

slučaju? Očekivano ponašanje radnika nije tako jasno i jednoznačno određeno. Veoma je verovatno da će se u takvom slučaju umešati društveno-politička zajednica jer su preduzeću potrebne izvesne dotacije. Ovaj slučaj ne treba analizirati samo sa društveno-ekonomskog, već i sa političkog aspekta. To, međutim, nije eksplicitno učinjeno u ovom članku.

Ovaj članak predstavlja prvi korak u pravcu obuhvatnog razumevanja i objašnjenja struktura i funkcionisanja ukupnog društveno-ekonomskog sistema planiranja u Jugoslaviji. Stoga, za ovim člankom treba da sledi analiza srodnih tema koje se, između ostalog, odnose na (1) mehanizam ili proces usklađivanja interesa OOUR-a unutar radne organizacije; (2) strukturu i funkcionisanje dogovaranja i zaključivanja samoupravnih sporazuma o osnovama planova; (3) uloga društveno-političkih organizacija u planskim aktivnostima; (4) makroekonomska analiza celokupnog sistema društveno-ekonomskog planiranja u Jugoslaviji.

THE FORMATION AND DISTRIBUTION OF INCOME OF AN ECONOMIC UNIT (B. G. A. L.) IN YUGOSLAVIA

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INTRODUCTION

Every economic system, whatever it might be, is founded on a definite social philosophy and organized in a definite organizational structure which shapes its anatomy. Both of them are very important and very often take the bulk of discussions connected with comparative economic systems. None of them, however, can be understood properly without its physiology, the way the national income is actually distributed and allocated within it.

The socialist self-management economic system, at least as it is understood in Yugoslavia, is based on social property of the means of production, the management of economic and other processes by those who work within them (self-management) and on distribution according to work performed. All those characteristics today play their parts in the framework of the market economy as an objectively-determined necessity. Since there is no monopoly on resource use and management, the economic units show a different pattern of behaviour. Based on the need and will of workers to make their living together, the economic units may be qualified as *organizations of associated labour*. The elementary ones between them — the smallest ones whose results may be and usually are sold at the market or within larger organizations of associated labour — therefore may be determined as *basic organizations of associated labour (BOALs)*.

Since both the workers and the BOALs they work in make their living out of the income the BOAL acquires, the functioning of the self-management economic system can be best understood through the formation and distribution of BOAL income.

Income formation and distribution have not been conceived in the same way in both the economic theory and practice of Yugoslavia. Many disputes take place about this in Yugoslavia. Some economists even completely rejected the very possibility of BOAL rational operation, other than the one based on wages determined on the labour mar-

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ket and profit as the main criterion of BOAL activity. However wide-spread and convincing these concepts may be, they just cannot help much toward understanding the present-day functioning of the Yugoslav economy. Since it is undoubtedly based on the income of basic organizations of associated labour, as a primary category of the whole economic system, this paper will deal with the actual formation and distribution of income of a BOAL, without any pretension of going into a general theoretical debate.¹⁾

1. Income earning (or primary allocation).

As the Yugoslav economy is organized according to the principles of market economy (the synonyms for this notion in Yugoslavia are commodity economy and commodity production), the most general way of income earning is the sale of goods and services. Bearing in mind that basic organizations exist not only in economic but in social activities as well, the possibility of pooling labour and resources by basic organizations is founded on joint business programmes and development, as well as, on the necessary exceptions from the general conditions. The basic organizations of associated labour may earn income in the following ways:

- a) through the sales of goods and services on domestic and foreign markets, or within the framework of a work organization (if there are more BOALs organized within it);
- b) through its share in income, jointly realized by the pooling of labour and resources;
- c) through the free exchange of labour;
- d) through compensation, subsidies, premiums, grants and on other accounts determined by law, self-management agreements and/or contract in conformity with law.

Of all the modes (the usual expression in Yugoslavia is basis) of income-earning, the least explanation is probably required by the first (a) and the fourth (d), as they can be met with a more or less exposed role in the economic systems of other countries. Nevertheless, even here certain explanations are necessary.

a) *The sale of goods and services of a basic organization* is today the basic and quantitatively the most wide-spread mode of income-earning. The notion sale should thereby be understood in the real, economic meaning of the word, namely, in the function which it has in an economy where the market is an active mechanism in coordinating productive possibilities and social needs through the game of supply and demand. Therefore, money is not only the means of account and

¹⁾ I formulated my own conception about these issues in the paper's: *Income, Personal Earnings and Material Incentive*, Socialist Thought and Practice, Belgrade, 1974, No. III; *The System and Policy of Income*, Socialist Thought and Practice, Belgrade 1977, No. 6; *Distribution according to Work and Commodity Production*, Acta Oeconomica, Hungarian Academy of Sciences, Budapest, 1977, No. 3-4 (all of them in English) and, in the most developed form, in the book *Principi i politika dohotka*, Radnička štampa, Beograd, 1976 (in Serbo-Croat).

control, as it used to be looked upon for a long time and is even today likewise looked upon in some socialist countries, but also a measurement value, the turnover and means of payment in the real, economic sense of the word. Accepting the necessary exceptions at places where there is space for them, the general rule of economic life in Yugoslavia is that to sell or not to sell means the same as to produce or not to produce. The openness of the Yugoslav economy towards the world thereby contributes to the real meaning of these words, as Yugoslavia exports approximately one-quarter of its social product and imports about one-third of the goods for its overall consumption (the difference is made by — on her level of development necessary — deficit of trade balance). The fact that the Yugoslav dinar has lately approached the convertibility of other foreign currencies acts in the same direction. Finally, the demand of Yugoslav citizens, as they can go abroad for an unlimited number of times and each time they can export the sum of 1500 dinars (about 90 US dollars, and if they own foreign currency they can export it without any limitations) may be to a great extent turned towards the commodities of other countries. That is why the sale of goods and services in Yugoslavia is not a formal but an essential question which compels the basic organizations to follow technical development, to improve organization and to raise the productivity of labour, as they can only earn income in this way.

b) *Premiums, subsidies, compensations, grants and similar expenditure items* are institutions akin to those that exist in other countries. Accepting the market economy as an objective necessity, the Yugoslav society does not make a virtue out of this necessity but rather, due to objective possibilities and socially-verified needs, provides exceptions in all those activities which are of special interest to the economy and the society as a whole. These are premiums in some places (with products such as milk, meat, etc., as well as with the export of some products), in others they are subsidies (for example, for the utilization of artificial fertilizers), in still others compensation (for the products whose prices are kept under the economically-real level due to social reasons), and in some places grants (with railways and some other public services as well as in the case operating at a loss in those organizations that have general social significance). Misunderstandings and disagreements arise from time to time regarding some of these expenditure items because the interests of particular organizations, as well as regions are not identical at every point but are sometime contradictory. Such cases are, however, solved either by self-management agreements made by the organizations themselves, or through compacts among communes, provinces and republics, without endangering these institutions.

c) *Earning income by sharing in jointly-realized income* is one of the fundamental novelties introduced into the economic system of Yugoslavia by the Associated Labour Act. The introduction of this institution was thereby motivated by the necessity of creating an organic unity between the market economy, on the one side, and the specific traits of socialist production relations (above all, distribution according to work performed), on the other. As the income which a basic organization earns does not only depend on its labour but on other

circumstances too, distribution according to work performed may be achieved only if the treatment of income as an object of social ownership is ensured. During a rather long period of time, practically as far back as 1971, when interest on the business fund was repealed, income was realized so that besides a basic organization (work organization) itself, the society as a whole, at that stage — the state, participated in it. However, the Constitution of 1974, rejected this interpretation of income as having a social nature because such a participation is, in the end, the result of some higher way of acquiring the means of production in respect to the one which is realized in an organization of associated labour. What is also crucially important is that it is not based on work performed. In the later stage, the social character of income was interpreted as if somebody else had to determine the regulations according to which income should be allocated for various purposes, as it used to be done through the social compacts on income distribution in 1972, when these regulations were determined by the executive councils (governments) of the republics and provinces, the republican and provincial councils of the trade unions, and by the republican and provincial chambers of economy. Since, according to the Constitution of 1974, relationships among organizations cannot be directly regulated through social compacts, the question was raised of how to ensure the social character of income under the new conditions?

The Associated Labour Act determines it in two ways. On the one side, there are the principles of income distribution which the organizations of associated labour themselves directly regulate through their own agreements, on the other side, it is quite another way of understanding income-earning itself. The experience of acquired knowledge has shown that even if regulations for the allocation of income were ideal, they would not be able to eliminate all deviations and undetermined elements in income-earning. The Act establishes the pooling of labour and resources, and therefore realized joint income, as a new possibility of income earning. Relevant to the domestic and foreign markets, in order to adapt to them and to endure their oscillations more easily, the organizations pool labour and resources and jointly produce and sell certain material goods and services. Thus earning joint income and distributing it in conformity with mutually-established regulations, each of these organizations earns its own income. Depending on collectively-estimated needs, income is allocated for different purposes in each of the organizations and is distributed in accordance with them.

Said in a simpler way, this is what the Act provides: income is socially-owned, but not in the sense that, besides a basic organization, somebody else shares in its allocation, but it is social property because it is earned, allocated, divided and finally consumed as real dependancies among organizations in its creating dictate. The interlinking of income creation (the pooling of labour and resources) with its earning, allocation and consumption, is therefore one of the essential innovations contained in the Associated Labour Act.

Jointly-realized income appears in two variants — as joint gross income (revenue) and as joint (net) income.

1° *Joint gross income* exists when two or more basic organizations of associated labour pool both labour and resources, and/or when, on the grounds of division of labour and the specialization of some productivity programme, they jointly manufacture certain material goods or offer certain services; through the sale of these goods and services they earn joint gross income and by distributing it each of them earns their own gross income (and income contained in it). Such association is determined by the self-management agreements of the basic organizations. Self-management agreements regulate conditions for the pooling of labour and resources, the principles of joint gross income distribution, the scales of joint gross income distribution, the mode of plan coordination and other questions of common interest, the relationship towards third partners, and other questions concerning the conditions and the mode of breaking self-management agreements.

What is essential thereby is that, for manufacturing organizations of associated labour, this is *only a possibility*. They can, but need not, transact business in such a way, even if they are mutually, essentially or even entirely interlinked (one of them delivering the whole of its production to the other). For the relationships between trade organizations of associated labour and those manufacturing organizations that they are more broadly and continuously business-linked, it is an *obligation* under certain conditions. The Yugoslav society has decided on that solution since historical experience has shown that trade in socialism cannot be reduced to the physical distribution of goods, as was formerly supposed, but also that it must not become an end unto itself. It must not be guided only by the interests of its own profit, not even when the producers of the goods it has earned the profit on go bankrupt or suffer losses.

It is therefore important to mention that the relations in income-earning by sharing in the joint gross income must be equal before the law, and that every organization shares in the jointly-realized income, *proportionately to the contribution it has made in the realization of that income through its total, current and past labour*. In other words, this is sharing by its labour power as well as by the engaged means of production and/or other activity. The self-management agreements of the organizations themselves determine *the scales for the joint gross income distribution*. These can be the market prices of the goods and services in mutual turnover (corrected in advance on the ground of established regulations), the internal or agreed prices of these goods and services (also with respect to market prices), and the percentage distribution of joint gross income. Besides these basic ones, some amendments and/or corrective scale are used, such as internal compensations, internal egalitarian funds, different forms of solidarity on the level of joint production, and so on.

2° *Joint (net) income* exists when one organization pools labour and resources (in other words, works, produces or performs services) and another pools only resources (or more precisely, invests its resources in the former). This case corresponds to joint investments, to the so-called *joint ventures* in other countries. The fundamental rules in the previous case (joint gross income) are valid here, too, but there are also certain limitations. From the income which has

been realized in the organization which uses pooled resources, the resources for workers' personal incomes and collective consumption must first be allocated in this organization, in the amount determined by the self-management agreement of both organizations. Thus, between the organization that uses the resources and the one that has invested them, only the remaining part of income is allocated. Second, the organization which uses another organization's resources always shares in the distribution of that residual part of income, even if it has pooled no resources whatsoever itself. This deviation from the rules, as applied in other countries, is in line with the already-mentioned general attitude that with the pooling of labour and resources, income is distributed proportionately to the contribution that each organization has made through its total, current and past labour. It is therefore considered that the organization which uses pooled resources has created more than the sum represented by its workers' personal incomes and collective consumption, and should thus share in the accumulation, too. Thereby, it is confirmed that in this case hired labour does not exist, but rather an equally righteous, self-managing relationship.

The organization which has pooled and/ or invested resources has, on its part, no right to get these resources back as well as the right to a certain restitution for the utilization of its resources. The returned resources must be immediately included in its business fund, from where they originally came.

The compensation for the utilization of joint resources, in fact the share in the joint income based on pooled resources, for its part, is included in the income of that organization and is submitted to the same treatment as the income that the organization has earned on other grounds. This means that it cannot be entirely consumed on workers' personal incomes. The time when the resources should be returned and the amount of compensation decided by the basic organizations themselves by means of their agreements, provided that the compensation might be suspended when the joint resources are returned and/or at the expiration of a time limit that has been determined in some other way. The termination of share taking must at any rate be stipulated in the agreement itself, otherwise the agreement is considered annulled and legally invalid. The amount of compensation, finally, may be determined in advance (in this case it must not surpass the amount of interest according to the maximal lawful interest rate), or it may depend on the amount of the jointly realized income, in which case such a limitation does not exist.

By way of both the former and the latter forms of pooling of labour and resources, the contemporary Yugoslav economic system tries to make operational the strategic determinations of Yugoslavia as a socialist, self-management community, to direct the basic organizations to broader and more intensive interlinking in order to raise and strengthen not only the productive possibilities of the country but also to realize a higher level of the socialization of production and life in general. Only in this way, on these new grounds, can the unique social consciousness of the country as a whole be created and so gradually realize Marx's vision of a society that is represented by »a commu-

nity of free individuals, carrying on their work with the means of production in common, in which the labour-power of all the different individuals is consciously applied as the combined labour-power of the community«.²⁾

d) In this sense the *free exchange of labour* should finally be understood as one of the bases for income-earning in the contemporary Yugoslav economic system. Following the logics of associated labour, the Yugoslav system rejects not only every differentiation of the socio-economic position of workers in respect to the kind of activity they perform but confrontation as the mode of their mutual communication as well. According to it, associated labour is neither divided into spheres — economic and those of other social activities — nor into sectors inside each of them. On the contrary, associated labour is a unique whole, inside of which every part has its function and on its grounds for existence.

Such determination is not accidental. If education, health, culture, science, social welfare and other activities are, for a normal and balanced personal and social development, of equal importance to production and trade, and they certainly are, then even the mode in which the organizations in these activities earn their income must be basically the same as it is in economic activities. Such determination has been achieved from the income realized in economic organizations of associated labour (as only in them material goods and thereby value-added, that is, income, are directly created). This is considered to be not only the result of their labour but the result of the organizations of associated labour in the sphere of social activities. In conformity with such an interpretation, the organizations of associated labour in the sphere of education, science, culture, health, social welfare and other activities, earn income from the income of other (economic) organizations of associated labour, "in proportion with the contribution made by their labour to the generation of value-added in material production, the rise in the production of total social labour and the development of society as a whole". In view of the fact that the harmonious development of the former and the latter is realized on the grounds of the coordinated needs and possibilities of economic and social organizations, and their mutual relations are expressed as the movements of labour and the results of labour from the former into the latter, this mechanism is in Yugoslavia called *the free exchange of labour*. It is either realized through direct interlinking of the organizations belonging to the former and the latter sphere, or through *self-management communities of interest*, where questions of mutual importance are decided by the organizations giving the resources, the organizations performing the services, and the workers and/or citizens making use of these services. Although presently in its initial stage, the free exchange of labour should perspectively overcome the mediation of the true mutuality of interests of the working people in all activities up to the level of the society as a whole.

²⁾ K. Marx, *Capital*, New York, 1906- p. 90.

2. Allocation of Income (secondary distribution)

As the national income is, for the economy of a country as a whole, the source and the upper limit of all the forms of its consumption, the income of a basic organization of associated labour means the same. The organization may enlarge the scope of its consumption, in short the terms, on account of reserves as well as on account of credits; but viewed in the long term, it must move within the frames of its income. Since the national income, abstracting deviations due to the treatment of the payment of turnover tax, duties and other taxes (these are, in conformity with law, treated as material costs) finally consists of the incomes of the basic organizations of associated labour in the economy, the allocation of income, understood as the determination of subjects and as the determination of the purpose of its utilization (allocation); has always occupied an important place in the socialist economic system. According to the mode in which it has been determined, the real part of a worker in economic and total social life may be identified. Therefore, we indicate here, only in short, how it is organized according to the SFRY Constitution and the Associated Labour Act, by means of other acts, as well as in line with social compacts and self-management agreements.

As far as the holders or, more exactly, the subjects of income are concerned, the fundamental ones among them, in conformity with character of the system as a whole, are the workers organized into basic organizations of associated labour. In this sense, Article 17 of the SFRY Constitution determines:

"Total income resulting from the joint labour of workers' in a basic organization of associated labour from total social labour — earned through various forms of the labour and resource pooling on the basis of the action of market laws and of the conditions of income earning socially determined on a self-management basis — shall be decided upon by the workers in basic organizations of associated labour in conformity with their constitutional rights and responsibilities towards other workers in associated labour and toward, the social community as a whole".

Other subjects, too, share in the income allocation of a basic organization of associated labour — socio-political communities, other basic and other organizations of associated labour, as well as work communities. However, their right is derived and may appear only if it is provided by law or on the basis of law, if it is accepted by a self-management agreement or a contract with an organization. Bearing in mind the share of these subjects in its allocation, it may be taken that a basic organization's income is allocated in two phases. These concepts are differently denoted in the Act, too.

The first phase is represented by the *allocation of income*, a process which is, in theory, usually denoted as redistribution of national income between those that have primarily earned it and other social subjects. According to Article 110 of the Associated Labour Act, the income of a basic organization is allocated for twelve different purposes. For a general analysis, these purposes can be classified into four basic groups, which are the following:

1° *Obligations from income for general and joint needs*, classifying the obligations to the organizations of associated labour which perform activities in the spheres of health, education, culture, science etc; the obligations which ensure workers' social security (if these are covered directly from income, because some are paid out from personal incomes); obligations concerning the satisfaction of general social needs (administration, judiciary, army, and so on); fines for economic violations and infractions; government stamps in administrative proceedings and court and other expenses for the fulfillment of statutory obligations, no matter whether these were determined directly by law or by self-management agreement of contract.

2° *Agreeing and contracting obligations from a basic organization's income* where obligations towards work communities (financial, legal, bookkeeping and other services) are classified and which perform affairs of common concern for a basic organization with some other basic organizations; insurance premiums for social property, membership fees and/or contributions to chambers of economy and other general associations of organizations of associated labour, and so on. This also includes expenditures for economic services incurred by some other organizations, if, according to regulations, these are not considered to be the composite parts of material costs;

3° *expenses of a basic organization from income* for those forms of consumption within an organization itself which are not composite parts of its activity but are significant as much for this organization as for the society as a whole. This category includes expenditures for the conservation, improvement and protection of the human working and living environment (if it is not provided by law to be recognized as a part of material costs); and expenditure on total national defense and social self-protection;

4° *net income of a basic organization and depreciation expenses accounted in excess of statutory minimum rate* as the part of income that an organization itself directly disposes of for its own needs.

It follows from these classifications that the content of income distribution of a basic organization in the separation of the part of income which belongs to other subjects from the net income, that an organization independently disposes of, with the fact that net income can rightly be added depreciation expenses accounted in rates that exceed statutorily-prescribed ones, so that an organization by accounting high rates of depreciation expenses should not diminish the dimension of its net income and thereby the social obligations out of it. In this sense, income distribution, if the expenses from point 3 are neglected, can be compared with the part that redistribution of national income plays in other systems. Bearing this circumstance in mind, this stage was previously called *distribution of income* in Yugoslavia. During work on the Associated Labour Act, however, it was decided that the name should be changed for reasons, that are not of a formal but rather of a content nature.

The concept of distribution (even redistribution) of income denotes the division of income into different subjects, or the taking over of one part of income belonging to one subject by the decisions of another subject. According to the intentions of the Associated Labour Act, the allocation of income is not of such a nature. Its basis is not the confrontation of the parts of social structure — economic organizations of associated labour, organizations from the spheres of health, education, culture, and overall social institutions (administration, judiciary, army, and the like) — but rather their direct interlinking. Since the allocation of some parts of income for some particular non-economic purposes does not result from onesided decisions of the subjects in economic organizations of associated labour, but is realized through their joint decisions, the real meaning of this process is the *allocation of income*. In this process, in fact, the direct connection between economy and non-economy is hidden. From the viewpoint of economic organizations this appears as the allocation of their income; from the viewpoint of non-economic ones, it is the earning of income through the share in the income of economic ones and/or, as has already been mentioned, through the free exchange of labour between the former and the latter. The intention of the law and the social reality are not the same; not only significant differences but a certain degree of alienation exist between those two spheres of social life. Observing perspectively, their direct interlinking is not only possible but necessary as well, as otherwise neither the efficient development of the former or the latter can be achieved, nor stable overall social development.

Nevertheless, taking into consideration the realities of life, the law differentiates two kinds of income allocation in the process of its distribution; satisfying collective needs (health, education, culture and so on) and satisfying common social needs (administration, judiciary, army and etc.). Although the principles of the free exchange of labour equally refer to both sectors, it is today realized in a fuller sense in the first sector as the joint interest is easier to identify here and therefore it is simpler to establish a direct connection. That is the reason why organizations in the economy and organizations performing other activities decide on the amount of money allocated from income, either alone, directly, or within the frame of self-management communities of interest. The sharing of the assemblies of socio-political communities (parliaments) is necessary here only to ensure that the overall allocations from the income of economic organizations move within reasonable limits, so that developing abilities are not endangered. With the so-called social needs, however, common concern is more meditative. Therefore, the decisions on allocation from income are made here in the form of an act by the socio-political community assemblies, but again within the limits provided by the plans of development so as not to discourage the development of the economy. This is the only way to create the rise of income as a basis for a higher level of satisfying all social needs.

Bearing in mind the variety of these two needs the law differently determines the limits of their share in the income of a basic organization. According to Article 112 of the Act, namely, »Obligations in collective needs«, (education, health, culture etc.), »shall be determined

in line with the movement of gross material product and the productivity of total social labour, within the limits set by the plans of socio-political communities«. The obligations of a basic organization from its income in connection with the satisfaction of common collective needs are, for their part, established »in accordance with the economy's capability — in line with the level of productivity of total social labour attained and in conformity with the requirements of material and social development corresponding to the economy's possibilities and to the long-term interests of the development of the productive forces of society and depending on the ability of organizations of associated labour in conformity with the general obligations of the economy and the results of labour and success achieved by them — to ensure the satisfaction of personal and collective needs of workers and the needs of expanded reproduction«. Translated into fiscal language, this means that the financing of activities for the satisfaction of collective needs, as a rule, is shared by all those whose needs are satisfied, most often according to the proportionate rates; for the financing of general social needs, there may be some exceptions, too, and different rates (payment of turnover taxes, customs dues, and the like), and even progressive rates in some cases.

Having in mind the objectively-present possibility that, due to the multiplicity of subjects, the basis for allocation from income and the needs which are met by it, partially determined allotments from a basic organization's income are formed unreally, as well as to ensure that a basic organization in the whole process remains the fundamental subject disposing of its income, Article 113 of the Associated Labour Act provides: »In order to create conditions for workers in deciding on obligations concerning the satisfaction of collective needs and general social needs to gain an insight into the possibilities of basic organizations and their development needs, proposals for the determination of such obligations shall, as a rule, be simultaneously and once a year presented to workers in basic organizations to express their views thereon.«

3. Allocation of net income (tertiary distribution)

The second phase of income distribution is represented by the *allocation of net income*. Considering the described general meaning of the concept of allocation in the Yugoslav economic system, it represents decision-making by workers in a basic organization of associated labour on the kinds of specific purposes that its net income is allocated for. The net income of a basic organization is allocated for four basic purposes — for personal incomes, for collective consumption within the basic organization, for the promotion and expansion of the material base (i.e., reinvestment), and for the creation and renewal of the fund of reserves of the BOAL. Since resources for the promotion and expansion of the material base of labour and resources for the creation and renewal of the fund of reserves, according to the Article 141, together denote *accumulation*, and resources for personal incomes and for collective consumption are, with respect to all the taxes and

other obligations towards society, treated in the same way because they serve the same purpose — the maintenance and the renewal of the worker's personality, it may be taken that net income is divided into two purposes:

- a) resources for personal incomes and collective consumption of workers (that is, for personal, non-productive or real consumption as it is often called), and
- b) resources for accumulation (that is, productive consumption).

The net income allocation of a basic organization is regulated by two modes: first by establishing the grounds and scales for the allocation for earmarked purposes from net income, and second, the establishment of the levels on which the grounds and scales are consolidated as well as the mutual relationship of the enactments through which this is performed.

Grounds and scales for the allocation of net income are, first of all, regulated according to previously-determined basic purposes, for personal incomes and collective consumption, on the one side, and accumulation on the other. The first paragraph of Article 116 of the Associated Labour Act provides:

»Workers in a basic organization shall allocate part of the net income of the basic organization for personal incomes and collective consumption proportionately to the contribution they have made to the realization of the basic organization's income with their current labour and through the management of and doing business with social resources«. The paragraph of the same article also provides:

»In allocating net income, workers in basic organizations shall be bound to allot resources for the promotion and expansion of the material base of, and for the creation and renewal of reserves in line with the nature of, the activities performed by basic organizations and the role they play in social reproduction, with a view toward realizing social reproduction in the basic organizations and society as a whole, while ensuring the fulfilment of development aims as determined by self-management agreements and compacts on the outlines of plans and by other self-management agreements and social compacts«.

As can be seen, the allocation of net income is determined by quoted provisions in a principled way. On the one side, the workers in a basic organization have rights to the resources for personal incomes and collective consumption, in the amount which is proportionate to the contribution they have made to the realization of the basic organization's income with their current labour and through the management of and doing business with, social resources. Such a concise provision, in the sphere of distribution, expresses the fact that in a socialist, self-management system, labour and management are not separated by class division; that management is nobody's monopoly but rather a constituent part of labour, so that resources for personal incomes and collective consumption in a basic organization must express both; labour as the performance of certain productive and other

operations, and labour as the management of, and doing business, with social resources.

As for accumulation, it is significant that the Act treats the allotment of these resources as the workers' right and duty, but the amount of allotment that belongs to accumulation, besides the scope of net income, depends on the nature of the organization's activity, too, on the role it plays in social reproduction and the development aims which it has accepted and determined together with other organizations through the self-management agreements and social compacts that are the foundation of plans in Yugoslavia. According to the Associated Labour Act, workers in a basic organization allocate part of their income for these purposes, starting from their rights, obligations and responsibilities to, in their common and general concern, constantly renew, expand and promote the material base of their own and the overall social labour and ensure the necessary reserves. Therefore, the duty in question is not an outwardly imposed obligation but an expression of the worker's and his basic organization's social position.

As to the enactments that regulate the grounds and scales of net income allocation, according to the Associated Labour Act they appear on four levels — on the level of a basic organization, on the level of a work organization (basic organizations are due to become associated into work organizations and if a work organization is exceptionally constituted of only one basic organization, in that case it has the function of both the former and the latter), on the level of group, branch or economic sphere, or within the reproductive complex and on the level of socio-political communities (commune, province and republic).

The enactments which regulate the grounds and scales of net income allocation as well as other relations in the sphere of income, bear one name: »self-management general enactments«. Practically speaking, the enactments adopted on the first three levels are most often self-management agreements, while the fourth ones are usually social compacts. Among them, the most important is the first enactment, by means of which a basic organization of associated labour itself determines the grounds and scales of net income allocation of a basic organization, as only this enactment is directly applied. By means of other enactments, the behaviour in respect to net income allocation with other basic organizations is coordinated. That is why self-management agreements above the level of basic organizations, in a work organization and wider, are called *self-management agreements on common grounds and scales* (for the sphere they refer to). For the policy of net income allocation, the enactment adapted in a work organization is extremely important since, according to Article 115 of the Act, it is determined that the self-management of a basic organization itself adopts »in conformity with the self-management agreement on the common grounds and scales concluded by workers in a basic organization with workers in other basic organizations operating within the same work organization«.

Besides this agreement, the workers in a basic organization may conclude (and they, as a rule, do so) self-management agreements with other basic organizations (operating within the branch, economic field or reproduction complex) as well as social compacts (within socio-po-

litical communities). Considering the common interests which exist the frames in which these enactments are signed, and considering the comparability of the working conditions (in the branch or activity) or the conditions of life (in a socio-political community), by means of these enactments the grounds and scales of income allocation may be coordinated. Bearing in mind the lower degree of dependence which exists in these wider frames, the system is there less strict as to limitations because it provides that the enactment of a basic organization »can neither be contrary« to those wider concluded self-management agreements, nor to social compacts.

As can obviously be seen by the mechanism of the economic system, the policy of net income allocation is prejudiced by nothing, nor can this be made in Yugoslavia by any enactment except with the enactment of a basic organization itself. Thereby the Act provides the mechanism of reacting to behaviour which is not in line with the nature of income as the object of social ownership. If an enactment is not in conformity with the self-management agreement on common grounds and scales, within the frame of a work organization »the competent organ of the socio-political community may order measures applicable in cases requiring social protection of self-management right and social property, under the conditions and in the way determined by law«. If an agreement or any other enactment of a basic organization is contrary to the agreement concluded by that organization with other basic organizations operating outside the work organization, or is contrary to a social compact, according to Article 115 of the Associated Labour Act »proceedings may be instituted before the court of associated labour«.

By a combination of positive provisions, which start from the fact that the subject of decision-making is a basic organization itself, with the reacting mechanism of other basic organizations and social communities, in the allocation of income there is a possibility of forming an overall social conscience which is not only, such in name, but also by the mode it is created and realized. The process of forming such an overall conscience of society is, quite understandably, neither easy nor simple; difficulties and deviations are present, but there is no doubt that such a conscience may be constituted, protected and realized on self-management grounds.

Let us finally mention that according to Article 124 of the Act, the part of income which is the result of exceptionally favourable circumstances (natural or market conditions, the measures of the economic policy and the like, which is more closely determined by law, social compact or self-management agreement) are used »for the development of the basic and other organizations of associated labour in which it has been realized, unless it is provided by law that it shall be used for the development of the material base of associated labour in the commune, republic or autonomous province concerned«. The same Article provides that the part of income may be wholly or partly entered into the joint reserves fund, or that it may be used in some other way within a work organization or a composite organization into which the basic one is associated.

4. Distribution of Resources for Personal Incomes

The process of income distribution ends with the distribution of resources for personal incomes. The rights of basic organizations of associated labour are the widest in this sphere, because the mode in which the principle of distribution according to work performed will be realized is one of the fundamental principles of socialism: Those who work together can determine it most exactly. That is why the Act does not go into the determination of grounds and scales for the distribution of resources for personal incomes, but only determines some general rules that the organizations must conform to in respect to this matter. In logical order, these rules can be classified into several basic principles.

a) The source of personal income resources, as has already been shown, is the income or net income of a basic organization. Therefore, the distribution of resources for personal incomes must be such that it promotes its activity and encourages associated workers both to better individual labour and to being interested in the labour of other workers in a basic organization as a whole. Considering this dependence, all the scales for resource distribution for personal incomes are of relative character, they refer to the part of net income allocated for that purpose as this cannot be continuously paid out from other sources.

b) As for scales for resource distribution for personal incomes, they are only principally stated, determining that workers' personal income is determined: (1°) according to the results of his labour, (2°) according to the contribution he has personally made with his current labour and the management of and *doing business* with social resources, as well as his own and social past labour in increasing the income of his basic organization, (3°) in conformity with the principle of income distribution according to work performed, (4°) proportionally to the rise in the productivity of his own labour and the labour of workers in other basic organizations with whom he has pooled labour and resources, and to the rise in total social labour; (5°) besides applying the principle of income distribution according to work performed, also the principle of solidarity, primarily through utilization of collective consumption resources, with the aim of sharing in the satisfaction of the specific social and other needs of workers in lower income brackets and of members of their families. Closer scales, by which these principles are concretized, are determined by the basic organizations themselves. It is thereby essential that a worker's labour, as the performance of certain productive or other operations, as well as his labour as management of and *doing business* with social resources, makes his contribution to the rise of the income of his basic organization. It is especially provided that a worker is entitled to a special reward if he has contributed to increased income through innovations, rationalization and forms of creativity in work, which is quite understandable.

c) In conformity with the Associated Labour Act, every worker is, on account of his labour, guaranteed a personal income »at least to a

level which ensures his material and social security» (guaranteed personal income). The amount of guaranteed personal income is determined by workers in a basic organization, by their self-management agreements concluded with workers in other basic organizations and with social compacts, in line with the general degree of social labour productivity and the general conditions of the environment in which the worker works and lives.

Guaranteed personal incomes have priority in net income allocation. If, from the net income realized by a basic organization, it is not possible to pay out the guaranteed personal incomes (in which case it is considered that an organization has operated with a loss), the difference can be made good successively from the basic organization's reserves fund and/or from the joint reserves fund of a work, composite or some other organization of associated labour within which the basic organization operates, in conformity with the self-management agreement on association and finally from the joint reserves fund formed for the territory of socio-political communities (the commune, autonomous province, republic). Guaranteed personal incomes are covered from the latter only to the amount prescribed by law, while a basic or any other organization may, by its self-management agreement, prescribe even higher guaranteed personal incomes and be responsible for their payment.

d) Having in mind the necessity that the scales for the distribution of resources for personal incomes should be known in advance because of the workers' security and because of the possibility of their wider social verification, the Act prescribes that workers in a basic organization are bound to determine the grounds and scales for the distribution of resources for personal incomes. If they fail to do so within the term prescribed by Law (January 1st 1978), and/or if they repeal their enactment and do not pass another, then up to the moment of determining these scales they may only receive statutorily-guaranteed personal incomes. This is a specific kind of obstacle as much for group-propensity behaviour in that distribution as for the possibility of imposing the arbitrary attitudes of some workers on others in decision-making on this distribution.

e) In order to coordinate the policy of distribution of resources for personal incomes, the enactment of a basic organization itself must be in line with the same enactment (or part of the same enactment) in a work organization, and it can be neither contrary to the self-management agreement (but such periods may not be longer than rating outside a work organization nor with a social compact).

f) In the course of a fiscal year, workers' personal incomes are paid out as advance payment for the periods of time determined by self-management agreement (but such periods may not be longer than a month), considering the oscillations in the movement of income and the net income of a basic organization, while the final amount of workers' personal incomes is determined when the annual financial statements are drawn up and when the general results of the business in the fiscal year are determined, too.

g) As workers' personal incomes form a ground for taxes and contributions (for the payment of joint and collective needs), and as

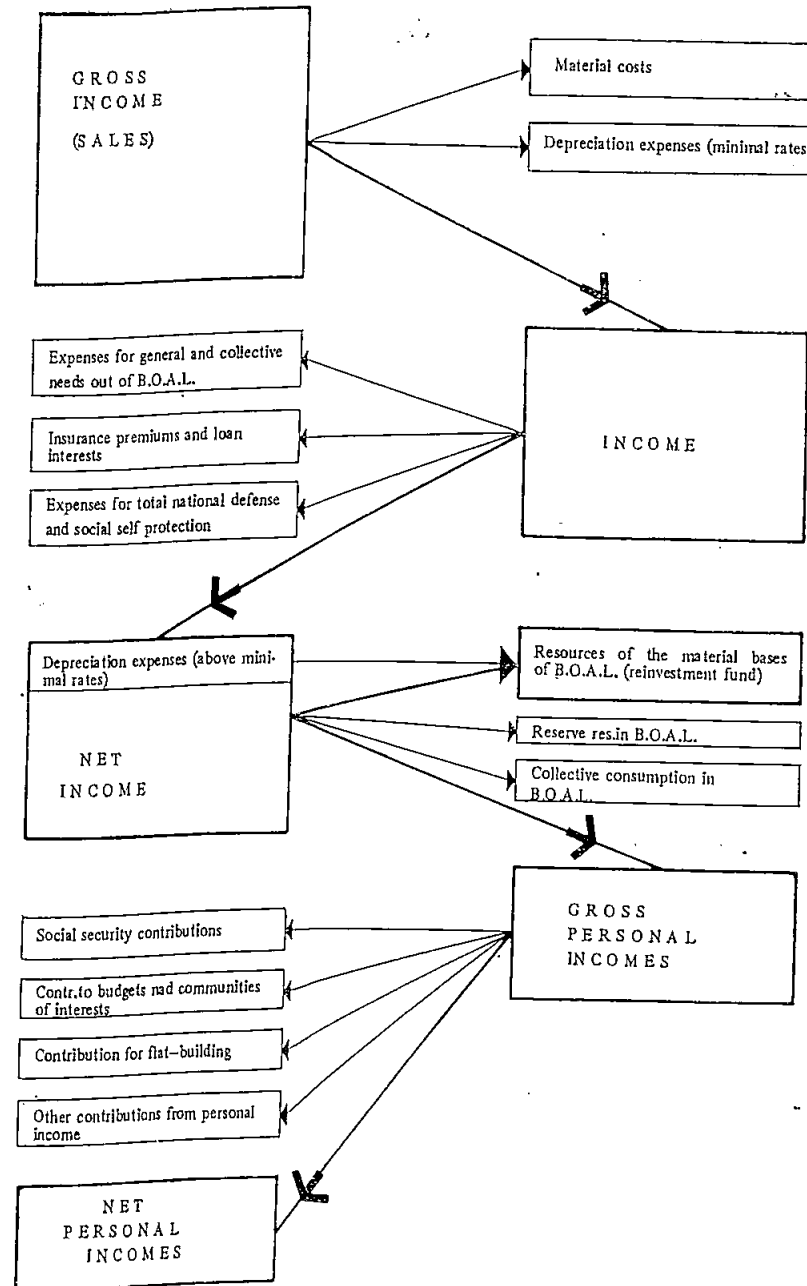
they are formed together with the resources for collective consumption, the law obligates organizations to give a written payslip to every worker at the end of the year, that is, after the adoption of its annual financial statements which should contain the accounts of the worker's whole personal income. This written payslip must contain the sum of worker's personal income according to all grounds and scales (gross personal income), the amount of resources appropriated from his personal income and pooled for the satisfaction of collective needs (for health and social security, education, science, culture and so on), the amount of resources for general social needs, the amount of resources for collective consumption within a basic organization itself (restaurants, subsidized canteen meals, resources for housing, holiday bonuses and so on) calculated per worker and the amount of net personal income of a worker, the one that he directly receives.

Although this obligation may, at first sight, seem to have a technical and bookkeeping character, it also has broader social significance as it enables a worker to follow and control the utilization of those resources that belong to him. However, due to the nature of the needs, these are united with the resources of other workers as they serve for covering them, within a basic organization or even wider. The idea of the wholeness of these resources, as well as of those allocated in the process of the allocation of income and net income for the development of an organization itself (accumulation), is a condition that a worker objectively and subjectively overcomes the position of a hired workman by his own conscience and can become what, according to the law, he ought to be — an associated worker who, jointly with other workers, makes decisions on all questions concerning his labour and life.

5. The totality relationships founded on income

If all of the exposed institutions and mechanisms are observed together, then the common aims to which the Yugoslav society is aspiring in this field become comprehensible. Deducing basic economic relations from income the socialist, self-management system aspires and, to a great extent today, achieves that the interest of workers is not limited only to his personal income. More broadly, it is to follow the whole result of a basic organization's labour and that, inasmuch as it follows that part of income which remains in a basic organization of associated labour, as the basis of its own development, as well as that part of it which is allocated from income for the satisfaction of collective and general social needs. Such a position of workers, apart from creating conditions under which he can confirm himself as a creative personality not only in the technically-understood process of labour but in the process of management as well, is a basis on which he, together with other workers, surpasses the narrowly-understood individual interests and the group-propensity tendencies that are sometimes founded on it. Each worker is motivated to follow the activity of his basic organization as well as its relations with other organizations of associated labour, for only in such a way can he ensure ever-

THE SCHEME OF GROSS INCOME AND INCOME DISTRIBUTION OF A.B.O.A.L.



increasing income, which is a prerequisite for satisfying his own needs on an ever-increasing level. By earning income from the income realized together with the workers of other organizations of associated labour, by allocating part of his income and part of his personal income for collective and other needs, a worker gains wider horizons and objectively perceives social needs within the frame of the commune, republic, province and Yugoslavia as a whole. On these new grounds, the social integrity of the entire society is ensured. Owing to this, finally, Yugoslavia is one of the most open countries in the world, including itself in international trends of commodities, people and communications without of danger to its economic, political and national unity.

(All processes of income allocation and distribution may be seen in the diagram given at the end of this paper.)*

FORMIRANJE I RASPODELA DOHOTKA OSNOVNE ORGANIZACIJE UDRUŽENOG RADA

Aleksandar M. Vacić

R e z i m e

Današnji privredni sistem Jugoslavije može se najkraće odrediti kao socijalistički samoupravni sistem ili sistem udruženog rada. Njegove osnovne karakteristike su društvena svojina sredstava za proizvodnju, samoupravljanje i raspodela prema radu. U datim istorijskim uslovima ove karakteristike izražavaju se u uslovima tržišne privrede, koja im utiskuje specifična dopunska obeležja. Osnovne proizvodne jedinice — osnovne organizacije udruženog rada javljaju se kao udruženi robni proizvođači, koji stvaraju vrednost i njenom raspodelom i upotrebom zadovoljavaju sve svoje potrebe — lične, zajedničke i opšte.

Proces formiranja i raspodele dohotka teče kroz četiri faze, koje se danas označavaju kao sticanje dohotka, raspoređivanje dohotka, raspoređivanje čistog dohotka i raspodela sredstava za lične dohotke i zajedničku potrošnju.

U prvoj fazi bruto vrednost proizvedena u društvu raspodeljuje se mehanizmom cena između privrednih osnovnih organizacija, koje na taj način stiču svoj prihod i u njemu sadržan dohodak. Načini sticanja dohotka pri tome su različiti i obuhvataju kako one karakteristične i za druge oblike robne privrede — prodaju proizvoda i usluga koje je osnovna organizacija sama ostvarila i primanja po osnovu premija, regresa, kompenzacija i sl. kao korektivnih merila, tako i sticanje do-

*) Translated from the Serbo-croat by Jadrana Veličković.

The articles of the Associated Labour Act mentioned in this paper are quoted according to its English version, published by Delavska univerza, Ljubljana, in Yugoslavia. The main parts of the Act concerned with income formation and distribution can also be found in *Economic Analysis and Workers Management*, 1977, No 3—4.

hotka iz zajednički ostvarenog dohotka (po osnovu udruživanja rada i sredstava) i slobodnu razmenu rada (za društvene delatnosti). U načelu, ovi su osnovni ravnopravni, iako njihova zastupljenost nije ista.

U drugoj fazi dohodak koji je osnovna organizacija stekla raspodeljuje se na deo kojim samostalno raspolaže sama osnovna organizacija (čist dohodak) i deo o čijoj upotrebi odlučuju zajedno s drugim subjektima u društvenoj reprodukciji. Pre toga, utvrđuje se veličina samog dohotka, koji se u pojavnom obliku izražava kao razlika između ostvarenog prihoda i izdatih materijalnih troškova i amortizacije. U procesu raspoređivanja dohotka izdvajanje dela dohotka za zajedničke potrebe izvan osnovne organizacije (socijalno osiguranje, zdravstvo, obrazovanje, nauka, kultura i sl.), kao i za opšte društvene potrebe (odbrana, uprava, sudstvo i dr.) ostvaruje se zajedno s radnicima osnovnih organizacija iz oblasti društvenih delatnosti, kao i skupštinama društveno-političkih zajednica. Zato ova raspodela sve više gubi fiskalni karakter i postaje svojevrsan vid slobodne razmene rada raznih delatnosti.

U trećoj fazi radnici osnovne organizacije raspoređuju čist dohodak na osnovne namene kojima služi — na sredstva za lične dohotke i zajedničku potrošnju, sredstva za proširenje i unapređenje materijalne, osnove rada i sredstva rezervi. Poslednje dve klase zajedno se nazivaju akumulacijom. O raspoređivanju čistog dohotka radnici odlučuju na osnovu merila koja moraju prethodno utvrditi, s tim što ta merila moraju biti usklađena s merilima koja su utvrđena šire, u radnoj organizaciji i društvu kao celini. Društveno verifikovanim merilima raspoređivanja čistog dohotka ostvaruje se društveni karakter dohotka i obezbeđuje proširivanje fonda društvene svojine.

Raspodela se završava raspodelom sredstava za lične dohotke i zajedničku potrošnju, pri čemu za lične dohotke primarni princip predstavlja raspodela prema radu, a za drugu princip solidarnosti. Bliža merila raspodele i jednih i drugih utvrđuju radnici osnovne organizacije, s tim što i ona moraju biti usaglašena s merilima koja su utvrđena u radnoj organizaciji i široj društvenoj zajednici.

U Jugoslaviji se smatra da ovako koncipiran sistem formiranja i raspodele dohotka osnovne organizacije pruža mogućnost da svaki proizvođač i radni čovek uopšte praksom prevladava položaj prostog izvršioaca određenog kruga radnih operacija i postepeno postaje subjekt koji odlučuje o svim pitanjima svoga života i rada.

THE ROLE AND EFFECTIVENESS OF SOCIAL AND SELF-MANAGEMENT AGREEMENTS

Ljubomir MADŽAR*

1. INTRODUCTION

Yugoslavia is perhaps the only country in which the idea of the withering away of the state has become much more than a theoretical abstraction. Indeed the very idea of self-management is officially taken to imply the elimination of the state as a representative of public interest and an institution regulating social affairs. The philosophy of discarding the state apparatus in many spheres of social activity and replacing it by more direct and more democratic forms of participatory decision-making is quite simple. It has been recognized that the state will not automatically, and by itself, become a devoted agent of public interest and that the state machinery is not the only, perhaps even not the most efficient and certainly not the most democratic institutional device for steering economic and social development. Instead, it could easily turn out to be an instrument for promotion of the very narrow, particularistic interests of some social groups, i. e., a means for exploitation of the working masses by those holding the state power and taking advantage of it. Moreover, since the state, by its nature and social function, necessarily amasses a considerable amount of power, there is a substantial danger of its becoming an instrument of oppression and of reducing, if not eliminating, the democratic rights of the people. As Kardelj (1976) pointed out, the dismantling of the state machinery is a necessary precondition for overcoming the separation between workers, on the one hand, and social capital on the other. This separation has, according to Kardelj (1976, p. 494), always been the source of social tension and the cause of many conservative tendencies and significant deviations in the course of the development of socialism. Thus, replacing the state by direct and broadly-conceived forms of participatory democracy is interpreted as one of the social actions which have to be taken in order to abolish all kinds of monopoly over the means of production. This, in turn, is considered necessary for the abolition of exploitation and the domination of man by

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