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TOWARDS NEW POLICY INSTRUMENTS FOR SOCIAL DEVELOPMENT

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1. The Changing Role of the Public Sector

The changes that are taking place in the structure of contemporary industrial society, as found in the principal Western nations (examined in the previous reports presented at this Conference), imply - and are at the same time linked to - profound transformations in the character and modes of public intervention.

The history of Western capitalistic societies is characterized by a constant increase in the magnitude and scope of public intervention (constituted by all the diverse institutions foreseen by public law : the State, local authorities, public agencies, etc.).1/

The increase in scope is characterised by the fact that the incidence of services promoted and supplied by the "public hand" (which is by definition a "visible" hand) has been increasing above all in connection with the great possibilities of allocating to immaterial "tertiary" services the increasing quantities of resources and manpower made available by technical progress and the impressive increments in physical productivity achieved in the material goods production sectors (agriculture and industry) 2/. Primary needs being satisfied, even with considerable population growth, effort was then addressed, with greater resources, to the satisfaction of the immaterial welfare needs (education, health, environment, recreation etc.) that were previously satisfied - at possibly more sophisticated quality levels - by a certainly far more limited portion of the population. This obviously gave rise to a constant increase in the utilization of real resources, labour in primis, in the public service sector. There was thus a steady rise in the numbers of medical staff, teachers, sportsmen, writers, and civil servants of every class and rank, and generally of all those who, in one way or another, directly or indirectly, are paid or subsidised by the State through taxation of the product and income of the entire economy.

The increase in magnitude is in turn characterised by the fact that there has been an extension, in both quality and quantity, of the protective system provided by the State against all social hazards and afflictions (unemployment, disablement, illness, and finally old age). This has naturally resulted in the introduction of increasingly novel, large-scale and extensive social assistance schemes, to such a degree as to be accused of disincentivating personal initiative and enterprise. These comprise all the various

forms of "income maintenance" introduced by the Welfare State, and which essentially consist in the withdrawal of resources produced by those who take part in the production process, for redistribution to those who do not.

1.1 The financial limits of the State

But as matters now stand, the process of "free" (i.e. solely fiscal) provision of the new social services, and the process of "transfer" of income (again by fiscal means) for the various, increasingly widespread forms of "income maintenance", have brought about a "financial" incidence of the State on the overall real product of each country that could not easily be further increased.
3/

At the same time, it is by no means certain that the "real" amount of social services utilized and consumed by the population should not or could not further increase in the overall consumption structure, as the expression of either an "authentic" 4/ preference on the part of the final consumers themselves, or of a collective and political preference expressed by the legitimate interpreters of popular sovereignty.

In other words, what cannot be increased is not the relative amount of real uses of resources supplied in the real social services, but only the role of financial intermediation played by the State, because it is a source of distortion between the real wants and the real preferences of different social categories, and is in addition a source of inefficiency and unnecessary bureaucracy, which often produces social costs that are disproportionate to the benefits ensured.

1.2 The Welfare State as "repairer" of laissez-faire damage

On the other hand, some social services (such as health or environmental protection) as well as the income protection schemes (which are the most striking aspects of the Welfare State), have played a role - often implicit, but sometimes even explicit - intended to "compensate", to "repair" the damage due to the free development of economic forces, or to the free play of the market economy, so as to maintain and preserve these same productive mechanisms (and the high concentrated profitability) of the capitalist system.

It was thus possible to talk of a "welfare capitalism" that would repair the damage it itself caused, for the (general) benefit, however, of a higher "rate of development" : the costs of this development could well be borne by the community in various forms, as though in a kind of collective insurance scheme.

In this approach, which is of specifically "liberal" origin although it has been widely adopted in Europe's reformist social democratic programmes, it was - and is still - implicit that the (estimated) cost of a system that did not produce such "damage" would certainly be greater. However, it is often not stated for whom it would be greater. In other words, it is taken for granted that the collective gain of the maximum profitability produced can come only from one "form of production", that of laissez-faire or market capitalism, and that this gain should be amply sufficient to finance the reparatory and protective intervention of the Welfare State.

But having reached an absolute ceiling, the process of State financial intermediation - upon which "reparatory" action is based - must come to a halt. Having reached its limit - the so-called "budget constraints" - the State must necessarily restrain what was defined as a process of compensation or repair of the damage due to capitalistic development : the costs of insurance cannot exceed its premium. 5/

As financial intermediary, the bourgeois State has no difficulty in containing the real allocations for social services, even though an increasingly aggressive political demand tends by its very nature to bring about a chronic and systematic excess of allocations in relation to financial resources, that is to say, to exceed at all times the so-called "budget constraints" : its instrument is inflation, which brings every formal (financial) excess of the National Debt back to within its real limits, not exceeding the premium, the maximum productive capacity of the capitalist system tel quel. And it is thus that the financial intermediation of the State, even if "excessive", manages not to compromise the conservation of the capitalist production system, essentially based on the "secondary" (industrial) sector of material goods production, even beyond the limits of social advantageousness, through feverish consumption involving much real

wastage of resources, because it is the real source of accumulation of capital and consequently of power by the bourgeois classes.

In other words, whenever capitalism goes a bit "too far" in its welfare schemes and reparatory action, it can easily turn back on its steps and uses inflation as its tool to re-establish the balance between real income and runaway real consumption.

The inflationary erosion of real public resources inevitably involves their deterioration, and the rechanneling of overall resources towards individual consumer goods or speculative investments. This further decreases the likelihood of achieving a modification of the consumption pattern to the benefit of "social" consumption, as well as changes in the "mode" of production in favour of self-management and redistribution of work.

1.3 General Alternatives to Public Intervention

To ensure instead the desirable expansion of social services and expenditure in the overall resource utilization structure, it would be necessary to avoid placing the relative burden on the taxation system, in order to avoid the inflationary repercussions (or feed-back) that tend indeed to nullify any structural modifications in the resource utilization structure.

With more sophisticated comprehensive programmes - established in a central planning framework, as will be illustrated in greater detail in the third part of this paper - instead of directly taking on the management of these services, the State could develop formulas to enable the general objectives identified to be achieved by the mobilisation of other direct financial channels, based essentially on the initiative and direct management of the users themselves. Such channels, possibly promoted or regulated or incentivated through public finance, should implement the utilization of "private" funds.

Thus, instead of pursuing a course of generalization, public intervention could more usefully :

- a. on the one hand, restrict itself to the most needy cases and sectors (in both social and territorial terms), i.e. those in which cultural and institutional factors rule out autonomously assumed civil and economic responsibilities;
- b. on the other, commit itself to "promotional" action, incentivization and guidance, that is to say to a planning rather than to a management role.

However, generalization should nonetheless be pursued, although not in a direct manner, but instead through the freely chosen action of present or potential users, in the forms preferred by them, possibly with collective management.

Instead of further extending free social services - or services with generalized "political" prices, i.e. costs borne by the State budget - these should instead be concentrated on truly indivisible services only, while instead - with appropriate initial incentivization - it should be left to collective but "private" forms of association to lead the way towards the self-management of such services, also with regard to financing.

In "real" terms, this would still involve the management of the same quota of resources (the fiscal measures would still weigh equally on private income) : if it is desired that this quota should increase to the benefit of certain social services, it may be wondered whether it would not be more efficient to act directly on the spending behaviour of the users and beneficiaries, rather than through the farraginous, imperfect and imponderable instrument of taxation.

It would be necessary to find how to "block" the expansion of some expenditure sectors, and foster the birth or expansion of others : and this can obviously be all the more easily achieved as the total amount of funds available increases, also in proportion to the clarity and precision of the overall picture with regard to total funds available and all necessary, and desirable items of expenditure; or in other words, to the degree of articulation and sophistication of the planning method employed.

1.4 A New Rationale for Public Management

In many of the traditional sectors in which services are gratuitously provided by the State, characterised by indivisible consumption, new management criteria should be adopted. As a first step, it would be necessary to introduce advanced techniques for measuring the output of the service provided. And in those cases where this output can only be evaluated on the basis of the users' subjective feeling of wellbeing, it would be advisable to introduce forms of user self-management of the service, although in a public finance framework, linked to objective quantitative criteria.

In those cases in which, on the contrary, the service can only be evaluated in an "objective" and political fashion (justice, defense, institutional system, police, civil defense, etc.), modern forms of output and productivity evaluation should be introduced, with advanced cost-benefit analysis methods, with the aim of minimizing the amount of resources used for public purposes not politically in demand, by rational methods.

Where their use is possible, forms of self-management of public services are instead - as has been stated - the best instrument to ensure the maximum efficiency of the service itself from the users' point of view.

2. The Emergence of the "Associative" economy

The transformations that are taking place in the structure of contemporary industrial society imply, therefore, a decrease in the importance of the accumulation and investment process in agriculture and industry, with respect to that which is to be realised in the service sector. But this also tends to modify the operational model according to which the accumulation and investment process had hitherto taken place.

Indeed, with due exceptions, the accumulation process had until now been guaranteed by the profit prospects of the "firms" - public and especially private - operating in the "market", with returns to the firm as indicator of success and essential motivation.

In widening the scope of economic activities towards "self-managed" services (whether self-financed or otherwise) the role of non-profit motivated investment tends to increase enormously. This does not mean, however, that there is also a reduction in the importance of the investments themselves and of the related accumulation of resources. The process of setting aside and saving income earned and produced must therefore be realised outside the usual financial channels, motivated by profit and interest rates.

This therefore implies a newly important role to be played by financial operation sectors, linked as regards both the collection and the utilization of resources to "new" activities, outside the normal financial capital markets. Totally new institutions will consequently be required. What might these new sources of accumulation be?

2.1 New forms of accumulation

One of the characteristics of the investment "crisis" typical of the more recent evolution of the capitalistic system (and which considerably resembles the "falling rate of profit" previously theorized by Marx), is the fact that "profit" no longer provides sufficient motivation for investment. This often occurs even in situations with considerable financial liquidity, even if this financial liquidity is compromised by the general drop in the propensity to save, especially among firms.

This has led throughout the capitalist world to an increasing role being played by the State, through its numerous instruments including financial intervention, as an intermediary in capital investment operations. But rational use of these new and imposing instruments, and the complete adaptation of same to a new "non-profit" logic instead of traditional financial "rules", is made difficult by the absence of a planning system able to introduce new "cost-benefit" evaluation parameters in the utilization of financial resources.

2.2 "Economic Democracy"

An increasing number of instances of "socialized capitalization" are occurring, based on the creation of "investment funds" fed from contractually or legally prescribed workers' savings schemes, and managed by the workers themselves, with more or less participation by the trade unions, although the use of these funds is still linked to traditional criteria and parameters (and involves production sectors of a traditional type).

These are the so-called "economic democracy" schemes, which flourish particularly in the Scandinavian countries, but are also debated - with a few trial applications - in all capitalist nations, in relation to the agreed necessity of adequate financial resources to counteract the decline in employment, without at the same time penalizing workers in the contractual distribution of income:

In this context, the role of the trade unions can and should increase considerably. The instances of workers' sharing in company assets have been many and occurred in many different environments. These have rightly given rise to considerable debate, above all in the trade union milieu, also due to the fact that traditionally these have involved sharing in profits only, without any substantial changes in the behaviour of the firms themselves on the market, or in the financial evaluation criteria employed in connection with these schemes. The sharing of workers, with a greater or lesser degree of trade union mediation, in company assets and profits did not constitute a new way of managing productive activities, any more than fairly scattered ownership of shares did with regard to the processes through which modern share companies are controlled.

Moreover, without going as far as the "economic democracy" schemes, even the experiments in "industrial democracy", essentially constituted by the institutional forms of "co-determination" introduced in Germany and a few other Western nations, have not met with a very warm welcome throughout the trade union movement, on the grounds that they are incapable of substantially modifying

the company's patterns of behaviour, and would be likely to create obstacles to the independent exercise of trade union power. This obviously does not mean that the trade unions are not interested in increasing the presence and participation of workers and their representatives in decision-making on work organization and company planning; they have preferred to do so without institutional and formal involvement, through the classic and highly flexible instrument of collective bargaining.

2.3 Union Investment Funds

However, the better-known forms of profit-sharing and decision-sharing are today tending to change, in the new context - which we are analysing here - of transition from an industrial to a "post-industrial" society.

The increasing role of the trade unions would not only concern involvement in some forms of company decision-making or profit-sharing schemes, but above all much greater involvement in the entire process of capital accumulation occurring on a national scale, through the management of an "investment fund" that could absorb a considerable portion of the nation's savings, making it available for investment programmes that could be determined through collective bargaining.

Such collective bargaining need no longer be constrained by the need to ensure an adequate capital formation process, but merely - and only in those cases where profit-motivation remains paramount - to ensure a motivating profit for the enterprise itself. 8/

The State could perhaps be responsible for effecting all kinds of financial deductions from income (in this case, workers' earnings), as fiscal intermediary and (in forms more or less negotiated between the parties) exacter of the withholdings. But taking into account the general need - as amply discussed in part one - to "unburden" the State of this general intermediary role,

which is frequently unnecessary and in many cases is a source of waste and excessive bureaucracy, it may possibly be found that the same basic aims could more efficiently, and in a manner more closely in harmony with the beneficiaries' interests, be pursued by union institutions, of a private and collective, essentially "non-profit" legal character. The system would thus operate on a contractual basis : the deductions and withholdings would be foreseen by employment contracts, whether at national or at individual company level, to finance a kind of "fund" managed by the unions. This is the system that has, in some cases, been called "contractual saving". 9/

The fund, in itself non-profit, could of course be employed in investment operations with profit-making firms operating on the market. In this case the utilization policies could be formulated within the framework of agreements between the unions and the government, as part of a comprehensive social and economic planning process comprising scheduling of investments considered essential for the achievement of planning objectives (as will be discussed in greater detail in Part Three).

But the most appropriate use of such a fund would above all consist of financing activities of a non-profit character, carried out by self-managed service organizations and included within the scope of planning objectives, or otherwise - in the absence of the latter - justified by the presence of an explicit and organized demand for same.

2.4 The Spring of the Third Sector of the Economy

The union investment fund would become a protagonist (in itself and in connexion with the sector to the benefit of which it would essentially be operating : the "non-profit" sector) in the growth of the "third sector" of the economy, which in post-industrial societies seems necessarily to occupy an increasing place between the "public" sector, operating on a collective and gratuitous, non-profit and non-market-oriented basis, and the "private", profit-motivated and market-oriented sector.

The operativity of this "third" sector is growing enormously* in all mature capitalist economies. It is based on associationism and voluntarism, and tends more and more to play a quantitatively and qualitatively important economic role. 10/

The relationship of the third sector to the market economy is one of rejection, since the transactions on which it is based and those which it produces take place, with regard to their essential components and predominant motivations, outside the market, and consequently with exchange values not expressed by the market.

The costs and benefits of these activities can therefore not be measured with the usual techniques employed in national economic accountancy, and it is necessary to utilize conventional and arbitrary (with respect to market prices) evaluations to assess their worth, as is today the case with all services provided by public agencies. The management criteria for such activities - like those for "non-profit" public activities - cannot be "economic" in the commercial sense of the word, as many such activities would appear to be running at a loss in strictly commercial terms, as it would be impossible - according to those strict terms - to measure their profitability; but nonetheless such activities continue and grow. (Many recreational, "social", political, religious and cultural activities, of a "private" character, produce benefits that are null in commercial terms although they are sufficient to induce the persons involved to bear increasingly high costs). 11/

The relationship of the third sector to the public economy is also one of rejection, since the transactions upon which it is based and those which it produces are a manifestation of the free choice of the persons involved, although resulting from association and collectively expressed, and it is not desired that they should be subject to external rulings (except for the part of these activities that affect or involve matters of public interest or those that utilize public resources, naturally by reason of public interest criteria; in both cases, the same applies to the activities of private "profit-making" enterprises).

The third sector is based, from this point of view, on the principle of free and spontaneous initiative and voluntary action, as is also the case with enterprises operating in and for the market; with the sole difference that the latter are profit-motivated, while the third sector is motivated not by profit but by other considerations.

However, although in one way or another the third sector rejects the logic of both the public economy and the market economy, it nonetheless has - in different ways - something in common with both: for example, freedom of initiative and "private" interest with the market economy, and rejection of profit-motivation with the public economy.

2.5 Relations between the Public Economy and the Associative Economy

Now, the public economy grew up (in the welfare state) to assure fair redistribution of the benefits of development and redress for the inequalities produced by development itself. The public economy has aimed to ensure equal opportunities and access to services for everybody.

But the more this goal was neared, the more a widespread need emerged for choice differentiation and autonomy. This is basically the reason for a certain disaffection towards the services provided by the State, which have at the same time become more costly as efforts are made to render them more attractive to their users. 12/

In this situation of sought differentiation and growing standardization, in the dichotomy between what was wanted and what was obtained, the reality of waste crept in. In order to assure their availability to all, many services have been brought to levels not totally demanded; while the shortcomings of others have at the same time induced the more prosperous classes to replace them with private services more in keeping with their specific expectations. In other words, waste has become inherent to the "public" nature of such activities, to the intention of providing a service available to all. And this is so without even considering the processes of bureaucratization (that is to say unnecessary work produced by the mere existence of bureaucratic relationships), or rather assuming them to be no more nor

less likely to occur than in the private sector, which is clearly a "heroic" assumption.

This difficult situation with regard to the public economy is combined with the increasing importance (in the structuring of "needs" and the demand for services and also for goods) of what can be described as "positional" goods and services, in the sense in which Hirsch uses the term : goods and services which are perceived as being useful only because they are not accessible to all. 13/ This creates a decidedly paradoxical situation : the more the State attempts to satisfy everyone, the less everyone is satisfied.

A reality such as this can no longer be overlooked by social reformers. And it means that new approaches are required for social reform itself, the aim of which is to offer equal opportunities to everybody. Any reformist attitude that fails to take these new facts into account, and instead sticks to the old vision of the State's role as provider of undifferentiated services that must be the same for everyone, would be the most effective ally of the dismantling of the Welfare State, going in exactly the opposite direction to people's real needs. Such an attitude would be uselessly conservative.

In those cases where the public economy produces wastefulness and dissatisfaction, it should be replaced by a free initiative and free enterprise economy: but - and this is the innovative and "socialist" aspect of such an approach - these should be initiatives and enterprises not motivated by gain/profits, operating outside and beyond the market.

It would be an "associative", or "cooperative", or "collective", or simply "social" economy, but based on principles significantly different from those that regulate the public economy. It is likely that in the past an unjustified extension of the public economy occurred so as to avoid the numerous and noted inadequacies of the market economy (and also its obsolescence with regard to many "economic" activities), for the very reason that it was considered the only functional alternative to the market economy as such. And it is equally likely that many shortcomings of the market economy have been needlessly accepted because it was considered the only alternative to the understandably feared public economy.

All this has therefore contributed, in all likelihood, to cause historically obsolete operative situations to survive and even to flourish unnaturally. Out of hatred for the public economy and the State dominance which it engenders, a policy of anachronistic and inefficient "privatization" is adopted. And vice versa, out of hatred for the market economy and the capitalist power it produces, excessive and inefficient encroachment on the part of the State is accepted.

This is why it is most desirable to give adequate space, both in political and economic theory and in concrete reformist activity, to the "associative" or "social" economy, the "third sector" of the economy, so as to eliminate on the one hand the well-known disadvantages of excessive governmentalization of economic processes, with consequent wastefulness, inefficiency and low productivity; and on the other hand those of an excessive "commercialization" by the market economy system, which does not respect values and needs that develop outside the marketplace and cannot be measured in terms of profit.

3. The Future of Planning

Although the "associative" economy constitutes the new developing sector in post-industrial society, and may determine the characteristics, by its own values and modes of operation, of a new type of society - neither capitalistic nor statist, but what we could term "socialistic" - this does not imply that the public sector, the State (in all its articulations and local ramifications), on the one hand, and the market on the other, shall not in future still have an important role to play in the overall economic system.

3.1 The New "Regulatory" Role of the Public Sector

The State, in particular, must increasingly perfect its role as regulator of development in the public interest, a role that

in the capitalist nations it has hitherto performed somewhat dubiously, falling largely under the thrall of the logic and philosophy of the market economy (which must however be admitted to have been the most notable source of progress and social change since the time of the industrial revolution).

This role is today facilitated both by the more extensive political means of intervention available (acquired by the State in the more recent evolution of political systems), and by greater understanding and theoretical knowledge of the processes and mechanisms of the relations and transactions operating in economic and social systems (such as the fundamental improvement in statistical information and the construction of economic, social, and demographic accounting systems, etc.)

This regulatory role should be performed above all by determining ex ante - through appropriate forms of "simulation" - the scenarios resulting from possible or desirable changes in consumption patterns, the quality of life, and the social structure of behaviour and relationships, and inducing operators to negotiate preferential choices in relation to these scenarios, upon which their respective lines of action can then be based.

In the Western industrial nations, which are also the most technologically advanced, the State would still appear to be very far from capable of assuming this regulatory role, and still appears to be restricted to that of ex post "recorder", "notary public", of the market economy; which market economy is today rather dominated by the large-scale producers of the "meso-economic" sector, which is fundamentally monopolistic or oligopolistic, generally on a multinational scale, causing this economy to be something quite far from the theoretical concept or ideal type of a "market economy".

In the above nations the State plays, at the most, the role of "patcher up" of the various faults that develop in the mechanisms of this capitalistic economy; although by now the faults to be repaired have become so numerous and have required such large-scale remedial action of a social nature (pollution,

job debasement, health problems, unemployment, delinquency, urban congestion, environmental degradation, etc.) as to create a "parallel" demand - the public economy - that is overwhelming that of the "market".

Indeed, in the capitalist economy, both the State and the trade union movement, in spite of the various powers they have accumulated in the slow and lengthy evolution of the system itself, appear to be two institutional "carry-overs", two "by-products" of the system, existing indeed only as repairers of the system itself and, in a sense, opposed to it by reason of its faults.

No matter how "independent" the State and the unions have sought to become - above all in the Welfare State - their development has been up to now a function of the "crisis" of the system in which they operate.

3.2 Central Planning and Direct Intervention

The non-capitalist State must instead seek to play an autonomous leadership role. And, in order to do this, it should not just wait until the spontaneous mechanisms of the market produce "situations" to be coped with - for better or for worse -, but should instead begin to control not so much the mechanisms as the social goals towards which these mechanisms should be made to work in the interest of popular and political sovereignty.

There has long been a word for this type of preventive management of social development, and this word is "planning" (and when carried out at the level of an entire national community it is called national or central planning) 13/

But in spite of the enormous increase in all Welfare State countries of the State's powers and means of intervention, the only thing that it has not been possible to establish in those nations is a modern central planning system. And this is perhaps

for the very reason that this would have been the only means of overcoming the substantial "subordination" of the State in relation to the capitalist system itself, and its ex post vicissitudes. 14/

It may be added that the reasons for this behaviour are neither mysterious nor beyond explanation. The more the State is burdened with "reparatory" activities, made necessary by the emergence of the various critical situations, and the more it must engage in "constrained" direct management, the more its margins of choice and operation are restricted and the more existing constraints - starting with its own financial resources - are predominant and determinant. On the other hand, the more the State is freed from direct management functions, the more it can develop those planning and decision-making functions that should be more properly its own, in order to recover and decisively acquire prior decisional autonomy.

In any case the State, in its reparatory role, is proving increasingly incapable of effectively controlling the most important "crisis" factors : inflation, unemployment, public deficits. And this is because the State is not yet capable of understanding in detail, let alone governing, the interrelation factors between the various economic phenomena, and is not able in an adequate manner to simulate their operation for control and decision-making purposes.

A highly detailed knowledge of these interrelations, and the adoption of adequate choices in relation to overall development and its specific components - which are the constituent factors of a planning process - would revolutionize the traditional approach, that for simplicity's sake we will term "economic policy", which aims to govern only the aggregate quantities of the system, with central government "instruments" only.

The consistency between the overall (and therefore aggregate, according to the chosen taxonomy) quantities is not in question, at this point. It is indeed obvious that every evaluation and planning approach at "disaggregate" level must prove consistent and compatible with regard to the reference aggregate quantities.

But although the "structural" relationships between aggregate and disaggregate variables (according to a given taxonomy) must necessarily require their identity and equality, this is not the case with "behavioural" relations : the functional behaviour of an aggregate variable is not necessarily identical to that of its component variables, and will therefore be "different" in its substance and form. That is to say, it will differ according to the typology of the variables that constitute the aggregation. 15/

Any ex ante valuation or decision effected at the aggregate variable level will therefore be evasive of problems and choices that should be made at the disaggregate level, and that could be far more significant than those illusorily made at aggregation level.

Knowledge and control of the interrelations between the "disaggregate" variables of the system (and the degree of taxonomical disaggregation will in fact be determined by the complex set of problems that dominate all planning processes) will shed light on the "invisible" operation of the market that economic theory has always sought to deduce and codify; in other words, it will make the hand described as "invisible" become "visible".

Planning thus provides the means to control the "invisible" operation of the market, rendering it "visible" and susceptible to prior determination, by reason of choices negotiated - under the sponsorship of the State - between the institutional operators, through prior control (ex ante and not ex post) of the various transactions constituting the economic process, and their consequences. 16/

3.3 Articulated or Systematic Planning

This is why modern planning is not public intervention planning, as it has almost always been believed to be, by both its supporters and its rejecters. When conceived in this manner, indeed, planning could not help but be associated with the authoritarian extension of the direct production role of the State. And as such, its fortunes were linked to those of statism, in its successes and its failures. 17/

But modern planning is not, on the other hand, merely "indicative", as it has long been preferred to describe it in contrast to the "authoritarian" or "imperative" type, and also with the intention of emphasizing its capacity to coexist and even integrate with the market economy (the French planning approach is the best-known example of this).

Modern planning is essentially "systematic", in the sense that it seeks to include in its analysis and prospective evaluation framework all variables considered relevant, and is articulated into a series of partial pictures and models, which must however be reciprocally consistent. This is because it is not possible to express all the variables considered to be important in a single picture or model.

Planning has as its principal instruments, as is obvious, the plans themselves. And planning is systematic insofar as the national plan, the synthesis, is the point of encounter and verification (as regards compatibility) of a numerous series of plans, of a sectorial and territorial (by fields of activity and regional areas) and even institutional (by more or less aggregated operators) in character.

The formulation of the plans is based on the independent evaluations of the operators concerned; indeed systematic planning is in fact a service provided by the State so as to render consistent and efficient in relation to each other (the condition for their success and even their implementation) the various plans of the various operators, whether public or private, sectorial or territorial.

Nonetheless, the State - as sovereign political authority - can and should formulate general guidelines, to be complied with when the various plans are brought into mutual consistency.

The problem of how to ensure that the plans are in "conformity" with these State guidelines, or with each other, vertically and horizontally, in cases of clear incompatibility or conflict,

is a problem that will be solved "politically" and successively, through appropriate forms of negotiation, arbitration and political decision. Two factors are essential and will determine the effectiveness of such a planning system (as a "system") : the arbitration must be based on sufficiently clear and well-defined models and scenarios, and even the individual plans, independently formulated and subsequently brought into conformity through arbitration, must already in themselves be based on a "systematic" logic, i.e. must explicate the extra-systemic reference data on which they are constructed (which data are either taken into account in the "higher-level" plans, or hypothetically processed by the plans themselves).

The methods used may vary from one case to another. In some cases it may be sufficient, for example, to employ persuasion to ensure that the plans are made to conform. In others, some public operators may prefer incentivization. Or there may be, for technical and political reasons, the need for legal or administrative intervention, which would involve "authoritarian" action.

In conclusion, as outlined here, modern (and systematic) planning is not, in itself, either authoritarian or indicative, because this regards the instrumentation of relations between decision-makers and not the actual formation of decisional content ^{19/} ; in other words, it could adopt "authoritarian" solutions or instruments, or else merely provide indications and recommendation, according to circumstances and according to the implementation prospects resulting from the evaluations made by the institutions concerned, even during the negotiation process.

3.4 Planning bargaining

Of all the implementation procedures, the most important is clearly negotiation or bargaining, which we shall call "planning" bargaining in order to distinguish it from the type that has long been in existence among operators and political bodies, but which is performed without any plan being present, and constitutes "market" bargaining, (although often concerning a political market).

If it did not seem at first sight (but only at first sight) to involve conflicting terms, we would prefer to speak of a "planning market", because this would clearly express the concept of a plan (or plans) negotiated between the operators involved, within the framework of, and in conformity with, plans at higher "system levels", and it would also express the concept of its implementation by means of agreements.

In addition, the term would clearly express the intention of somehow substituting for the traditional concept of the "market", in an abstract sense, as a place (of a highly mysterious and uncontrollable character) in which transactions and their terms are spontaneously and "naturally" determined, the concept of a "market" as a place for negotiation, agreement and stipulation, "administration" and management agreed upon between authorities and protagonists, both public and private, as well as unions and companies. The latter concept seems to us to be far more appropriate to the institutional conditions of today, and is certainly more suited to the desired future condition of greater collective and prior control of economic and social development.

Today's "administered" market, dominated by "meso-economic" forces, needs planning bargaining to restore an active role to excluded and subordinate forces, which - as we have mentioned - include the State and the unions, which still operate in an "auxiliary" position. It therefore needs a proliferation of "plans", as a result of this planning bargaining, to restore congruency to the objectives of economic and social development.20/

Planning bargaining has already been tried out in some countries. "Contrattazione programmatica" in Italy at the end of the Sixties, the "planning agreements" foreseen in British industrial legislation, and the "contrats de plan" of France, especially in the version recommended in recent official documents issued by the French government, etc., are all examples indicating a widespread need to achieve a system in which decisions are made by negotiation and agreement between the central government, industry and the unions. 21/ But if these experiments are to overcome the historical

limitations they have proved to have, it is necessary for them to be introduced into an ordered "process" of plan production, of the articulated and systematic type described above. 22/

In other words, it is necessary for planning to become the predominant system of decision organization and control, so that planning bargaining can operate in conditions that are no longer characterised by haphazardness, inadequate instruments, and finally by absolute precariousness and ineffectiveness.

To achieve this (which is substantially lacking as yet in all nations) it would be necessary to establish clear public planning "procedures", specified by the legislation (and perhaps also the constitutions) of the modern nations, which foresee an orderly and well articulated process of plan formation and negotiation, at all levels, with reasonable but definite time limits; and this would be done for the purpose of "launching" a complex planning "system", from which the new form of economic and social development evaluation and decision-making would be brought forth. 23/

The French government has recently begun to study such procedures, which have also received some initial legislative confirmation. The first documents on planning "reform" in France are most significant in this regard, and are certainly the most advanced along the lines forecast here. 24/

It would be desirable for this approach to be followed in the other European nations as well, where possible; and for systematic consistency to be sought in this regard also at EEC level, as well as at that of the entire area of industrialized nations (OCDE), and finally, through the United Nations system, also at world region level. 25/

3.5 Planning Social Accounting

New and modern systematic planning, of the type forecast here, is based on a system of social accounting. This should be based essentially on two innovative developments :

1. firstly, it will be extended to include "non-market" transactions, given the importance which these transactions have acquired in the formation of social wellbeing, which can no longer be overlooked and must be taken into consideration in accounting terms as well;
2. secondly, it will include projection into the future, since it will express not only the ex post recording of a social reality, but also the foreseeable and desirable quantifications, based on the ex ante plans, of the same social reality, these quantifications being in their turn the scenario within the framework of which the various operators will situate their actions.

As regards the technical aspects of this extended social accounting, it has to date undergone some discussion, and initial application, encountering the first difficulties. As well as being perfected from a conceptual point of view, it also requires a lot of work to be carried out to create adequate information tools, which are at present insufficient in all nations with regard to those costs and benefits that cannot be measured in terms of market prices (social costs, environmental costs, etc.) 27/

However, the development of the relative accounting technology will be interactive (i.e. a condition, but also a result) of the development of the political demand for planning.

In the budget forecast and scenario construction field also, considerable work is required to perfect the techniques concerning simulated projection or conditioned forecasting. But in this field one has the impression that technical progress is today considered far more important than political progress, and that this work has become excessively academic, and risks the futility of unnecessary and unproductive sophistication because it is not applied to concrete situations and circumstances by appropriate decision-making centres, which would instead render its methodologies more concrete and effective. 27/

The stable political introduction of a central planning system would most certainly improve the situation enormously.

3.6 Planning and the New Unionism

The introduction of a central planning system of the type described above would indispensably require modifications in the practices of both the company system and the union system. Planning collective bargaining would become the fundamental occasion of such modification.

Planning would give firms a kind of vast "market analysis", on the basis of which they would orient their investment decisions, in a manner that would however be agreed with other firms and institutions. This will involve studying, case by case, the cases in which product competition between firms is less harmful than beneficial (and in this case would be appropriately encouraged) and the cases where, on the contrary, its negative effects would lead it to be replaced by suitable forms of agreement (along the same lines as the industrial "understandings" that have in many cases given rise to large-scale concentration of investments, and high efficiency and productivity in the most highly developed phase of capitalism; except that here this would take place with the blessing of the government, the unions and consumers, and above all in accordance with the planning system's objectives).28/

Planning would provide the unions, with regard to employment agreements, with a new way of negotiating wages and other working conditions, with greater attention and effectiveness with regard to the acquisition of real income and to real wages. 29/

The trade union officials would certainly find their work more difficult, but also more effective. The unions could at last achieve a real "presence" in the seats of economic policy decision-making, instead of one that is, as has been the case up to now, episodic, symbolic and substantially ineffective, also because the government itself is not able with its present instruments and procedures to negotiate with the unions on a basis of concrete prospects and well-defined operative analyses.

The overall "responsibilities" of the unions would certainly increase. The constraints regarding the compatibility of resource and income distribution choices would be more clearly apparent,

and would have to be taken into account in negotiating wages. But in this case the issue of constraints would not be illusory, "to be taken on trust", as in current economic policy declarations applied to a market economy without any planning, but would instead involve quite operative, and therefore hard to evade, commitments; also because the accountancy systems - if the proper accounting technology, as outlined above, is applied along with "systematic" planning procedures - should fully reveal the costs and benefits of alternative solutions, and the contradictory and negative effects of any broken undertakings.

In other words the approach, one of conflict but also of negotiation, would consist in a trade-off between alternatively quantifiable solutions, and not of matters of principle or general evaluations without corresponding operative reality.

Social conflict, which today the unions tend to "eject", with success, outside their own structures, in a kind of metaphysic of the omnipotent role of the antagonistic forces (the bosses, capitalism, the establishment, etc.) would to a large extent - to an appropriate and concrete extent - be "introjected" within the union movement's structures, if and insofar as it would be concerned with the distribution of available income among different categories of employed persons. This could certainly make it harder to handle the interests of the various categories of workers on a "federative" basis. The first important stage of planning mediation and negotiation (once the constraints specific to each plan had been fixed) would take place within the unions, which would become a powerful instrument of political management. From this point of view as well, the unions would have a harder life and would find more demanding management requirements; but their power to affect reality, with more responsibility, would be greater. 30/

For these ends it would also be advisable to increase the "independence", both political and formal-institutional, of the union movement - as a force in the "associative" economy - in relation to the other public institutions, in order to preserve a fundamental dualism (or pluralism) of powers, even where the fields of interest converge. 31/

To obtain concrete results in this mediatory function within the union front between different categories of workers, with regard to planning and income distribution, the unions would have to master the entire range of distribution and choice problems specific to planning, without being able to delegate elsewhere the responsibility of providing generally compatible solutions (although this responsibility must finally remain with the competent public, politically sovereign institutions). 32/

In order to master these problems the unions must master all planning issues and evaluation techniques, and particularly social accounting and forecasting techniques. In other words, they too must - for their own purposes - have the capacity to simulate development plans.

This would seem to be one of the most significant outcomes of the new course that a serious planning reform could take. It would involve completely new modes of union action, while offering a substantial opportunity for renewal, in the operative impasse in which the unions find themselves in the present phase of capitalist evolution.

This would in fact solve many of the problems faced by a union movement that does not have any scope for action credible with its own worker base, due to the said impasse between, on the one hand, a claim-pressing movement that has now reached an absolute ceiling, and on the other a collaborationism that, failing changes in socio-political structures, risks bringing complete discredit upon the unions, and in any case make them into accomplices in the economic, if not political, débâcle of the present democratic system.

Planning reform, in other words, in the terms indicated here, could give a new image to the presence and function of the unions in post-industrial society, in which the role of the "associative" economy tends to increase; in which the "market", and consequently the employment market also, tends to acquire completely new characteristics, give the new nature of its jobs (increasingly "tertiary"); in which even the role of the

"working class", as traditionally conceived, is undergoing complete transformations. Thus one could almost speak - with even more justification than in other phases of the history of the trade union movement - of a "new unionism". 33/

3.6 Planning and the organized consumer movement

The introduction of a central planning system, of the type outlined above, finally implies definitive consolidation of the consumer movement.

The extreme development of mass production has already removed the power to control product quality from the individual consumer, and the emergence of tertiary (service) items of consumption of a "public" nature, have led everywhere - especially in the most industrially, and consequently "tertiarily", advanced nations - to a strong consumer movement, which greatly resembles the birth, a century ago, of the analogous workers' movement, which occurred as an answer to the challenge of loss of control over the quality and conditions of employment and the development of industrial work. 34/

In a manner very similar to the development of the union movement, the consumer movement grows in proportion to the "market"'s loss of significance. With industrialization, in the past, such loss of significance affected an atomistic labour market, which guaranteed a certain balance between the contracting parties' powers, and thus the unions arose, obviously increasing the rigidity of the labour market and making it a place characterised by "administered relations". Monopolistic development of production and tertiarization, especially of a public type, have introduced a "market" of administered prices, in which the consumer has been deprived of any contractual (market) power: and this has brought about the birth of the consumer movement, which will grow all the more as the last vestiges of the traditional "market" are dismantled.

The new emerging role of planning will tend to introduce new forms of economic transaction, as we have said; in which the operators' decisions should be negotiated ex ante, and thus administered prices should reach their highest and most generalized level. The presence of a strong organized movement representing the interests.

of the consumer-operator, in the planning negotiation and agreement process, becomes essential, because the State may only take on this representative function (as it should have previously done) in an indirect and complex manner.

The consumer-operator (which is essentially constituted by the family-operator, but also by new and complex consumption units, especially of a "tertiary" and "quaternary" type, emerging from the "associative" economy or the "third sector" of the economy) must play a fundamental role in planning negotiation, in terms of income distribution and consequent "relative" price policy. Above all in the phase of planning involving the definition of its social and structural goals, consumers must play a decisive role with regard to decisions as to the final utilization of resources, that is to say the structure of the final demand for goods and services, which comes to be the essential motor of the entire productive process simulated by the plan (obviously taking constraints and production factor supply conditions into account).

Planning, so as not to risk becoming only a form of corporative mediation between "producers" (enterprises and workers) - with the presence of a State that is not always strong enough to withstand them - requires the presence of a strong organized consumer movement, which is in any case rapidly growing - due to the historical factors mentioned above - in almost all advanced nations, through the initiative of cooperatives and unions.

The rise of the associative economy (already outlined in the second part of this report) will necessarily further strengthen the organized consumer movement. Indeed the operative units of the "third sector", and above all the predominant types that operate in the tertiary and quaternary sectors, are units that tend to unify the moment of production of a service with its moment of consumption: in other words; they are very much "self-consumption" units. Nonetheless, they will constitute a strong final consumer presence on the traditional "market", for the items for which they will not be able to be both producers and consumers. And these units will be far more inclined towards associative organization for the purpose of exercising contractual power than is the case with families. And it will probably be these new consumption units that will decisively strengthen the consumer movement and assure its effective presence - which must however be properly worked out in the context of planning reform - in the planning process.

4. Conclusions

We have sought in this report to follow up the analysis of the contemporary crisis of the capitalist system, which has been amply dealt with in the preceding reports at this Conference and elsewhere, for many years now,^{35/} with some considerations on the basic trends in structural transformation of the economic system and the political instruments that could facilitate such transformation and carry it more rapidly from a phase of crisis (which could, if long-lasting, even lead to dangerous forms of involution and regression) to one of planned renewal of development, with new institutional foundations. ^{36/}

The basic trends with regard to transformation of the system have been identified here as follows :

- arrested growth of financial resources and consequently of the relative expansion of the public sector of the economy, at least as regards that based on transfer of funds through the taxation system
- a considerable increase in the "regulatory" role of the State with regard to "market" trends
- the emergence, alongside a stationary public sector and a declining sphere of private commercial enterprise, of a "third" sector of the economy, termed the "associative economy", corresponding to the growth of a consumption demand, and thus of real resource utilization and non-profit motivated activities, operating outside the traditional "market" and its rules.

These trends are the result of structural changes, such as those caused by technological progress, which has allowed productivity rates to grow considerably in the primary and secondary sectors, in spite of the presence of stagnating demand in these very sectors; the saturation of primary and secondary needs as against the expansion of "tertiary" needs in the physical consumption structure; the growing demand for leisure and a better "quality of life" as compared to that for material goods and services; the widespread rejection, increasing with the new generations, of job-based, subordinate and "alienating" work.

The transformation of the system, brought about in its turn by these structural modifications, creates crisis insofar as measures are adopted that are intended to sabotage the transformation and restore the mechanisms to their previous conditions, if the new ones are irreversible; and - inversely - insofar as measures are not taken that can facilitate and accelerate the transformation, through the recognition and full adaptation of the factors that are causing that transformation. From this point of view the measures taken to overcome a crisis can be roughly divided into two categories : regressive measures and progressive measures.

- we must consider as "regressive" all "reparatory" measures that seek to combat or lessen crisis phenomena (unemployment, inflation, investment disincentivation, etc.) without tackling the structural causes of the crisis, i.e. that try to block the budding transformations and to achieve balances in the "previous" mechanisms, almost as though the transformations were without importance or were due to ephemeral causes. At best, such measures have a delaying effect and produce temporary results, but do not help to produce a lasting renewal of development based on new foundations. This category includes all measures intended to achieve economic and financial equilibria in aggregate quantities, relying upon traditional motivations, and overlooking the fact that the demand to be incentivated is no longer that which produced certain expansion effects, or that the supply to be boosted is no longer motivated in the same manner as before. At the worst, these measures have the effect of further aggravating the situation, making it "go mad" to such an extent that it cannot be controlled in any way, not even politically; and this opens the door to the unforeseeable, unknowable abyss.

- we must consider as "progressive" all measures that, although partial (and perhaps in themselves quite inadequate if taken singly, in a traditional context) are situated along the same line as the structural transformations, and can thus make it easier to overcome or cancel out the factors of the crisis itself.

As regards the political measures considered in harmony with the transformations of the system, these can be summarized as follows :

- introduction of a central planning "system", able to produce disaggregated overall scenarios around which the attention and negotiations of the operators (public organizations, firms, consumers, trade unions) can be concentrated
- adoption of legislative measures tending to give order and regularity to the negotiations between the various operators, articulating the various planning levels - sectorial and territorial - and linking them together in a single system of temporal and operative "procedures"
- within this system, induce the operators to make planning contracts which will constitute the basis for the implementation of investment policies, price policies, and the forms of public incentivization considered to be in accordance with the plans negotiated
- introduction of "extended" economic and social accounting, i.e. that include non-market phenomena and transactions, so that evaluation criteria closer to people's real aspirations can be employed in planning decision-making
- incentivization of the creation of union investment funds, self-managed by the unions, for use in connection with the general investment choices that will emerge from planning negotiation with the operators
- incentivization of the development of an organized and independent consumer movement, making an official place for them in all planning organs, and in the other technical and administrative organs concerning production, prices, consumption, health and environmental protection, etc.
- incentivization of the development - through financial subsidies and technical assistance from specially created government agencies - of "non-profit" associative enterprises self-managed by the consumers or users of certain self-financed services in the operative sectors in which it is presumed - in planning decision-making - that a suitable "demand" should develop.
- introduction into the services still managed by the State and other public agencies of forms of self-management, in all cases considered suitable, with a maximum of administrative decentralization, although within an equalitarian financing framework

- introduction into those services that are still managed by the State, and for technical and functional reasons cannot be self-managed, of new forms of output measurement, through the rationalization of the services themselves and political discussion of their management criteria

With these measures, above all those tending to ensure "negotiated" control of the decisions of all parties (those of the central government having their objectives in the goals and commitments of all) the crisis phenomena, at least those arising from the operators' behaviour, which is what determines the wellbeing of an entire society, should be "overcome". This is because it should thus be possible to keep "in check" those tensions that can give rise to paralysing and depressive unbalances.

Of course the conflicts between different sectors, social classes, power groups etc., which are inherent to a pluralistic society, would not be eliminated by these measures : and this would certainly not be a bad thing from the point of view of those who believe in a free and democratic society. But such conflict would not only be transferred to where mediation and composition would be possible, with a more rapid and efficient trade-off system than the highly uncertain variety provided by the "invisible hand", which (it has now become increasingly clear) in fact hides the overbearing power of some groups, the - frequently culpable - incapacity of the public authorities, and the desperate protest of other groups that, in attempting to restore equilibrium in some situations, end up assuming extremist positions which prove paralysing and ultimately abet reactionary forces.

Renewed development cannot be achieved without effective reform. This reform will only be concrete if it is gradual but permanent. And the gradual and constant character of reforming action can only be assured by a new system for the management of society as a whole, a central but negotiated planning system, which is global but articulated on a systematic basis, with levels of disaggregation that can ensure the direct involvement of the maximum number of operators, in such a way as to keep their actions and decisions, with relative effects, under control in relation to the reference framework established by the sovereign will of the political organs and by cooperation on the part of all social forces.

A central planning system would, in other words, be the basic instrument linking economic democracy with political democracy, which has constituted the unresolved problem of the Western economic systems, and the permanent aspiration of social thought for at least the last century. This is why such a system could become not merely a "means" but also an essential "end" for a new social order.