. As Ivar Berg has suggested in his *Education and Jobs: The Great Training Robbery*, for liberals, "formal education has been the equilibrating mechanism in a progressing industrial democracy that has been relatively free of class conflict. It was the liberal who helped to

*) Hofstra University, Center for the Study of Work and Leisure.

¹⁾ Interview with William W. Wimpisinger, President, International Association of Machinists and Aerospace Workers, AFL-CIO, *Challenge*, March/April 1978, p. 48.

A resolution on industrial democracy was passed by the October 1977 Congress of the International Metal Workers Federation (IMF). Among the U.S. unions affiliated with the IMF are: The Automobile Workers, The Steel Workers, The Machinists, The International Union of Electrical Radio and Machine Workers and the International Brotherhood of Electrical Workers.