

DECENTRAL PLANNING AND WORKERS' PARTICIPATION
IN DECISION-MAKING: THE POLISH AND THE CZECHOSLOVAK
EXPERIENCE*

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1. POLAND 1956, 1970 AND 1980/81: THE CALL FOR
DECENTRALIZATION AND DEMOCRATIZATION¹

The Soviet-type planning system which was introduced in Poland at the end of the 1940's has maintained its main features in this country up to the present, notwithstanding many slight changes and reorganisations. This is all the more regrettable since economic reform discussions achieved such a comparably high level, as nowhere else in Eastern Europe thanks to famous Polish scholars such as Oskar Lange, Michał Kalecki, Włodzimierz Brus and others. By following the ups and downs of the planning debate and subsequent policy measures, we will learn in this paper that the reform steps always got stuck halfway or they were even completely abolished. Let us take a look at this development with its cornerstones in 1956, 1970 and 1980/81.

As in other Comecon countries, the accumulation model, the over-centralized planning system, and last but not least the forced nationalization and collectivization of small properties led to disastrous economic results. Supply problems, bottlenecks and frictions of all kinds heightened the population's dissatisfaction and the majority's aversion to the new regime in existence because of Polish historical traditions

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¹ This section is mainly based on the following sources: *Brus, W.*, *Ogólne problemy funkcjonowania gospodarki socjalistycznej*, Warszawa 1961; *Brus, W.*, *Wirtschaftsplanung. Für ein Konzept der politischen Ökonomie* (Collection of translated papers), Frankfurt a. M. 1972; *Brus, W.*, *Aims, Methods and Political Determinants of the Economic Policy in Poland 1970-1980*, in a Collection of Papers ed. by H.-H. Höhmann, London 1981 (in print); *Lange, O.*, *Ökonomisch-theoretische Schriften* (Collection of translated studies) Frankfurt a.M.—Köln 1977; *Zielinski, J.G.*, *Economic Reforms in Polish Industry*, London—New York—Toronto 1973.

such as deeply rooted Catholicism and anti-Russian resentment. Thus it was no accident that latent discontent broke out at a moment and at a place when and where workers felt that a deterioration of their living standard was threatened by new wage regulations.

This was the case in the Poznan engine factory in June 1956. A demonstration by striking workers escalated into armed attacks on local party and police buildings, the local prison etc. The forces suppressed the revolt by force and the organizers were arrested. After a few days, the original version of an uprising inspired by "imperialist circles" changed to a more sober interpretation conceding "own mistakes" in the past, maybe because of a thaw occurring in the Soviet Union after the 20th Party Congress of the CPSU (February 1956). After the appointment of Gomulka as the new Party leader, it seemed at the beginning that a reform climate spread out. A decentralized model of the economy was in the offing and workers' councils, created in several factories, seemed to become a pattern for similar bodies of direct democracy in other plants. But as a matter of fact it did not take a long time for all the dreams of economic and social reforms to become only illusions. How did this happen?

It is true that from 1956 to 1958 a widespread *economic reform debate* took place with the participation of well-known economists. Besides two small groups of economists — the "orthodox" (Minc, etc.) and the "liberals" (Kursowski, etc.), the decisive majority of competent theoreticians (Brus, Kalecki, Lange, Lipinski etc.) pleaded for a "decentralized model with a built-in market mechanism". Such a reform system implied *centralized* decisions concerning macroeconomic development (e. g. growth of the NP proportional to the main sectors and branches, to accumulation and consumption), *decentralized* decisions (a) at the enterprise level (e. g. specification of output, cost calculations, etc.) and (b) by individuals (e. g. free choice of consumption and of profession). It is true that some aspects of the discussion appeared in the Party press. But none of the essential suggestions were embodied into policy measures.

Perhaps as a consequence of expanding reform debate in the Soviet Union, the Central Committee of the Party approved a document in 1964, on the "Lines of Changes in the Planning and Management System" for the period 1966—1970. The main trend of this "reform" concept consisted of only an improvement in the organisation and techniques of planning and management, but not in any real change. New efficiency indicators, more care for cost considerations, a recalculation of prices, etc., were some of the measures which could by no means undermine the fundamentals of the centralized planning system.

In contrast to the planning reform which did not overstep the sphere of theory, *workers' councils* existed in Warsaw and Poznan, and new ones arose in other plants. In 1956, a law was even passed according to which workers' councils got self-governing authority in the field of work conditions and wages regarding bonus regulations within the framework of the wage bill, and they were to control, moreover, production plans and balance sheets. But the management appointed later on by state authorities by and large maintained power in enterprise policies as previously.

No matter how this participatory approach may be viewed, the 1956 law was not in force long. The successive deprivation of council power in favour of Party and Union organisations in the enterprise which soon took place in an informal way got its institutional form in December 1958 with a new law on "Workers' Self-management" which, inspite of a nice-sounding name, *de facto* liquidated the council system: in factories, a sort of umbrella organisation ("Conference of workers' Self-management") had to be installed integrating members of the workers' councils with functionaries of the Party and Trade Union organisations. Considering that the Unions, according to the Leninist idea, were "transmission belts" of the Communist Party, and that the law provided further privileges for the Party secretary and the chairman of the Unions, it becomes obvious that the new participatory body — the "Conference" — lost any direct-democratic character.

After 1956 there was, however, no total return to the old administrative system of the early 1950's (such a restoration did not happen in any European country). The rate of investment was reduced, more care was given to the supply of consumer goods and food and monetary tools played a greater role than before. But tendencies of increasing recentralization during this decade (1956—1964) gained ground caused, on the one hand, by political factors — the aspirations of the Party apparatus for strengthening its power — and on the other hand by economic difficulties — such as inflationary pressure and structural disproportions (which does not mean that from the economic point of view this was a sensible reaction on the part of the policymakers).

From 1968—1970, preparations for further changes in economic policies were intensified. The intention of the Party advisers was to restore balanced relations which had gradually gotten lost. The excess of effective demand over the available supply of goods and services took on alarming dimensions. Policymakers, following "economic logic", tried to solve the problem by raising the prices of scarce goods and, at the same time, by initiating corresponding wage restraints. As the starting point of the "reform", such a measure should have been pursued by a set of incentives stimulating workers and work collectives to better performances. Those responsible did not learn from past experience that since the Polish working population was permanently discontent and considered those on the top as an "alien power", it would revolt again if a radical attack on the material conditions of life were started again.

The reaction of the shipyard workers in Gdansk and other nearby cities to the increase in food prices and the announced "wage regulations" in December 1970 is well-known: there was bloodshed again and other repressions implemented by the authorities. But at the same time — this was a similar development to that of the summer of 1956 — strike committees arose which could be compared to the workers' councils of former times. And again, after a wave of violence the government leadership was forced to change its tactics in accordance with a "well-tried" pattern. The head of the Party was replaced, Gierk took the seat of Gomulka. Despite slogans about "socialist democracy" and "workers' self-management" the old law from 1958 remained in operation which meant that independent councils

elected directly by the work collective were not admitted again. But what happened to the policy intentions developed from 1968 to 1970? Which economic course did the new leaders choose?

After a few weeks of hesitation — in order to stabilize the political climate in the country — in February 1971 prices were frozen and the incentive system cancelled. A new group of experts under the leadership of a Party secretary ("Szydlak-commission") submitted a reform draft in 1972 which became effective a year later in some experimental enterprises. This planning reform was supposed to be implemented gradually in the following years. Its modest changes consisted first in a delegation of decision-making power from the ministries to the newly set up "Large Economic Organisations" ("WOG") — sort of administratively-founded monopolies — and secondly in linking workers' incomes to results (defined as a value-added concept which was sophisticatedly calculated). Since a certain — although reduced — number of binding targets and central directives was maintained, this "reform" can be characterized as a "rationalized" central planning system of the East German type.

But even this half-hearted reform had to give way to a recentralization trend which gained ground from 1974 to 1976. The only reform element which survived until the next change in 1977 was the "WOG"; but it is doubtful whether this institution was an advancement at all since such monopolistic giants are rather a hinderance to decentralised parametric control. In 1977, new policy measures under the name of a "New Economic Manoeuvre" were taken, again containing inconsistent features: incentive regulations similar to those of 1972 on the one hand but increasing powers of the ministries on the other hand.

As we have learned from the 1950's, another element of the economy's structure is of decisive importance besides the system's functioning: the development strategy. It is to be questioned, therefore, whether the Gierek leadership chose another growth model than before. The first answer is positive. The neglect of consumer needs was abandoned. However, at the same time, and this is the more important second answer, the aims and objectives envisaged by policymakers were far too ambitious. Planners were striving for a better supply of all kinds of consumer products and services and, simultaneously, for a far-reaching modernisation of the whole economy. The latter goal was to be achieved by strong injections from abroad, i.e. by increasing imports of technology, mainly from the West. The unsuccessful agricultural policy which was the disastrous result of ever-growing claims from all sides under conditions of a poorly functioning planning system is well known.

In spite of increasing foreign debt, growth rates (being, of course, only a rough success indicator of economic performance) could not be maintained. After a NMP-growth of 9.7% in 1971 (yearly average) the rate for 1976/75 was 7.1%, for 1977/76 5.0%, for 1978/77 2.8% and for 1979 even -2.0%.² Of more importance is the development of living

² All data are based on official Polish statistics.

standards which can be better expressed by real wages which grew remarkably in the first five years (yearly average 7.2%) whereas growth rates in the second half of the decade declined alarmingly (3.9%, 2.3%, -2.7%, 1.8%, ca. -2.3%). The riots in Radom and Ursus in 1976 emerged again from announcements of price increases and from supply failures and were the first sign, while the 1980 strikes in the north of Poland were the second loud and clear sign of the workers' firm resolution to refuse further cuts in their living conditions at any rate.

In contrast to 1956 and — as it will be shown later — also to 1980/81, the call for workers' control was never the order of the day in the 1970's. Let us listen to one of the most competent witnesses of the reform movement in Poland who characterised the situation after 1970 in the following words: "As a matter of record it ought to be said that both in analytical discussions and in practical implementations in the 1971—1975 period, the question of the interrelation between the devolution of economic decisions and workers' self-management hardly occupied a place of prominence, if mentioned at all. In any case, nothing changed in the actual position of the moribund organs of self-management in industrial enterprises during the shortlived spell of the Polish economic reform in the first half of the 1970's".³ And to complete the last sentence: this had not changed by August 1980, either.

It would be beyond the scope of this paper to describe thoroughly the events that started with the strike movement in July and August 1980 (as an answer to announced meat price increases), achieved their first peak on the 31st of August with the agreement between the workers' joint committee in Gdansk and the government delegation (containing an acknowledgement of free unions), continued with the replacement of Gierek by Kania (6. 9. 1980), and the second change of government in February 1981, and — last but not least — exposed all of the conflict existing between the new force in Polish society, the "Solidarnosc" unions, and the old bureaucratic Party and State apparatus.⁴ Only three points connected to our issue shall be shown shortly in this section: the carrying on of the economic debate in general, the role of participation in this debate, and the attitude towards economic problems posed by Solidarnosc.

There was obviously a reform climate in Poland before the Gdansk events. In the course of a continuing deterioration in the economic situation in the late 1970's, economists in particular and their scientific association (the Polish Economic Society — "PTE" — some of its leading members are advisers to policymakers) pleaded for a more radical change from the traditional autocratic system of planning and management. At the beginning of July 1980 the leading body of the PTE dealt with a proposal for a far-reaching reform concept which was sent after the session to a wider professional public. Discussions were organized on the basis of this which led to the elaboration of a

³ Brus, W., *Aims*, op. cit.

⁴ The information for this last period stems from the Polish and the West European press.

comprehensive document ("Proposals for Principal Solutions for Economic Reform in Poland") published in the press in November 1980.⁵ In this draft, a decentralized functioning model with built-in market relations was proposed, reminiscent of both the theoretical concept given by Brus in 1961 and the Czechoslovak reform type of 1965—1968. (Some differences will be pointed out in the second section of this paper).

Inspired by the spirit of the PTE proposal, but a bit less radical, an official document was elaborated by a government commission and published on January 10—11, 1981, under the title "The Main Principles Behind the Economic Reform (Draft)."⁶ It not only presents the main elements of the new functioning system (a more decentralized organisational structure, changes in central planning, policy instruments as a means to achieve societal objectives, the independent position of the enterprise, participation by "self-government") but also the options of economic strategy and the problems of the transition period. Despite some vague formulations sounding more modest than the radical solution in the PTE draft (concerning, among others, the problem of pricing, the position of the ministries, the competence of workers' representations), it still goes beyond any reform approach in the past.⁷ It is obvious that the problem of implementation will not only depend on an improvement in the economic situation of the country (which is catastrophic at the moment) but also, and maybe primarily, on the constellation of political forces.

The latter point also refers to participatory organs as they are conceived in the government draft.⁸ From the formulations given in the paper it seems that the name of "self-management", which was misleading in Poland until now, might be rehabilitated. The authority of self-governing bodies is broadened (compared to the law of 1958), members of the organs actually represent the work collective, the appointment and recall of members correspond to democratic procedures. At the same time, however, there are some vague and ambiguous

⁵ Propozycje Zasadniczych Rozwiazan Reformy Gospodarczej w Polsce, published in the supplement of *Zycie Gospodarcze* of 16. 11. 1980.

⁶ Commission of Economic Reform: The Main Principles Behind the Economic Reform (draft) (Podstawowe zalozenia reformy gospodarczej), supplement to *Zolnierz Wolnosci* No. 8, 10—11 January 1981. The document was also published in other major Polish newspapers, including *Trybuna Ludu* on the same day.

⁷ According to a lecture given in December 1980 in Munich by Professor Mużel (Warsaw), at that time there existed three reform concepts: besides the official one and that of the PTE a third concept was worked out by scholars at the Higher School for Planning and Statistics in Warsaw which was interpreted by the lecturer as the most radical one. It seems that some elements of the latter concept were in the meantime integrated into both drafts quoted here (note 5 and 6).

⁸ We did not explicitly consider in this paper a new draft of two by-laws, one on enterprises and the other on the work force's self-government of the state enterprise which were published at the end of March, 1981 (*Tezy Projektu Ustawy o Przedsiębiorstwach, Tezy Projektu Ustawy o Samorządzie Załogi Przedsiębiorstwa Państwowego*, in: *Zycie Gospodarcze* No. 12, 22. 3. 1981 p. 10—11. Yet these proposals, albeit going into more detail, do not mean a substantial change compared with the reform draft (note 6).

phrases which could weaken the "self-managing" character of the model (this shall be discussed later).

There is no direct evidence concerning the detailed position held by Solidarnosc towards the new reform draft. But the agreement signed in Gdansk on August 31, 1980, contained a paragraph under point 6 expressing the need for economic reform saying that enterprises should get more authority in planning and that information on economic planning ought to be published. This means that the unions' position on the reform is positive in general. As far as "self-management" is concerned Solidarnosc supports the idea too. But as long as all reform thoughts exist only on paper it is clear that the new unions rely more on the political and economic bargaining power they have gained by fighting. They might be afraid of losing their independence by committing themselves to the self-management of the post-1956 period.

2. THE POLISH REFORM DRAFT OF 1981 AND THE CZECHOSLOVAK REFORM MODEL OF 1965/1968: SOME COMPARATIVE REMARKS

In this section, interdependent economic and political circumstances shall be first compared under which, on the one hand, the Reform Draft of the Polish "Economic Reform Commission" was prepared and finally published (January 1981),⁹ and on the other hand the first measures of the New Economic System in Czechoslovakia were introduced (according to a CP-resolution of January 1965).¹⁰ A following Polish-Czechoslovak comparison will refer to both: (1) the organisation of planning and control, and (2) participation in decision making.¹¹

The increasing symptoms of *crisis in Poland* in 1978—1980 (to quote the first part of the Reform Draft: "a difficult market situation, a poor balance-of-payment situation, an excessive number of capital projects in progress, drastic shortages in the area of material-technical supply, structural disproportions and a great waste of productive factors, retrograde movement in agricultural and industrial production, a low level of labor productivity, escalation of wage demands, and many unresolved elementary social problems — these are the basic features of our country's present situation") make the conception of a reform extremely difficult. The economic state is being aggravated by permanent *political conflicts* between reform forces and the old *bureaucracy*, i.e. the conservative parts of the State and Party apparatus. Direct losses caused by strikes and other confrontations which finally result from the obstinate resistance of the apparatchiks to change deteriorate the present economic misery even more.

⁹ See note 6.

¹⁰ O hlavních směrech zdokonalení plánovitého řízení národního hospodářství a o práci strany, *Rudé Právo*, 30. 1. 1965.

¹¹ For Czechoslovakia see: Fay J. P., *Fišera, V. C.*, Prague. *La Revolution des Conseils Ouvriers 1968—1969*, Paris, 1977; Kosta J., *Workers' Councils in the Prague Spring of 1968*, in: *The Economics of Co-Determination*, edited by D.F. Heathfield, London and Basingstoke 1977.

The circumstances in Czechoslovakia in 1965—1966 were different.¹² In this country a *recovery* started after an economic crisis in 1962—1964, and achieved its peak in the first half of 1968, in the Prague Spring. The upward trend after 1964 had something to do, no doubt, with a cyclical movement which could be observed in Czechoslovakia, and in other CMEA countries as well, from the early 1950's onwards. But besides this and some other temporary factors (advantageous world market trends, good weather conditions for agriculture) the favourable reform climate and later the first reform steps (1966/67) had a positive impact on the economy by essentially improving work motivation. In this context the process of *democratisation* in the post-January period of 1968 played an important role, too.

Although the general economic conditions for a reform venture as envisaged in both countries differed considerably, the *political* circumstances are of some relevance for either society: in Poland a promising advance in political development (including an absence of external intervention) could open the way towards realizing an economic reform encompassing the democratisation of decision-making, or on the contrary cause a defeat of the socio-political groups representing the reform forces (no matter whether coming from inside or *outside* as it happened in the CSSR) which would end radical socio-economic reform including workers' control; it is needless to repeat the Czechoslovak experience in this context.

Where are both systems of economic regulation alike and where do they differ?

The *main features* of the Polish Draft and of the former Czechoslovak concept *converge* in particular in the following points:

first — instead of centralized detailed planning, now global plans are to be drawn up including only data of the macroeconomic structure; long-term planning, in particular five-year plans, shall be the fundamental means of socio-economic development, linked with ten-year and longer-term forecasts;

second — economic instruments — such as price, tax, credit, currency, budget and other policies — ought to replace the former imperative targets which were derived from detailed annual plans. Thus, indirect forms of regulation should help to achieve the global planned goals;

third — enterprises decide independently, within the framework of these instruments and built-in market elements (see fourth) on outputs (scope of production, product mix etc.) and on inputs (allocation of factor resources);

fourth — the enterprise is stimulated to maximise its "income" (turnover minus personal and capital costs) or its profit (turnover minus capital costs only) by certain rules corresponding to the logic of market relations;

fifth — the implementation of the reform requires a transitional period (several stages) with temporary solutions — starting with some

¹² For the Czechoslovak economic development and the history of the reform movement in this country see: J. Kosta, *Abriss der sozialökonomischen Entwicklung der Tschechoslowakei 1945—1977*, Frankfurt 1978, chapter 3.

limitations with regard to the "market solution" — which should not last too long (the Polish consider a two-year period, the Czechoslovak were less precise and obviously thought of a longer period).

Besides similarities in their main features some *divergences* of both reform models are to be shown which refer to partial regulations. We will point out those which seem to us of special interest. They are:

first — the Polish Reform Draft does not only adhere to "lasting" private ownership in agriculture (80% of the land is individually cultivated) but it pleads for a "larger acreage" where "privately-owned farms... are capable of farming" it. A private sector in agriculture worth mentioning does not exist either in Czechoslovakia or in any other CMEA-country.

second — in Poland the authorization for an enterprise to establish a new unit or to merge into an association belongs to government agencies (only). But this is inconsistent with another formulation saying that "enterprises should be empowered to form voluntary associations". This issue was a matter of controversy in Czechoslovakia when branch associations (in fact state monopolies) were maintained until the beginning of 1968, whereas the reformers pleaded for their "disentanglement" wherever the member enterprises wanted this. Such a rule stating that an enterprise itself should be empowered to integrate into an association or not was accepted in the guidelines of Czechoslovak workers' councils;

third — vague statements on price policies in the Polish proposals do not concede that prices, at least partially for goods and services, should be set at a decentralized level (in Czechoslovakia it was the group of "free prices"), i. e. between supplying and purchasing units (suppliers and customers), although one cannot exclude, in our opinion, that the Polish consider such a solution without speaking of it explicitly. The problem obviously consists in the very danger of galloping inflation should prices be liberalised to a greater extent, because of the tremendous excess of demand over available supply in Poland;

fourth — the similarly imprecise sound of "declarations on the need for "central regulation" in the area of "market and consumption" by means of economic instruments. It seems to us that the Czechoslovak reformers relied more on regulated market mechanisms, especially as far as consumer goods were concerned, whereas central intervention focused on the field of large-scale investments and similar;

fifth — as shown (point 4 of the "convergences") the Polish draft distinguishes between two variants of motivation systems at the enterprise level, either orientated towards the income of the enterprise (the Yugoslav model) or towards its profit (the Hungarian solution). The Czechoslovak reform documents also conceded both models but in the case of the income principle, a combination of basic wages (which was according to country-wide uniform rates 85%—95% of a worker's income) and a bonus dependent on the enterprise's performance was implemented. Variant I of the Polish draft, however, points out that the earnings of each worker depend on the economic results of the enterprise's activity; in this case workers in different production units, as

a rule, will not get the same amount of money even if their individual work does not differ at all.

Before turning to some comparative notes on both the Polish and the Czechoslovak model of *workers' participation* in decision-making, two reservations should be made to either concept. The Polish Draft is again vague on this point, sometimes even ambiguous. As to the Czechoslovak model of 1968, there was no definite codification in those days (the Party resolution of 1965 and the 1966/67 national jurisdiction which followed refrained from any self-governing aspects). Only guidelines issued by the government and the trade unions in May and June 1968 respectively outlined a framework for the foundation of workers' councils, but the respective law under discussion was never passed.

Even under these circumstances of unclear provisional participatory solutions concerning the institution of workers' councils, the following differences can be noted:

First — the Polish distinguish between two types of councils: (a) "work force councils" at the enterprise (factory) level elected by all blue- and white-collar workers with secret, direct and equal balloting and (b) "supervisory councils" in enterprise associations. In case (a), workers' councils consist exclusively of employees of the economic unit concerned, in case (b) the supervisory council is made up of association employees and of external representatives (cooperating banks, suppliers, customers, consumer organisations etc.) on the one hand, and of council members coming from individual enterprises (which should comprise not less than 50 percent of the supervisory council members) on the other hand. The Czechoslovak guidelines provided only one type of workers' council in which the majority of the members were appointed by direct and secret voting in the enterprise's work collective and the other members represented institutions analogous to the Polish supervisory council pattern (banks etc.);

Second — the Polish councils' authorization comprises the presentation of initiative proposals and of opinions "in all matters pertaining to the enterprises' activities", the right of co-determination in appointing the director, the production structure, organisational rules, planning, management control, etc. But these formulations are not only rather vague, the interrelations between the councils and the director are also defined contradictorily: at one point it is said that the director is appointed and dismissed by a superior agency in consultation with self-management (eventually based on competition), but then quite the opposite is stated.

The former councils in *Czechoslovakia*, however, decided sovereignly (1) on appointing and dismissing the director and his deputies, (2) on their salaries including bonuses, and (3) on any eventual merger, separation or continuation of the enterprise. Co-determination was recommended on long-term (investment) policy matters, on the use (distribution) of income (profit), on by-laws concerning the organisational structure of the enterprise and on the annual balance. It is noteworthy, however, that during the short time of their existence — from the middle of 1968 until the autumn of 1969 — the right of co-determination was frequently transformed in practice into a self-governing power.

Third — the *Czechoslovak* concept admitted two alternative solutions concerning the possible membership of the director in the work-

ers' council: he could be a member of the council, but did not have to be. Yet in *Poland* the management is strictly separated from the self-governing body — which seems to be more logical than the first Czechoslovak alternative;

Fourth — the decision power of the director is, however, defined imprecisely in the Polish draft. On the one hand the document speaks of a "one-man command", and on the other hand the director is supposed to be an "executor of the decisions of the work force's self-management". It seems on the whole that the Polish reformers intend a division of authorization between the council and the management which is not far from the *Czechoslovak* guidelines of 1968. The Prague solution of that time pleaded for the workers' councils to concentrate only on the essentials of the enterprise policy whereas the management was supposed to deal with a large scope of day-to-day problems requiring up-to-date information, special authorization and flexible decision-making;

Fifth — the proposals of the Polish Reform Commission emphasize the important role of the new trade unions (and the Party) in self-management organisations but it does not concretize their tasks. Yet there can be no doubt that until the renewal process in Poland comes to a violent end, the building-up of workers' councils and their operation is unthinkable without the active participation and support of *Solidarnosc*. There is no doubt: in Poland the new unions have to become the vanguard of the reform movement.

This was different in *Czechoslovakia*. There at the beginning the trade union functionaries did not take part in the reform process, some of them even tried to brake it. Only later, mainly after the replacement of Novotny by Dubček in January 1968, the old cadres were ousted one by one as a result of increasing pressure from the work collectives. After new people filled the posts, the hitherto existing organisation of unions, the "Revolutionary Trade Union Movement" ("ROH") started to be one of the most active protagonists of the democratisation drive in the Czechoslovak society. Nevertheless, the concept of democratic participation worked out in the Prague Spring of 1968 considered the trade unions as a protector and guardian of the workers' immediate social "on-the-spot" interests. It was argued that this was not only necessary because of the attitude of management but, at the same time, because the newly established workers' councils might possibly neglect the working conditions and the earning problems of the rank and file.

Let us sum up: the prevailing *converging* features of both reform models — the Polish draft from 1981 and the Czechoslovak concept from 1965 and 1968 respectively — can be traced back to the total failure of the central planning system characterised by the power monopoly of an oligarchy. The partial *divergences* of both concepts should be explained by different factors such as historical *traditions* (leading to differing strategies in agriculture), *political* constellations (causing differing developments of the trade unions and of the workers' councils), the *economic* situation (conditioning diverging approaches, e.g. to price policies) and last but not least the varying state of *theoretical* debate (bringing about different solutions in the field of economic instruments).

3. PLANNING SYSTEMS AND PARTICIPATION: SOME GENERAL NOTES

The Polish and the Czechoslovak experiences enable us to formulate some generalisations on economic planning and on democratic participation. In the last part of this paper we will draw attention to three issues. The interrelationship between the stage of industrial development and the need for the centralisation of planning will be discussed first. We will continue by pointing out the problem of democratisation in a society where hitherto highly centralised decision-making dominates. Finally, possible solutions of participation in a planning system with built-in market elements shall be shown which would avoid the undesirable social consequences of market mechanisms.

It is a wide-spread opinion in the East and sometimes in the West as well that an economically underdeveloped society striving for industrialisation requires a highly centralised economic (planning) system. One argues, in other words, that Soviet-type planning is quite appropriate in a country at a low stage of industrial development (eventually one would admit that some of the outrages in political life which happened in Soviet Russia under Stalin should be avoided). But is it really true that rigid centralism in economic decision-making is — if not the only — then at least an adequate means to surmount underdevelopment?

Taking Poland in 1945 as an example of a "semi-developed" country still characterised by a predominantly agrarian structure, the fallacy of that thesis becomes obvious. The excessively forced industrialisation of the 1950's which neglected the development of agriculture and of consumer goods and service industries as well, and at the same time the overcentralized system of direct planning and administered control were by no means appropriate for the Polish community, neither with regard to economic requirements nor considering broader goals such as democratic participation in social activities.

This assessment is even more valid for Czechoslovakia which was already a highly-industrialised country between the world wars (1918—1938). It is true, no doubt, that with an increasing stage of economic maturity the demand for decentralised planning becomes more urgent due to expanding information problems and an increasing lack of motivation under a more and more centralised bureaucratic system. Therefore, the interdependency between democratisation and decentralisation seems to be evident.

However, the call for democratisation has other roots as well. The traditional values of the labour movement in any country always implies the self-determination of man in general and the self-government of the working people in social production in particular. Thus, striving for workers' control in Czechoslovakia and in Poland was a phenomenon which could be observed from the very first post-war period up to the present, although this could not be articulated openly during the long-lasting rule of (neo-)Stalinism. But when the reform forces broke through — in Poland 1956, 1970 and 1980/81, in Czechoslovakia 1968 — direct democracy and workers' control was always postulated as an end in itself.

There was another aspect of industrial democracy and workers' participation which came into force in the economic reform debate, namely to consider participation in decision-making as a means of improving economic performance. Some Czechoslovak economists refused this position saying that a replacing of incompetent managers (whose only qualification was their Party membership) by qualified experts would be a better way of improving efficiency than workers' participation. But the decisive majority of the economists pleaded for the participatory solution.¹³ They argued that this might be more expensive in the course of preparing and making decisions, but would pay in the realisation process because of a well-informed and, therefore, better-motivated work force.

Our last point concerns an old controversy among protagonists of socialist planning. Many of them doubt that the use of market mechanisms — no matter whether it is market forces operating spontaneously or regulated market elements built into indirect planning — could avoid the arising of harmful consequences for human relations. We do not accept this "pessimistic" assertion for the following reasons.

First of all, we take for granted that the Soviet-type planning system with its centrally fixed binding targets is incompatible with workers' participation in decision-making and that therefore (besides the arguments shown above), a decentralised planning model is desirable. It is our view, moreover, that a decentrally planned economy at a given stage of industrial development cannot do without market elements such as horizontal relations between independent economic units, free choice of work and consumption for each citizen and, together with these elements, the use of money as an instrument of calculation and exchange; yet what is important at the same time is that money must not be used for the sake of enrichment by exploitation. What do these general assertions mean concretely?

The solutions envisaged have to make use of the positive effects of market regulations such as productivity increases (without exhausting the work force), adaption to consumer needs and desirable innovations, and should avoid, simultaneously, the negative social consequences of market mechanisms, i.e. profit, greed, extreme income differentials, excessive commercialisation and consumerism, etc. That such solutions can be found even if they do not always represent the "optimal" combination of economic and human criteria shall be shown by the following examples:

- the income (profit) of the enterprise is a useful indicator of performance (if the prices of inputs and outputs reflect scarcities or opportunity costs), and an indispensable instrument for the distribution of economic results between personal earnings and investments.

¹³ The outstanding role of the former president of the Czechoslovak Economic Association, Professor Ota Šik in the reform debate in general and its aspects of democratisation should be stressed (see: Šik, O. Plan and Market under Socialism, Vienna—New York 1967; Kosta, J., Ota Šik — der Theoretiker einer alternativen Wirtschaft, in Wirtschaft und Gesellschaft (Volume in honour of Ota Šik's 60th birthday, Berlin-West 1977).

However, income (profit) need not be the only or the main source of the workers' income (compare the ČSSR reform concept in this respect, as shown above).

In such a manner, greed for profit and extremely high income differences (which can be hardly legitimised by "social justice") are avoided;

- the production of goods and services with particular social and human values (health, education, social welfare, environmental needs, etc.) can be excluded from the "logic of profitability"; this does not mean, necessarily, that some elements of a market system such as cost calculations, a commercial subsystem for by-products and for partial services (repairing, maintenance, etc.) should not be retained;
- some market instruments can be sensibly combined with other forms of "non-hierarchical" coordination of economic processes such as contracting, bargaining and, sometimes, voting procedures;¹⁴
- last but not least, democratic control available to the public at all levels of decision-making could and should find new institutional solutions which would correct economic losses and the dehumanization tendencies of built-in market elements arising in the beginning stage.

At the moment these lines are being written (May 1981)¹⁵ the Polish society faces an "open end". Let us hope that at least in the long run the reform forces in Poland and in Czechoslovakia as well get the upper hand.

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¹⁴ Dahl and Lindblom distinguish the following four types of coordination: (1) market, (2) bureaucracy (hierarchy), (3) voting (polyarchy), (4) bargaining (Dahl, R.A., Lindblom, Ch. E., Politics, Economics and Welfare, New York, Evanston and London 1953); Branko Horvat speaks in his paper presented to the Dubrovnik Conference on Planning and Democracy (April 1981) of "five types of coordinating mechanisms" namely (1) the laissez-faire market (invisible hand), (2) central administrative planning based on state initiative, (3) economic policy (indirect hand), (4) organised information diffusion, (5) agreements, consultation and arbitration.

¹⁵ Meanwhile — between the date of writing this article and the moment of correcting the proofs (November 1981) — two bills had been passed by the Polish Parliament: Law on State Enterprises of 25. 09. 1981 — 122 USTAWA z dnia 25 września 1981 r. o przedsiębiorstwach państwowych; Law on Workforce Selfgovernment in the State Enterprises of 25. 09. 1981 — 123 USTAWA z dnia 25 września 1981 r. o samorządzie załogi przedsiębiorstwa państwowego. The general tendency of both documents can be characterised as a slight strengthening of self-management elements compared with the proposals (compare footnote 8) discussed in this study.

HOW LARGE A FUTURE FOR CO-OPERATIVES?

Some Personal Reflections on the OECD Seminar of 12—14 September 1980'

Whatever the future may hold, it is clear that there has in recent years been an increase in the numbers and coverage of co-operatives. Capitalism has been on the decline; state socialism has been more and more open to question; co-operatives have been in the ascendant. I am not referring so much to the elements in the third sector (as the co-operative sector was often called at the seminar, to distinguish it from the other two and to express a high aspiration if not an established fact) which have traditionally been of importance. Consumer co-operatives are highly important in retailing in most of the industrialised countries which were the special concern of the seminar, and equally so in the socialist countries of Eastern Europe, the Soviet Union and China. So are agricultural and fishing co-operatives, on both sides of the iron curtain; and so also are co-operative banks, credit unions and co-operatives in housing and other social services. All these forms of co-operation have more or less held their own and 'social co-operatives' have more than done so. The striking expansion has been in producer co-operatives outside agriculture.

In Western Europe, France and Italy take pride of place for the part that producer co-operatives play in the economy at large. In both countries there has been expansion. In France between 1970 and 1974, 20 new co-operatives were formed annually which were still in existence at the end of 1979; in 1975, 31 new co-operatives survived until that date; while in 1979 itself there were 119 new ones. The number of producer co-operatives taken altogether rose from 522 in 1970 to 698 in 1979. Italy is further ahead even than France. It has some 5,000 producer co-operatives, seven times more than in France.² The rate of expansion has also been rapid.

¹ The Seminar was held at Dartington Hall, Devon, England in September 1980. Sponsored by the OECD and organised by the Mutual Aid Centre, of which Michael Young is Chairman, it brought together a wide range of academics and practitioners to discuss the role of workers' co-operatives in the next decade and in particular the contribution they might make to employment creation. A list of participants is attached as Appendix I.

² These figures and those for France are respectively from *Production Co-operatives in France and Worker Co-operatives in Italy* by TEN, being reports prepared for the EEC.