

*a selected chapter from*

## **THE ASSOCIATIVE ECONOMY**

### **Insights beyond the Welfare State and into Post-Capitalism**

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[An overview of this book](#)  
[Complete text of Chapter 11](#)

#### **Chapter 13: NEW POLICIES AND INSTRUMENTS**

1. New Tasks for the Public Sector
2. The Financial Limits of the State
3. The Future of Strategic Planning
4. Planning-Oriented Collective Bargaining
5. Planning-Oriented Social Accounting
6. Planning and the New Unionism
7. Planning and the Organized Consumer Movement
8. The 'Democratic' Meaning of Strategic Planning

[\*\*To Order This Book\*\*](#)

We will now attempt to conclude our analysis, in particular that devoted to the 'management problems of the change', by proceeding to a sort of condensation of a large part of the arguments dealt with, and by providing a small '*summa*' of the management policies to be adopted.

## 1 New Tasks for the Public Sector

The changes that are taking place in the structure of contemporary industrial society, as found in the principal Western countries (examined in the previous chapters), 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.).

This simple fact in itself constitutes the 'historic proof' of the fallacy of the theory of laissez-faire, with regard to that of the opportuneness of the public regulation of social development. If the thesis were true that the intervention of the state damages economic progress, and thus also social progress, the history of capitalist societies - which have recorded numerous successes in the last two centuries - should be that of a constant economic and social stagnation or non-progress, if not regression, given the dizzy growth which public intervention has had in particular in this century. We might wonder on the other hand whether this substantial increase in the role of the public economy has not constituted an essential factor in the socio-economic progress of capitalist societies. I believe that none of today's theoreticians of laissez-faire would be prepared to claim that contemporary economies could have large growth rates, without the intervention of the state. And this bears witness - as historical proof - of the mistake of the old critics of public intervention, who claimed it was harmful, even when this intervention hardly covered 5-10% of the Gross National Product!

The increase in scope is characterized by the fact that the incidence of services promoted and supplied by the 'public hand' (which is by definition a 'visible' hand<sup>1</sup>) has been increasing above all in connection with the great possibilities of allocating to immaterial - usually, but incorrectly, called '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).

Summing up what we have said in the previous chapters, once primary needs were 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 only from 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, 'intellectuals', and generally all those who, in one way or another, directly or indirectly, are paid or subsidized by the State through taxation of the product and income of the entire economy.

The increase *in magnitude* is in turn characterized 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 essentially consist in the withdrawal of resources produced by those who take part directly in the production process, for redistribution to those who do not.

But we have also seen that the Welfare State has entered an 'overload' crisis. And this deserves a *completely new attitude* by the supporters of public intervention and the Welfare State, which has nothing to do with the old *querelles* about *laissez-faire* and public intervention.

## 2 The Financial Limits of the State

As we have already described (Chapter 8), as the point has been reached at which, 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.

At the same time, *it is by no means certain* that the 'real incidence' 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 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 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 squandering and unnecessary bureaucracy, which often produces social costs that are disproportionate to the benefits ensured.

### 2.1 General Alternatives to Public Intervention

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

Paradoxically, it is not excluded that such rape of against the

State budget pushes it towards an increase in (monetary) public consumption, a cutting back in social consumption, and induces, through public expenditure and transfer, a resistance to desirable decline of real consumption of material and industrial goods (from food to electronics), which, on the contrary, is increasingly 'oversaturated', 'saturated' or 'saturable'. And this provokes a 'relaunching' of inflationary mechanism.

With more sophisticated *comprehensive programs of resource utilization* - established in a central planning framework, as illustrated in Chapter 11 - 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 mobilization 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, would involve the utilization of 'private' incomes (this is the 'third sector' which we have dealt with in Chapter 11 & 12).

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

- on the one hand, restrict itself to the most needy cases and sectors (in both social and regional terms, i.e. those in which cultural and institutional factors rule out the autonomous assumption of civil and economic responsibilities in the fields of social consumption;

- on the other hand, commit itself to 'promotional' action, incentivation and guidance, that is to say to a *planning* and programming rather than to a direct operational role.

Generalization should be pursued, in any case, 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 only truly *indivisible* services (as they are classified by all conventional

handbooks of 'public economics'). On the other hand - with appropriate initial incentivisation - the role of moving towards self-management and financing of such services, above all the 'divisible' ones, should be left to collective (but 'private') forms of association.

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 behavior of the users and beneficiaries, rather than through the farraginous, imperfect and imponderable instrument of taxation.

It would be necessary to find out 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 not only the total amount of funds available increases, but 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. Indirect 'instruments' of public intervention, if goals were clear and quantified, would certainly not be lacking.

## *2.2 New Criteria for Managing Public Intervention*

In many of the traditional sectors in which services are provided 'gratis' by the State, characterized by *indivisibility* of consumption, new management criteria should be adopted. As a first step, it would be necessary to introduce advanced techniques for measuring the output and effectiveness of the service provided. And in those cases where this output can only be evaluated on the basis of the users' subjective feeling of well-being, it would be advisable to introduce forms of user self-management of the service, though still 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, public order, civil defense, etc.), modern forms of output and productivity evaluation should be introduced, with advanced cost-benefit analysis methods, with the aim of using rational methods to minimize the amount of resources used to achieve politically determined public ends.

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

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 obtained in the service sector. But this also tends to modify the operational model according to which the accumulation and investment process has hitherto taken place.

Indeed, with due exceptions, the accumulation process has until now been guaranteed by the profit-making expectations of the 'firms' - public and especially private - operating in the 'market', with profit as the indicator of success and essential motivation.

In widening the scope of economic activities towards 'self-managed' services (whether self-financed or otherwise) the weight of *non profit motivated* investments 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 attained outside the usual financial channels, motivated by profit and interest rates.

This, therefore, envisages a new important role to be played by financial 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, such as the Trade Union Investment Funds (dealt with in Chapter 12).

Public economy grew up (in the Welfare State) to assure fair redistribution of the benefits of development and compensation for the inequalities produced by development itself. Public economy has aimed to ensure equal opportunities and access to services for *everybody*.

But the nearer one came to this goal, the more a widespread need emerged for differentiation and autonomy of choice. 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 in proportion as efforts are made to render them more attractive to their users.

In this situation of sought-after differentiation and growing standardization, in the dichotomy between what is wanted and what is obtained, the reality of waste has 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 neither 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 Fred Hirsch uses the term: goods and services which are perceived as being useful only because they are not accessible to everybody<sup>2</sup>. This creates a decidedly paradoxical situation: the more the State attempts to satisfy everyone, the



less satisfied everyone is.

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 for 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 'social-oriented' aspect of such an approach - these should be initiatives and enterprises not motivated by gain/profits, and would operate outside and beyond the market.

All this has therefore contributed, in all likelihood, to cause historically obsolete operative situations to survive and even to flourish unnaturally. Out of the 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 and defended.

### **3 The Future of Strategic Planning**

Therefore the 'associative' economy could constitute the *new* developing sector in post-industrial society, and could determine the characteristics, by its own values and modes of operation, of a *new type of society* (neither capitalistic nor 'etatist', but what we could term: 'social'? or 'socialist'? or, at best, 'liberal-socialist'?).

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 a very 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 the 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 from the time of the industrial revolution onward).

This role is today facilitated both by 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 behavior and relationships, and inducing operators to negotiate preferential choices in relation to these scenarios, upon which their respective lines of action can be based<sup>3</sup>.

In 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' or 'notary' of the market economy; and this 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'<sup>4</sup>.

In the above nations, the State plays, at most, a remedial role, 'patching up' the various faults that develop in the mechanisms of this 'market' economy, i.e. 'capitalist' type; 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 - which is overwhelming that of the market.

Indeed, in the capitalist economy, both the State, and also 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 (and really 'democratic') 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 dealt with, either for better or for worse, but should instead begin to control such mechanisms with the purpose of orienting them 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)<sup>5</sup> .

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<sup>6</sup>.

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.

It may be added that the reasons for this behavior are neither mysterious nor beyond explanation. The more the State is burdened with 'reparatory' activities, made necessary by the emergence of 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 programming 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: unemployment, public deficit and so on. And this is because the State is not yet capable of understanding in detail, let alone governing, the interrelational 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 strategic planning process would reverse 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* relationship between aggregate and disaggregate variables (according to a given taxonomy) must necessarily be in the form of equations and identities, this is not the case with 'behavioural' relations: the functional behavior of an aggregate variable is not necessarily identical to that of its component variables, and may therefore be 'different' in its substance and form. That is to say, it may differ according to the typology of the variables that constitute the aggregation.

Any *ex ante* evaluation or decision carried out at the aggregate variables 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<sup>7</sup>.

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' functioning 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' functioning 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.

### 3.3 *Articulated or 'Systemic' 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 opponents. 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 'etatism', in its successes and its failures.

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 planning approach 'à la française' is the best known example of this indicative planning).

Modern planning is essentially systemic, 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<sup>8</sup>.

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

The formulation of the plans is based on the independent evaluations of the operators concerned; indeed systemic 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 sub-state 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 subsequently: 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 and relative trade-offs must be based on sufficiently clear and well-defined frameworks and scenarios;

and even the individual plans, independently formulated and subsequently brought into conformity through arbitration to a 'systemic' logic, must make *explicit* the extra-systemic reference data on which they are constructed (data which are either taken into account in the 'higher level' plans, or developed hypothetically by the plans themselves).

The modalities 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, or the plan's self-adaptation. In others, some public operators may prefer *incentivation* or *command*, by means of legal or administrative intervention, which would involve 'authoritarian' action.

In conclusion, as outlined here, modern (and systemic) planning is not, in itself, either authoritarian or indicative, because this regards the tools available of relations between decision-makers and not the actual formation of decisional content; in other words, it could adopt 'authoritarian' norms or else merely provide recommendations (just to select two extreme solutions) according to circumstances, and according to the implementation prospects resulting from the evaluations made by the institutions concerned, even during the negotiation process<sup>9</sup>.

(In this context Schonfeld's phrase about a desirable planning which is 'more than indicative and less than imperative' seems a little too 'naive' and reductive; this being an expression which was intended to mean something of the type which we attempt to develop further in this chapter with greater articulation<sup>10</sup>.)

#### **4 Planning-Oriented Collective Bargaining**

Of all the implementation procedures, the most important is clearly negotiation or bargaining, which we shall call 'planning-oriented' 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-oriented bargaining (although often with regard to a political market).

If it did not seem at first sight (and 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 in place of 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<sup>11</sup>, the concept of a 'market' as a place for negotiation, agreement and stipulation, 'administration' and management agreed upon between relevant powers and actors, both public and private, as well as unions and companies.

The latter concept seems to us to be far more appropriate to the desired future condition of greater *collective and prior control of economic social development*.



Today's 'administered' market, dominated by 'meso-economic' forces, needs *planning-oriented 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 plan negotiation, to restore congruency to the objectives of economic and social development.

*Planning-oriented bargaining* has already been prototyped in many Western European countries. '*Contrattazione programmatica*' in Italy at the end of the 'Sixties, the '*planning agreements*' foreseen in British industrial legislation, and the French '*contrats de plan*', especially in the version recommended in more recent official documents issued by the French government, are all examples indicating a widespread need to achieve a negotiated system of intervention in which decisions are made by agreement between the central government, industry and the unions. But if these experiments are to overcome the historical limitations they proved to have, it is necessary for them to be introduced into an ordered 'process' of central and multi-level plan construction, of the articulated and systemic type described above.

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

To achieve this improvement in the planning oriented bargaining (which is substantially lacking as yet in all countries) it would be necessary to establish clear public planning 'procedures', specified by the legislation (and perhaps also by 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.

## 5 Planning Social Accounting

Such *socio-economic frames* of reference are essentially *accounting frames*. This is why a new and modern systemic planning, of the type forecast here, is based on a new system of *social accounting*. This would be based essentially on two innovative developments:

first, it will be 'extended' to include 'non-market' transactions, given the importance which these transactions have acquired in the formation of social well-being, which can no longer be overlooked and must be taken into consideration in accounting terms as well;

second, 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 *ex-ante* plans, of the same social reality, these quantifications being, in 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<sup>12</sup>, 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.).

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 decisionmaking centers, which would instead render its methodologies more concrete and effective.

The stable political introduction of a central planning system would most certainly improve the situation enormously. It could also represent the occasion for an important scientific progress in this matter.

## **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-oriented collective bargaining would become the fundamental occasion of such adjustment.

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, one by one, 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 agreements (along the same lines as the industrial 'trust' 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; with the difference that

here this would take place with the blessing of the government, the unions and the consumers, and above all in accordance with the planning system's objectives).

Planning would provide the unions, with regard to their collective bargaining practices, 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 real wages.

The trade union officials' job would certainly become 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 union on a basis of concrete prospects and well-defined operational analyses.

The overall 'responsibleness' 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 planning, but would instead involve quite operational, and therefore hard to evade, commitments; also because the accounting systems - if the proper accounting technology, as outlined above, is applied along with 'systemic' planning procedures - would 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 operational reality.

Social conflict, which today the unions tend to 'discharge',

with success, outside their own structures, in a kind of metaphysic of the omnipotent role of the antagonistic forces ('the bosses', 'Capitalism', the 'Establishment', the State etc.), would to a large extent - an appropriate and concrete extent - be 'internalized' within the union movement's structures, if and insofar 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 have 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.

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<sup>13</sup>.

To obtain these 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 and politically sovereign institutions).

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 operational *impasse* in which the unions find themselves in the present phase of evolution of the capitalist system.

This would in fact solve many of the problems faced by a union movement that does not have any scope for action credible for its own worker base, due to the above-mentioned *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, debacle 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, given the new nature of its jobs (increasingly 'tertiary'); and 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'.

## **7 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 (or Consumerism).

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 arose as an answer to the challenge of loss of control over the quality and conditions of employment and the development of industrial work.

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 bargaining parties' powers, and thus the unions arose, obviously increasing the rigidity of the labour market and making it a place characterized 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<sup>14</sup>.

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 household-operator, but also by new 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-oriented collective bargaining, in terms of income distribution and consequent 'relative' prices policy.

Above all in the phase of planning that involves the definition of its social and structural goals, consumers must play a decisive role with regard to decisions about 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 into account the constraints and conditions of the supply of production factors.)

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 strongly 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 Chapters 11 and 12) 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 in the planning process, which must however



be properly worked out in the context of *planning reform*, which we hope develops in all advanced countries.

## **8 The 'Democratic' Meaning of Strategic Planning**

Socio-economic planning, understood in a modern way, far from representing a threat - as would be interpreters of it would like to have us believe - to the liberty of the consumer, would be the contrary; it would be the way, in fact, *to give back to the consumers their real sovereignty over choice*, thus preserving it from the constraints of occasional and limited opportunities and the pressing conditions of supply.

The citizens/consumers, as well as the citizens/producers, would have the possibility, with their direct or indirect participation in the elaboration of plans, at any level, as well as with the harmonization and selection of decisions regarding at plans at various levels, of participating in choices made for themselves and for the societies to which they belong, which would be much more influential than the maneuvering of their limited and as a whole narrow purchasing capacity in the strongly limited and conditioned markets in which they operate.

The markets in which they operate, if and when they operate, are without doubt good indicators of the consumers' preferences. But they could have also other ways of revealing preferences and participating in much vaster choices, in all the cases in which the markets do not manage to be a good ground for choice.

The citizens could be directly called to express themselves, with organic surveys that are technically coherent with the procedures of selection and evaluation peculiar to planning processes, and much more widely and in a much more organized, frequent and coordinated manner than is the case today.

With the information and telematics technology achieved

today, a good information system on the opinions, preferences and aspirations of the citizens (whether they be consumers, producers or contributors) would cover a range of 'replies' that would be deeper, more coordinated and much more *revealing* than the occasional and episodic operatinality of the markets.

And indirect participation as well, by means of subjects called to representative roles, whether 'public' (elected by the legal political bodies) or 'private' (various category associations and social groupings), could be greatly improved. In particular in making explicit and transparent the motivations and implications of the votes of the representatives (consulted permanently in all decisional fields) and the technical constraints of compatibility between the various decisions.

The coordination, selection, executive control which strategic planning implements are, in fact, essentially ways in which an attempt is made to 'rationalize' individual choice as well, either directly or through representatives, relating them to the possible structural constraints and contradictions. This 'rationalization' would be no other than making the operatinality of the social bodies more aware, less instinctive, and more 'intelligent', without having to lessen their participation by means of only a 'technical' management of planning. And it would have the role of educating the capacity for choice and democratic responsibility of the citizens.

But an information system on the preferences of citizens and their representatives may only function when a system of planning founded on suitable decision and procedure models is in existence.

From this point of view, the development of a modern system of strategic planning constitutes an improvement of the level of citizen participation in the management of society overall, and thus of the degree and quality of democracy of a political system.

**Another excerpted chapter from this book, [The Associative Economy](#), is [Chapter 11: Beyond Capitalism?](#)**

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<sup>1</sup>In fact some doubts deserved to be admitted here since, given the current state of growth and expansion of the public sector, one may still speak about a "visible hand" on the basis of the traditional consideration of the formal explanation of public intervention (decisions of the representative organs, and manifest rigidity in the decisions themselves and connected management). The agents which in a complex modern society operate in the public name, and which may have general economic relevance, are so numerous that the public sector has become almost as "pluralistic" as the private sector. And the coordination of decisions in this sector, is as difficult as a "visible" hypothetical coordination of the private sector. It is therefore very probable that the recourse to the concept of "invisible" hand of the market, in order to realize a sort of spontaneous coordination between the operators, may be applied today with as much plausibility to the set of operations undertaken in the public name.

<sup>2</sup>Wider reflections on the subject are in the book by Fred Hirsch, (1976) on the "social limits to development".

<sup>3</sup>Leontief on the one hand (1976), and Frisch (1976) on the other, have written memorable pages on this argument.

<sup>4</sup>On this argument, the reader is referred to Stuart Holland's considerations in the paper included in the collective volume *Beyond Capitalist Planning* (Holland, 1978) and reconsidered in the book *The Global Economy* (Holland, 1987).

<sup>5</sup>Jan Tinbergen's fundamental and, at the same time, simple booklet on "central planning" (1964) is totally exhaustive in this regard.

<sup>6</sup>This was an attempt which was made in the 1960s in all Western countries, and which was killed by the (petrol) crisis of the 1970s. That attempt, of which there have been timid and uncertain "renewals" a little everywhere, has not yet found the correct way of consolidating the practice. And yet I consider inevitable even only a slow (as in all 'organic processes') evolution towards central and systemic (multi-level) planning, if we wish to lead the way to a more efficient political organization of the community.

I have been personally connected with the Italian experience of "Progetto 80" (1968-9) which configured a "central system of programming" (see Ministero del Bilancio e della Programmazione Economica, 1969). This system has been further described by Giorgio Ruffolo, the inventor and coordinator of Progetto 80, in a more recent book (unfortunately available only in Italian) on the "social quality and the new ways of development". (Ruffolo, 1984).

<sup>7</sup>On the inappropriateness of instruments founded on aggregate models the reader is referred to the important works developed within the

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Economic Commission for Europe of the United Nations (UNECE, 1967,1970,1975). But also the models of Frisch (1976) and of Leontief (1976) are motivated along these same lines.

<sup>8</sup> On this argument I would refer the reader to one of my writings, presented at the UNECE Conference (Moscow, 1974) mentioned above, on a "system of models for planning", (Archibugi, 1974), and repropose - in a corrected and updated version - at the XII International Input-Output Conference (march, 1993, Seville).

<sup>9</sup> An interesting matrix of the different degrees of centralization in the expression of preferences on the one hand, and in the allocations of resources, on the other, in which one can find a cross-section of 9 typologies of systems of planning, is a work executed within the framework of utilization of advanced technology for planning in the UNECE, mentioned above (in particular, see Margolis and Trzeciakowski (1970). As appetizer, see Table 13-1.

<sup>10</sup> See Shonfield & Shaw, (1972).

<sup>11</sup> The existence of such a "market" has, for a long time, and repeatedly, been placed in doubt by the theory found in the literature. One of the most recent and complete studies is found in Holland (1987).

<sup>12</sup> We have already given (chapter 4 para. 3.2) an appraisal of the wide debate and discussion on new "integrated" socio-economic accounting, which is useful both for the concrete implementation of planning choices and decisions, and, at the same time, for the concrete measuring of socio-economic development (and, consequently, cohesion). Three main exercises in the socio-economic extension of the SNA (System of National Accounting) have been proposed in the past two decades. For more information on the entire spectrum of initiatives and approaches toward new socio-economic accounting, see a symposium by the Social Research Institute (Land & Juster, 1981), and, more recently, Archibugi & Nijkamp, eds. (1989) and a recent bibliographical survey by the Planning Studies Centre on "Indicators and Accounting for Planning" (Cicerchia, ed., 1993)

<sup>13</sup> I am taking up here some old concepts expressed from as far back as the 50's, but which the immobilism of the trade unions on the one hand, and the absurd mental "closure" of the pseudo socialist states (and the satellite political "cultures") on the other, for over thirty years, now render even more highly topical (see a paper of mine given at a seminar of the International Confederation of Free Trade Unions (ICFTU), 1958 on "The Trade Union and the State", Archibugi, 1958a).

<sup>14</sup> On the role of the consumers movement in post-industrial society, see the more detailed considerations in one of my writings (Archibugi 1987)