

Development Goals and Economic Macroproportions*

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I. Needs and the structure of socioeconomic goals

There exists a cause and effect relationship between the ownership of the means of production and the goal of production.¹ Under socialism, this goal is determined by the social ownership of the means of production, which is its typical feature. Their real socialization takes place when they fully and exclusively serve to optimally satisfy the needs of society. Only in this case is the overall social rationality is ensured, something that cannot be guaranteed in other situations. From the theoretical point of view, the achievement of that rationality makes it possible for the natural goal of production (creation of use value) to coincide with its social goal (satisfaction of social needs).

The overall goal of socioeconomic development is the optimal satisfaction of current and future material and cultural needs of the whole society and its members on the basis of the planned creation of means and their rational utilization. The needs may be either complementary or competitive. The competitiveness of needs concerns those of them which - under given circumstances - can be converted into socioeconomic goals, especially those that are formulated as goals of the multi-year and long-term plans. It is this group of future needs that become competitive, because they can realistically be transformed into concrete goals. This leads to the thesis that needs compete among themselves to become goals. It is necessary to make an economic choice in this situation. The first condition for the correct determination of real social preferences by the central planners is, therefore, to know various types of needs, and this requires the use of proper mechanisms for their articulation. It is possible in a situation where there exist institutionally organized, independent socioprofessional groups and a proper system of social communication (within society and between society and the political and economic central authority). Only on this basis is it possible to formulate the structure of socioeconomic goals.

The transformation of social needs into the goals of socioeconomic development takes place - with the use of market mechanism - through a political and economic "arbitrage" effected by the state and its various institutions that are created for this purpose. This is necessary because social preferences are not the same as the preferences of the central planners. On the one hand, the planners should attempt to discover and to put the declared needs in a priority order and to formulate, in this way, the real social preferences. It requires - beside the utilization of market signals - also the use of a method of social evaluation which could serve as the basis for the correct formulation of social priorities. On the other hand, the central planners should also influence social awareness of the real possibilities of the national economy.

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Insufficiently skillful and, therefore, ineffective activity in either of these two areas can create disharmony (and it is easy to make mistakes in this respect) between the perceived needs and the material and organizational possibilities of their satisfaction. Social frustration is created in this situation, and it can lead to the paradox of a lower degree of satisfaction of needs at a higher standard of living. It takes place when the needs grow more rapidly than they are satisfied, even when the latter process increases in absolute terms over time. This paradox can negate the sociopolitical effect of achieving a higher level of consumption. It demonstrates that in the strategy of socioeconomic development that has the optimal satisfaction of needs as its objective, it is necessary to take into consideration not only the satisfaction of needs, but also their creation.

Therefore, it is possible to conclude that under the conditions of socialist production, it is impossible to determine the correct economic macroproportions, which are necessary for balanced and relatively stable socioeconomic development, without the knowledge of social needs, their structure and priorities. These macroproportions should be adjusted to the structure of socioeconomic goals that are formulated in advance. This requires improvements in the functioning of the national economy, including above all long-term planning, from the point of view of the optimalization of the final distribution of national income.

II. The creation of economic macroproportions

The term economic macroproportions covers those mutual relationships between basic macroeconomic variables that determine the nature of the process of macro-social reproduction. They include such basic variables as national income, accumulation, investments, and consumption. The following relationships here are especially important:

Accumulation - consumption; productive investments - investments in the non-material sphere; consumption by households from personal incomes - other consumption from the national income.

A critical theoretical analysis of the concept of the resolution of contradictions that appear in the short-run between accumulation and consumption (in the long-run, contradictions here are dialectically eliminated, because both variables serve the stimulation of socioeconomic development and the satisfaction of needs) leads to the thesis that the final division of national income is a political problem that concerns a choice between conflicting economic interests. It cannot, therefore, be a subject of the *ex ante* optimalization process presented in formal mathematical-econometric models, although the latter have some limited practical usefulness in this field. It is necessary to regard consumption not only as one of the goals of development, but also as its essential stimulant. Under some circumstances, it is possible to achieve with a lower accumulation rate not only a higher level of satisfaction of needs, but also a higher rate of growth of the development process. In the formulation and implementation of the strategy of socioeconomic development, consumption should not, therefore, be treated as some sort of a residual that is left for disposal after a part of national income has been allocated for the financing of future economic growth.

The problems that arise in connection with the discussion of the other two basic economic macroproportions, namely, the relationship between productive investment and outlays for the development of the non-material sphere (although the traditional division into these two aggregates is questionable) and the relationship between consumption by households financed from personal incomes and other consumption from national income, as well as their importance for socioeconomic development and for the satisfaction of needs, are to a certain degree similar to the dilemma between accumulation and consumption. With all

these macroproportions, there appears a dichotomy in the allocation for different alternatives in the short-run. For this reason, the resolution of the contradictions has to be based on a similar, although not identical, procedure.

It must depend on the subordination of economic macroproportions to the structure of social needs. In forming basic economic macroproportions, it is necessary to be aware of the dialectical relationship among their components. The dialectical elimination of contradictions between accumulation and consumption (or consumption in the long-run and consumption in the short-run), between productive investments and outlays on the non-material sphere, and between consumption by households from personal incomes and other consumption from national income, determines the structure of the final division of national income, making possible expanded macroeconomic production, which has the following characteristics:

First, it should be a balanced growth, because dynamic economic equilibrium, especially money equilibrium in the market for consumption goods, is not only a necessary condition for high economic efficiency, but it is also a public good in itself. This formulation does not overestimate the role of equilibrium. Under certain circumstances, an excessively high rate of growth can destroy equilibrium, and under some circumstances it may only be possible to achieve equilibrium at a relatively low rate of growth (or only a purely nominal balance can be achieved without full utilization of social productive capacities). The main task is, therefore, to avoid through incorrect proportions, especially in the relationship accumulation - consumption, the creation of disharmony between the rate of growth and the degree of stability of the national economy. The extent of this disharmony determines the appearance of various tendencies in the sphere of socioeconomic efficiency, and this is a key problem from the point of view of the satisfaction of social needs.

Second, the rate of growth of consumption - both that by households financed from personal incomes as well as other consumption from national incomes - should be a socially accepted standard and should stimulate an increase in labor productivity and improvements in efficiency.

Third, the rate of growth of consumption (as well as the rate of growth of wages and other real incomes) should be relatively stabilized.

Fourth, the burden of deductions from national income for accumulation must guarantee the expansion of the material and technical base for the satisfaction of social needs in the future.

Fifth, the allocation of investment outlays should secure the development of the material and technical base for the sphere of non-material services with a structure that is adjusted to the structure of needs formulated as actual social preferences.

Sixth, the size and directions of investment outlays available to the national economy and society must be correlated with the necessity to create new places of work for those who enter the productive age. It is possible to maintain that this problem is implicitly included in the requirement of balanced growth. However, this is a problem of such great importance in the socialist economy that it is useful to mention it separately. The optimal macroproportions of economic growth can, therefore, be determined only as a result of compromise between various conflicting socioeconomic interests. These contradictions appear in a number of fields. Among the most important are the conflicts implied in making a choice between the interests of current needs and those of the future, social versus economic needs, needs of

various classes, segments of the population, and socioprofessional groups, producers and consumers, and divergent regional needs.

This unavoidable political compromise requires, on the one hand, some decisions by the center at the time when economic macroproportions are being planned. Whether these decisions can be correct depends, among other things, on the progress that has been achieved with social participation in the process of planning socioeconomic development. A system of consultations and negotiations must be introduced in practice and must be subject to systematic improvements.

On the other hand, decisions concerning the structure of the final division of national income create important consequences not only in the economic field, but also within a wide spectrum of social and political relations. For this reason it is necessary to continuously improve the structure of the society. Without real social control, which is an inherent attribute of social ownership, decisions concerning economic macroproportions cannot be accurate. Mistakes will likely be made and will have to be corrected *ex post*, sometimes in a great rush, and high additional costs and losses will result in a relatively low level of socioeconomic efficiency and a reduced ability to satisfy social needs.

III. Macroproportions of economic growth, 1950-1980. **Accumulation and consumption**

In analyzing retrospectively the main economic macroproportions in two long periods of time, namely, the years 1950-70 and the decade of the 1970s, significant qualitative differences are already visible both within these two periods as well as between them. Especially noticeable are far-reaching changes that took place during the last decade. During that period changes in the structure of the final division of national income - and also in other main economic macroproportions - were considerably greater than in the earlier years, and they were also larger than in any other socialist country. An amplitude of this size in the fluctuations of basic macroeconomic variables was caused by the excessive use of external sources for financing the development of the national economy, as well as mistakes in the utilization of these funds. There was the overall overinvestment of the economy as a whole while, at the same time, some of its sectors (especially agriculture and a widely defined social infrastructure) were underinvested.

As the result of higher rates of growth of allocated national income than those of produced national income during the first half of the 1970s, there was a significant acceleration in the growth of consumption together with a rapid increase in the rate of investment. This did not eliminate the contradiction between accumulation and consumption. The contradiction was merely pushed in time to the future and became even greater. This postponement in time was possible because of the growing foreign indebtedness, the level of which exceeded the maximum point that was safe from the economic point of view.

For this reason (as well as because of the disappearance of some positive tendencies that had been present in the national as well as the world economy at the beginning of the last decade) rates of economic growth were decelerating beginning with 1975-76. The relations between accumulation, investment, and consumption were reversed in a symmetrical way in comparison with those during the earlier period.

The main difference between the macroproportions of economic growth during the 1970s and the situation that had existed in this respect in the earlier periods was the expansion

of all macroeconomic variables, i.e., national income, accumulation, investment, and consumption, which was followed by a deceleration in the second half of the 1970s (and an absolute decline in national income and in its components in the last years of the decade). The deceleration was a consequence of the excessively rapid acceleration of economic growth in the years 1971-75. At that time both accumulation and consumption were growing too rapidly in comparison with the real possibilities of the economy. The main problem was the instability in the pace of growth of these variables and the lack of balance between them. Many adverse economic, social, and political consequences appeared as the result of unbalanced growth, and the pace of growth considerably declined in the following years. At the same time, there was a clear deterioration in the indicators of productivity.

There developed a change in the attitude toward consumption during the 1970s, as its dual role acquired a better understanding than in the past. However, this change (although it had many positive aspects that ought to be recognized) did not help to achieve the expected socioeconomic results. The economy was unable to support simultaneous rapid increases in incomes (and, therefore, corresponding increases in consumption financed from these incomes, if changes in the propensity to save are ignored) and investments for such a long time, even with large-scale borrowing from external sources of development. In this situation the wage and incomes policy of the state also became spontaneous. It had to lead to disequilibrium and strong inflationary pressures at a scale unknown before in Poland or in any other centrally planned economy. Many undesirable developments and processes arose in the field of distribution and consumption, such as, for example, conspicuous consumption on the part of some population groups, unjustified economic inequality in the standard of living, strengthened desire for quick enrichment, widespread corruption and nepotism, an increase in the incidence of economic crimes, snobbism, and the imitation of consumption patterns foreign to socialism.

It is therefore possible to conclude that the pattern of macroeconomic reproduction during the 1970s created a number of negative consequences in the field of satisfying social needs and that the source of these tendencies was the lack of proper economic macroproportions. These incorrect macroproportions caused a deepening crisis in the national economy, the impact of which became very strongly felt in the following years.

IV. The cyclical nature of economic growth

Against the background of the overall upward trend of economic growth during the years 1950-83 in Poland and in other socialist countries, it is possible to formulate an opinion about the regular nature of periodic changes in the pace of growth under socialism. Periods of higher growth rates of the main macroeconomic variables are followed by periods of lower growth rates, and the amplitude of these fluctuations is the greatest in the case of investments. In respect of all the main macroeconomic variables, oscillations around a positive long-run trend are the widest in the case of Poland, the smallest in the case of the GDR [German Democratic Republic].

This observation leads to a question concerning the causes and the mechanism of the process. A more careful analysis suggests that it is an endogenous mechanism, i.e., that the objective factors (although subjective factors also play a very important role here) that are responsible for the subsequent deceleration of growth appear already during the phase of accelerated growth and vice versa.

The endogenous mechanism of periodic fluctuations in the rates of economic growth is created by a complex of economic, social, and political factors which are present in both the concrete sphere and that of national economic management. Among them, the inability to solve correctly the contradiction between accumulation and consumption plays a very important role. In addition, important are also such factors as the existence of a general investment cycle connected with the indivisibility of outlays and the delay of effects, the system of management and multiyear planning, and a whole complex of problems connected with the participation of the economy in the international division of labor. The endogenous mechanism of periodic fluctuations in the pace of economic growth is responsible for the cyclical nature of the process of reproduction.

The cycles of economic growth under socialism have distinct phases. Particularly during the two-phase cycles of the 1950s and 1960s, the first phase is characterized by an acceleration of growth of accumulation and investment outlays, the result being an increase of their share in national income. The second phase has the opposite tendencies: consumption now grows more rapidly and its share in national income increases. Some significant changes in the structure of the final division of national income into accumulation and consumption therefore takes place over the duration of a cycle. These changes affect the extent to which social needs can be satisfied and how this process is distributed in time. They also determine, to a great extent, the process of reproduction in the future and, especially, the possibility of achieving balanced and steady growth. A number of conflicts are created that are not only of an economic nature.

There is a well-known hypothesis which holds that there exists a relatively high degree of synchronization of growth cycles at the international level within the entire bloc of socialist economies. This synchronization did take place to a certain extent in the years 1950-70. However, in the subsequent period it is difficult to observe the coincidence of cycles in various socialist countries. There can be two reasons for this tendency. First, they now operate as autonomous cycles created within individual countries of the bloc. Second, the integration links among these countries are still relatively weak.

It is a characteristic feature of the close of the 1970s and the beginning of the 1980s that the rates of economic growth declined both for the whole CMEA bloc and for its individual member countries. This is above all the result of a gradual exhaustion of the extensive factors of growth and an increasing inability to maintain economic equilibrium. Taking into consideration the operation of the mechanism of cyclical growth - and also some other determinants of development, including the deepening of the mutual dependence of the socialist economies and their links with the world economy - we may expect some coincidence of cycles again during the new phase of accelerated rates of economic growth within CMEA during the remainder of the 1980s.

Based on the observation of the last two decades, it is possible to formulate a hypothesis of the "long cycle", which is particularly important in Poland. The "long cycle" is different from earlier traditional cycles. At the second stage of the latter, some adjustment mechanism would appear in the national economy that made the repetition of the sequence of processes similar to those of the preceding cycle. However, the qualitative changes that are taking place during the first stage of the more recent, modified cycle, and above all the extent and the depth of these changes, lead to the appearance of additional phases of the cycle.

The "long cycle" in Poland is composed now of four phases. The first of them covers the period 1971 -75 and can be described as a phase of accelerated growth. The second phase,

or the years 1976-78, is a phase of a decelerated growth. The third phase (1979-82) is a phase of economic decline (the phase of economic crisis), and finally, the fourth phase, which appears to begin in 1983, is a phase of balancing the economy.

The growth cycle in a socialist economy creates a problem for the satisfaction of social needs. A balance sheet of advantages and disadvantages of this pattern of macroeconomic reproduction indicates that it is possible to assess it favorably. The negative consequences of this process appear in all fields - economic, social, and political. Economic disproportions are created periodically and reduce socioeconomic efficiency and the ability of the national economy to satisfy social needs. It is, therefore, necessary to take some action in respect to the functioning of the national economy, as well as state economic policy, in order to eliminate the causes of these cyclical movements and to reduce their negative effects. A more detailed analysis of the process of reproduction of this nature indicates that the cyclical movements are caused by an excessively accelerated growth and an inability to resolve the contradictions between accumulation and consumption. The primary cause of the cycles are incorrectly determined economic macroproportions. Hence, the possibility of eliminating this negative process in the future depends on the optimalization of these proportions and on the related problem of limiting the extent of the general investment cycle, which should not be allowed to become excessively long.

V. Macroproportions during the 1980s

Analyzing the macroproportions of economic growth in Poland during the 1980s helps us to distinguish at least two separate periods. The first of them covers the years of economic crisis. The main problem here is separating the effects of a decline in production and of an absolute decline in the level of national income on the one hand, and those of the final distribution of national income on the other.

The share of accumulation in national income can act as a "buffer" during a deep decline in the standard of living. The possibility of using this method, which is very costly and harmful for the long-run prospects of growth, in order to mitigate the decline in consumption was completely exhausted during the crisis. A drastic absolute decline in the level of consumption and in the potential for satisfying social needs therefore became unavoidable.

The contradictions between the consumed and the accumulated parts of national income become particularly sharp during an economic crisis. It is more difficult to allocate the adverse effects of reduced labor productivity between an absolute reduction in the standard of living and a further limitation of investment than to make the distribution decisions in the process of expanded reproduction. Because of very strong social pressure in defense of the previously attained level of consumption, and despite the realities of the crisis situation (the "ratchet effect"), the structure of the final distribution of income and other basic macroproportions were not optimized during the crisis. With a view toward the immediate economic consequences, the impact on the process of macroeconomic reproduction, and on the ability to satisfy long-term social needs, other variants of the economic macroproportions and changes in the level of consumption were possible. In particular, considerably less harmful would have been the variant involving a more gradual distribution of the impact of reduced consumption over time, or a closer correlation of this decline with the rate of decline of the distributed national income. The hypothesis that it would have been less harmful to distribute the necessary decline in the absolute volume of consumption differently appears to

be correct, at least from the theoretical point of view; in practice, it was to a considerable extent an uncontrolled and spontaneous mechanism of changes in macroproportions that had the dominant role. A more gradual distribution of the decline in consumption would have induced smaller inflationary pressures and a relatively smaller regress in the level of satisfying social needs.

Historical experience, and the theoretical generalizations based on it, lead to the conclusion that it is necessary to effect changes in the management and planning of the national economy. The introduction of the planning of entire complexes of problems and goals is at present an absolute necessity, and not simply one of possible alternatives. This is the result of the increasingly complementary nature of various processes in socioeconomic development and the growing degree of complexity of the process of macroeconomic reproduction. In Poland's situation, where there are many conflicting social needs that should be satisfied and limited resources at the disposal of the national economy, the reorientation of planning along these lines is especially important. In analyzing future prospects for the economic macroproportions during the remainder of the 1980s, it is important to draw attention to, among other things, the fact that the very sharp and already visible contradictions in the structure of the final distribution of national income will, to a certain extent, be shifted from the macroeconomic level to the level of increasingly autonomous economic units, especially state enterprises. It is still difficult, however, to predict whether this transformation will help to reduce the scale of conflicts or, on the contrary, will further increase it.

The discussion of macroproportions during the 1980s based on a quantitative analysis of the indices that have been presented in the "Variants of the National Socioeconomic Plan up to 1985 and Preliminary Assumptions for the Years 1986-1990" helps to answer the question of whether the planned macroproportions make the realization of socioeconomic goals targeted for 1990 possible or not. It appears that the structure of these goals correspond, on the whole, to real social preferences, although in the determination of their relative priorities many mistakes have been made, such as, for example, wrongly formulated alternatives and problematic assumptions as to the actual rates of development that will be possible in the future. Already, the first year of the implementation of the Three-Year Plan indicates that the planned objectives are not being consistently implemented. First of all, there was once again a malformation of economic macroproportions in the direction of a greater share of investment than the one that was planned for that year. Together with the inflation-generating structure of investment outlays, it may prevent the achievement of social and economic goals to the extent that was foreseen in the plan for 1983-85 and in the preliminary assumptions for the second half of the 1980s. The weaknesses in this respect, and the mistakes that have been made in this field, result primarily from an insufficient reorientation toward the planning of entire complexes of problems and goals.

The entire socioeconomic and political situation and a specific combination of internal and external determinants of the process of macro-social reproduction in the future require the adoption of planning with a moving base year as a necessary condition for improvement in the effectiveness of planning. The use of this method in multiyear planning is needed not only because of a very high degree of uncertainty and its wide range that moves over time from one sector of the national economy to another, but also for a number of other reasons, including the necessity to reduce cyclical fluctuations in the process of economic growth and to increase the scope of social control over the formulation of the development plan and its subsequent implementation.

In adopting planning with a moving base year, we would always be faced with an equally long multi-year period ahead of us during the implementation of the plan, instead of the perspective of a gradually shortening period as is the case at present. Modifications in the plan when shifts in the area of uncertainty occur - and this became necessary already at the beginning of the second year of the current National Socioeconomic Plan - would not be enforced under the pressure of current situation, but would be the result of conscious improvements in the plan. These would include the introduction of more flexible and realistic planning and the formulation of macroproportions of the final distribution of national income in the way that best adjusted to the implementation of the selected social goals, which can themselves be modified every year within the process of planning the entire complexes of problems and goals with a moving base year.

VI. Conclusion

Formulating the strategy of socioeconomic development that would be adjusted to the implementation of the main purpose of economic activity under socialism requires a correct determination of the priority structure of social goals. In order to achieve this objective, it is necessary not only to use market signals, but also to widely utilize the method of social evaluation for the formulation of social preferences.

The analysis of social needs and goals belongs not only to the theory of planning and economic policy, but it is also a subject of political economy and a number of other specific disciplines. The correct formulation of the problem of alternative economic choices requires a wide, interdisciplinary approach. However, this is only a precondition for the entire process of the formulation of economic macroproportions from the point of view of their adjustment to a given structure of socioeconomic goals.

Lessons from the economic development of Poland and other socialist countries show that the methods used in the past to deal with contradictions involved in the formulation of basic economic macro-proportions were unsatisfactory. As a result, it has not been possible to achieve progress in the sphere of economic productivity and to move fully into the stage of intensive economic development, which is a necessary condition for socioeconomic progress in the future.

The retrospective analysis of the processes of macroeconomic reproduction in Poland and in some other centrally planned economies demonstrates that it is difficult to expect further progress with the centralized command-allocative system of planning and management of the national economy. Some far-reaching systemic changes are therefore necessary. This postulate applies especially to central planning as an important element of the functioning of the national economy.

Formulation of the strategy of socioeconomic development and the determination of concrete social and economic tasks of the multiyear development plans must be based on the planning of entire complexes of problems and goals. The essence of this planning involves a change in the approach to economic processes, particularly a change in the way planners think. The present practice, dominated as it is by the approach from the side of means, should be replaced by thinking more in terms of socioeconomic goals that are to be implemented during a given plan period. It is not enough any more to accept only the examination of the development potential of various sectors of the economy as a starting point for the formulation of the plan.

All these considerations lead to one final conclusion. In order to move the national economy as much as possible along the path of harmonious growth, i.e., balanced and relatively steady growth (relatively, because it could never be completely steady), it is necessary to effect, at the same time, a strategic restructuring of the national economy, an economic reform that would generate economic productivity and a change in the method of multiyear planning. This in turn would lead to the planning of the entire complexes of problems and goals on the basis of a moving base year.

Note

1. This text summarizes a study made in the Institute of Economic Development of the Central School of Planning and Statistics (SGPiS), Paper No. PR III. 10, on "The Goals and Determinants of the Socioeconomic Development of Poland in the Long-Term," for publication by the SGPiS Press.