Integration as the Pooling of Labor and Resources: the Yugoslav Experience*

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I

Associated labor is considered here primarily in its dynamic aspect, that is, more as a process (of associating) and less as a constructed finished system. The association (hereafter termed "pooling") of labor is (still) followed by the pooling of (financial) resources and will be necessarily so followed until such times as resources are so abundant that their value equals zero. This pooling of resources in the Yugoslav system in the concept of the Yugoslav system of self-management cannot, however, be the only aim but is based on the interests of the associated workers (which originates from the technical-technological and economic interdependence of the parts of the labor within the total social labor). Bearing in mind the importance of the interest aspect in the pooling of labor and resources, the normative fixation of this phenomenon, which should provide the realization of the social relations proclaimed, is inevitable. Defining certain rules and instruments, it also technically regulates and makes precise their (obligatory or facultative) organizational forms. These normative frameworks undoubtedly influence the process of pooling labor and resources. Above all, they channel them in a socially desirable direction and, with their technical perfection and built-in motivational component, normative solutions also affect the intensity and direction of the pooling of labor and resources. Apart from being influenced by the normative frameworks, the tempo and structure of pooling is also conditioned by the objectively provided material basis. This, apart from the general (relatively low) level of development, also includes considerable territorial differences in development, and discrepancy in the availability of resources (shortage of social "capital" and relative abundance of labor), as well as other structural disproportions and obstacles which act as brakes on every process of development, even on that which happens (or ought to happen) through the pooling of labor and resources.

The analysis of pooling labor and resources can thus be viewed in different ways. These approaches are usually of two kinds: one which places greater importance on the fast and efficient development of production forces, and the second which is primarily concerned with further promotion and perfection of production relations. If the content and idea of pooling are viewed in class terms of the realization of the historical interests of the direct producers, then pooling represents on a given historical level (and within its limits) a mechanism of faster and more efficient economic development as an essential precondition of working class and general emancipation. Bearing this in mind, separate concentration on and somewhat more detailed analysis of the developmental aspect of the

* This article is part of a longer work on the integration and disintegration processes in the Yugoslav economy.
pooling of labor and resources is fully justified. (This developmental approach by no means underestimates the effects which pooling has on the improvement of production relations and on the realization of strategic socialist goals generally). Each analysis of the developmental aspect of the pooling of labor should include the macroeconomic implications of this phenomenon (manifested primarily in the mobilization of accumulation) as well as the microeconomic motives for the pooling of economic subjects (the organization of associated labor). To this should be added the need to study the pooling of labor and resources from the geographical, that is “national”, aspect which, apart from the questions of the inter- and intra-regional development of production forces, also includes with regard to Yugoslav conditions the specific inter-republican/provincial dimension, that is relations between the various peoples or nations within the Federation.

The Yugoslav Associated Labor Act¹ (hereafter the ALA), article 2, derives the necessity for the pooling of labor and resources from the social character of labor, and this is in turn expressed in natural dependence and interlinkage of workers within the social division of labor and social reproduction as a whole. Here without doubt the old truth (pointed out even by Adam Smith) is valid: the higher the level of economic development, the greater the degree of interdependence of different sectors (and of individual subjects) in the economy.

With regard to the Yugoslav economy, one can speak of a relatively high degree of technological interdependence in the sphere of intermediate production.² In other words, considered in the most general terms, this means that objective material assumptions exist for the pooling of labor and resources (unlike in the economies in which many cells in the intersectoral matrices are empty).

Besides this assumption, a series of other assumptions have been fulfilled which, considered conceptually, should start up the processes of very intensive pooling. The basis of all the forms of the pooling of labor and resources (as well as the basis of the “self-management integration of social labor”) has been precisely defined in the ALA; that is the Basic Organization of Associated Labor (BOAL) which is the new basic cell of reproduction in the economy and in society. In contrast to the BOAL, which is an “indivisible” and “permanent” organization, the Work Organization is a particular association of BOALs which, in principle, can easily change its composition and orientation to meet the requirements of demand and/or the preferences of its members. Although thus “flexibly” conceived, the Work Organization is in essence the best organized variant of a general form of the pooling of labor and resources (considered from an organizational standpoint). This pronounced flexibility in principle characterizes the whole self-management organizational structure. It can be concluded that the new organizational forms principally represent the optimal framework for the pooling of labor and resources. They have, among other things, been introduced because of this (intensifying of linkage, pooling, integration on a new basis.) In this sense, they should represent the negation of closedness and isolation of classic organizational forms such as, above all, the enterprise. The openness of the new organizational forms and their basic high propensity towards pooling is expressed in several ways: a) the BOAL as the basis of pooling cannot exist independently, since it is part of the process of production, and it is thus necessarily, by definition, directed toward related and technologically dependent parts of the production
process; b) in this way, all BOALs are, in principle, the advocates of the pooling process, a distinct from models in which only some subjects (which have achieved a great concentration of resources) are initiators of pooling; c) the BOAL through its Work Organization can at the same time be associated with several larger BOALs, and this opens unlimited possibilities for intensifying mutual linkages between basic economic subjects.

Such flexibility of organization enables almost ideal adaptation to the requirements of technical-technological progress, on the one hand, changes in market preferences, on the other, and opens wide possibilities for the pooling of labor and resources. Thus the BOAL, and also other OALs, are, in the organizational sense, maximally adapted to the requirements and needs of pooling labor and resources. The BOAL is equipped not only organizationally for the processes of pooling. These rights are guaranteed to it as basic rights, i.e., in the highest law of the state (the Constitution). It is, as is generally known, “capacitated” for pooling both in a (self-) management and technoeconomic sense. It still remains to be seen whether the BOAL is also economically motivated for pooling. What in general is the basic motive for the economic activity of the BOAL? Does the question of the goals of its business activity need to be considered positively or normatively, i.e., does one need to investigate how economic subjects (in given circumstances) really behave or how they ought to behave? If one chooses the second approach, one should precisely state the reasons for deviations of desired from real behavior, and one should define economic system and economic policy measures which would stimulate economic subjects to behave in a “standardized” way. Since we have been moving up to now on a conceptual and normative plane, I will dwell only on two statements. The ALA (art. 45, para. 3) defines income as the fundamental “motive for work and the scale of measuring the efficiency of production.” The thus normatively given “goal function” of the BOAL can meet the requirements imposed on some economic subjects, and it is, in principle, sufficiently “attractive” an aim which taken as a whole leads to (or should lead to) a dynamic and structurally harmonized expanded reproduction, that is to the pooling of labor and resources as the basic mechanism (the backbone) of that process. If we leave aside broader questions related to the so-called double income pattern (E. Kardelj), which originates from the fact that it appears as the basic motive of economic activities as well as the basic motive of the class struggle and revolution, then it will be seen that some problems arise in the process of the operationalization of the concept of income (as an economic category), i.e., in the process of its practical implementation. Generally speaking, analysis of the causes of the negative tendencies which appear in practice shows that they are caused either by a deficiency in the concept itself (for example, in its insufficiently representative reflection of the movement in the rate of labor productivity: labor productivity stagnates or falls and at the same time income increases—conceptually “incorrect” or even impossible, but in practice a very frequent occurrence) or by different forms of deviant behavior in practice (for example, inflation, stagnation, and various other manifestations of economic crisis) which spoils an otherwise correct concept. Instead of this analysis, which would take up too far from our present subject, we will consider only the normative operationalization of the concept of income as an indicator of business success, as stated in article. 140 of the ALA. The
enumeration therein of obligatory indicators (as pointed out argumentatively by certain critics\(^3\)) could also be interpreted as a (voluntaristic) relativization of the indicators and their role, that is, as a *de facto* setting aside of a (single, key, dominant) economic criterion (or economic criteria in general) in the behavior of economic subjects. Such a non-monistic normative regulation of one undoubtedly important question can cause a certain confusion and diversity in the behavior of economic subjects (with great negative practical consequences), but this does not need to bring into question the income category itself which, considered at a certain level of abstraction can (in principle) be defined as the fundamental motive for economic activities and the basic measure of the business success of the BOAL, the basic economic subject and decision-maker in the reproduction process and in the process of pooling labor and resources. Specific problems related to income as a motivational criterion arise in fact in the process of pooling resources. The problem of sharing in joint income is of a practical but also conceptual, that is normative, nature. One should not especially emphasize the importance of the practice of joint income sharing as an alternative mechanism of the concentration and allocation of accumulated funds: as a self-management alternative to the classical capital market and the central investment fund, this mechanism ought to procure an adequate mobilization of accumulation (in the whole of the Yugoslav economy), that is, starting from the point where it was created to those where it will be most efficiently used. Apart from the need to ensure the economic optimum, other important metaeconomic functions have also been entrusted to this mechanism in the sphere of creating and reproducing self-management relations.

How does this mechanism realize the roles assigned to it? Let us consider only its economic functions. Two questions can be posed: can it function at all, and can it function in such a way as to ensure the optimal allocation of resources? The question of the possibility of functioning is in fact a question of motivation: are the economic subjects motivated to pool (labor and) resources so as to achieve a share in joint income? (Is there a general motive operating here, or some specific motives related exclusively to the arrangements for pooling labor and resources?) With regard to the stipulations in articles 82–85 of the *ALA*, it seems that even those who have a surplus of resources are not stimulated to offer them to potential users, and the latter are not interested in ascerting them. The potential providers of these resources are destimulated by the high risk connected with residual income ("net income"), which remains "after the allocation of resources for personal incomes and for collective consumption of workers in the basic organizations which have in their business made use of pooled resources" (*ALA*, Art. 82, para. 5). The uncertainty that the BOAL which uses the resources can be provided with the means for personal incomes and collective consumption which enjoy priority (plus probably "resources for the expansion of the material base of labor," according to *ALA*, art. 82, para. 4) diverts the BOAL, a potential provider, from the pooling process even in cases where the share of joint income is greater than the average bank interest rate. On the other hand, the BOALs who are potential users are not interested in the pooled resources, since they have to pay compensation for their use, which is higher than the normal interest rate (it has to be higher so that the provider of resources can be attracted to pooling). All this together (in principle and in practice) negatively affects the mobility of accumulation. Para. 1 of art. 85 of the *ALA* ("the share shall expire upon the refund of
the value of pooled resources together with compensation, or upon the expiration of the
time limit determined by the self-management agreement, irrespective of the amount in
which the value of pooled resources has been refunded") can additionally destimulate the
mobility of accumulation. Under such unfavorable conditions, it is difficult to imagine
joint ventures between OALs on economic optimal points; instead of this, investment by
the BOAL in itself or (under the influence of non-economic structures) investment on the
territory of its “own” socio-political community, and also the increase of personal income,
appear to be much more attractive choices. The mechanism of participation in joint
income seems to function only in exceptional cases (and not universally as was foreseen)
especially in the cases of investment projects from which an extremely high rate of return
(with a very small risk) is expected and when striking structural deformations in the
economy exist.

In the first instance, restrictive behavior by economic subjects (their readiness to
participate only in exceptionally promising projects) leads to reduced mobility of
accumulation. Such behavior guarantees on the other hand that a certain part of the
investment resources will be rationally used, in fact, in the best possible way. (Maximal
micro-profitability does not, however, always imply the appropriate macro-“desirability.”)

In the second instance, investment which should eliminate “bottlenecks” (in order to
provide permanent and stable supply of the “critical commodities” referred to in ALA, art. 86)
will undoubtedly act as an equilibrating factor and contribute to the improvement of the
economic structure, but will not (because, following the existing technological links, it
behaves conservatively) contribute to the solution of problems in the structural
transformation of the economy. In this sense, the mechanism of joint income sharing can
in itself (as it is now normatively stipulated) provide neither a static nor even less a
dynamic optimum. In order that this mechanism develops its own potentials, it should be
based in a greater measure on economic criteria and motives and/or (because of its
metaeconomic quality: in principle non-exploitative, it negates capital-relation, i. e. it
enables the concentration of resources on the basis of co-operation and not only on the
basis of capitalization) should be supported by various measures (rather in the domain of
economic policy than by some special funds for stimulation) so that it can “enliven” and
expend its field of action. (Reasons for such stimulation could probably be found in the
sphere of some long-term economic interests.) And in the case of active support,
however, it can be shown that the scope of this mechanism is limited. In this case, if it
turns out that many unsolved problems (the elimination of deep structural disproportions,
the construction of large infrastructural facilities and the like) remain beyond its reach,
then this mechanism should be supplemented with other complementary mechanisms
which would (altogether) provide the fast growth and radical structural transformation of
the Yugoslav economy.

II

Up to now, I have been discussing the pooling of labor and resources exclusively from
the conceptual and normative point of view and attempting to point out certain obstacles,
but above all the developmental potential of pooling. These potentials are undoubtedly
high. However, as is generally known, the practice of pooling is exceptionally
unsatisfactory: for example, with regard to the establishment of investment resources, the pooled resources are still quantité négligeable. I have considered some examples of “de-pooling” and closure in various fields primarily bearing in mind the “inter-regional” (republican/provincial) aspects of that process. The data quoted therein show that the intensity to date of the inter-regional pooling of labor and resources has not been in accordance either with ideo-political goals or with planned targets or developmental needs. This refers especially to the circulation of social resources between developed and undeveloped regions. The problematics of pooling the BOALs of the developed and underdeveloped republics and provinces, observed through the prism of the Federal Fund for financing the more rapid development of the less developed republics and provinces, have certain particular characteristics. Analysis of them helps one to recognize the general problem of the motivation for pooling. The main reason for slow and insufficient pooling is usually quoted as general shortage (with its concomitant dispersion) of resources, i.e. the low accumulative ability of the BOAL. Contrary to this, the Fund today represents the largest concentration of (the most qualitative) resources, which is (in view of the virtually complete dearth of resources from abroad) a fact that cannot be easily disregarded. The existence of such resources which are automatically (by force of law) concentrated, can in every case be interpreted as an additional impulse for pooling. In the same direction, it could be said that an element of obligation comes into play: the BOALs treat the compulsory loan to the Fund virtually as a fiscal obligation, and this acts as a somewhat milder compulsion, that is, as a particular kind of sanction for non-pooling. Within the framework of the general obligation of setting aside money for the regions which have the status of underdeveloped, “free” pooling amounts to 50% of the resources (earlier, from 1976 to 1980, 20%), which is related to the quota of the republic or province in question. During this process, the BOAL can choose between two alternatives: either the whole amount of the quota can be directly invested in a BOAL in the underdeveloped region (pooling), during which the investing BOAL has access to part of the resources from the quota of “its” republic and can also count on part of the resources set aside in this way in the underdeveloped region where its business partner comes from, or this amount can be transferred in the form of a compulsory loan. If this loan is treated as a kind of sanction for non-pooling, we can then conclude that it in some ways stimulates the BOAL to adopt the first type of behavior, that is, to pool resources within the given institutional framework.

In contrast to this potential stimulus, another characteristic of pooling through the Fund can act in a limiting way. Namely, development programs in which resources are invested jointly must (it is normatively stated) accord with the mid-term development plans of the underdeveloped regions. Here the different business interests of BOALs in developed and underdeveloped regions (which originate in the differences in regional economic structures) are expressed. The BOALs in developed regions are more interested in joint ventures in the fields of raw materials, energy, and the servicing of final products, while the underdeveloped republics and the province of Kosovo give priority to the construction of higher phases manufacturing capacities and greater employment of the labor. This limitation is objectively conditioned but does not seem to be insuperable. This is only one of the reasons for sporadic inter-regional pooling but is, it appears, not the
most important one. According to the experiences of the past few years, these causes can be classified into several groups: of a systemic-legal, organizational, economic or incentive nature. The defect in the analysis dealing with these questions arises from the fact that many causes are quoted (important and less important) but all are treated on the same level. If we separate out several basic ones, the situation undoubtedly becomes clearer. The factors which influence the decision of the BOAL to pool resources (or to pay into the Fund) are summarised in the following diagram.

Key: O = the BOAL’s obligation, carried out by paying into the Fund for compulsory loans (f) or pooling (p)

\( I_p \) = inflow of income into the BOAL from pooling

\( I_f \) = inflow of income into the BOAL in the form of interest in the event of paying into the Fund in the form of a compulsory loan

In cases where the BOAL decides on a compulsory loan to the Fund, then in the next period the inflow of income will be equal to the amount of interest received on that loan — line 1 in the diagram. The outflow of income will in that case equal zero. In situations in which it decides on pooling in maximalistic cases, the BOAL will (taking into account legal constraints) realize an inflow of income which will equal that in the case of the compulsory loan — line 2 — and also an additional inflow on the basis of a series of indirect useful effects from pooling — the spaces between lines 2 and 4. In the “inflows” from pooling, one should also count the different “incentives” (the difference between lines 3 and 4). The outflow of income in the case of pooling arises because of the risk and costs of initiating development programs (and in later phase the costs of organizing co-operation with co-investors). Taking into account that in the previous period the incentive was almost non-existent (assuming that \( 3 - 4 = 0 \)) and that the above-mentioned costs of pooling expressed in the outflow of income from the BOAL are equal to the difference
between lines 4 and 5, then the level of real pooling — line 5 — is lower than the level of discharging the obligation of the BAOL through its compulsory loan to the Fund — line 1.

In the period from 1976 to 1980, this level amounted to 127.1 million dinars or only 0.83% of the total possibilities (or 0.16% of the total resources of the Fund). In reality thus the limitations on the pooling of labor and resources were very severe (as with those roughly indicated on the diagram, so with many others). Of the obstacles of a "systemic-legal" nature, the one that is quoted most is that which represents a specific illustration of the general problem of motivation for participation in joint income: the annual share of the BOALs which invest resources can amount in the income of the BOALs in which the resources are invested only to the amount of the yearly annuity due to them from the compulsory loan, although the investor undertakes the business risk. Bearing in mind the organizational reasons for slow pooling, it is very often pointed out that there is a great dispersion of (relatively meager) resources which are at the disposal of the BOALs mutually loosely linked (by rarely properly coordinated program of long-term co-operation), and when it is a question of those further apart geographically, an insufficient mutual exchange of information can be noted. Socio-political units are interested in the income realized in their BOALs being used entirely on their territory and do not stimulate further pooling of labor and resources. As far as inter-republican/provincial pooling is concerned, one could quote the regulations of certain socio-political communities which directly obstruct pooling.

The last two factors mentioned above (atomization of the economy and domination over it of non-economic factors) have a broader negative influence on the pooling of labor and resources. Organizational fragmentation is the consequence of the insufficiently developed material base of the Yugoslav economy. Under such conditions, the labor pooled in the BOAL is still "alienated labor," that is, the pooling will be carried out (and will be carried out for a long time) within the framework of commodity production, whose laws (in spite of a forest of regulations, bureaucratic arbitrariness and with considerable social costs) find their own way in the last resort. This important fact is often neglected and it is assumed that the new legislation means an automatic change in real social relations and a new (improved) quality in the sense of the absence of any (market or state) mediation. Such "ecological idealizations," i.e. an almost idyllic treatment of the environment in which the socio-economic subjects operate can have very damaging practical implications. In such interpretations, one starts from the assumption that organizational changes on the micro level, that is, changes in the system of management in the basic socio-economic cell directly, automatically (and "without residue") determine structure and relations on the market and the economy and society as a whole, and that there is no exogenous effect of these factors on the micro subject, i.e. the structure of the market and the economy, and the distribution of power in society, cannot in even the slightest measure "infect" or "spoil" relations within the BOAL (and between BOALs), nor deform (in any way) the practical implementation of the BOAL in relation to its original idea.

The way in which the BOAL is constituted has an influence on the existing fragmentation (and unsatisfactorily weak links between the parts) of the economy. "Quantitative" criteria (technological and economic indicators of a certain "optimum") are
in the background, the "will of the workers takes pride of place; on this depends the concretizing of the right of the whole, i.e. of the enterprise" (meaning the Work Organization). This will determine the constituting of the BOAL. It is exactly about this will, which becomes evident during the constituting of the BOAL, that some authors complain: "This procedure (constituting) is so simplified that only a subjective estimate, unsupported by argument, and the opinion of the workers that conditions exist for the constitution of part of the Work Organization as a Basic Organization are needed for this part to be so organized." The will of (and legal possibilities, that is judicial support for) a relatively small number of people (Babić and Čečez cite the example of a BOAL with only three workers) to constitute themselves as a BOAL can be the expression of a real need for the realization of their self-management interest, but also behind this (only apparently subjective) decision can stand a partial, egoistic interest in monopolizing part of the social property in order to acquire certain advantages. This problem should be perceived in a broader sense bearing in mind that is very characteristic of the present day Yugoslav economy and society as a whole. Namely, different organizations (from economic subjects to socio-political communities at all levels) — and also individuals — aspire to acquire, consolidate, and perpetuate their monopoly of management over certain parts of (relatively weakly protected) social property. The possibility that, through the erosion of social property, one arrives at the formation of the material basis of many particularistic and mutually conflicting interests, is the basic source of conflicts to that degree in which, on the basis of management and the partial privatization of social property, certain advantages can be acquired. Certain subjects become interested in widening their control over social resources regardless of where there resources will give socially optimal effects. This possibility has, it seems, grown with the process of so-called "BOALization" which is marked to a greater extent by the pooling of labor (in the organizational sense) rather than by the self-management pooling or resources; (this pooling of resources is not only a particular technological imperative nor only a need for the realization of the economic optimum in the allocation of resources, but is also an essential "amalgam" which is leading the process of integration of the Yugoslav economy and society). What has happened in fact is a deconcentration of resources and the formation of particular hybrids which are in their "base" BOALs and in their "superstructure" (professional departments) — enterprises. These new entities ("big heads on little shoulders") show mainly those negative tendencies characteristic of the (classical) enterprise, but without their positive sides. This picture is a rather simplified one (and painted in somewhat dark tones), as is Table 1 below, which points out the principal differences between (the concept of) the BOAL and the enterprise.

A schematic (and schematistic) review compared with the economic reality can conjure up for us to a certain degree the discrepancy between the imagined and real characteristics of the BOAL. With regard to our present concern, the interesting characteristic is the openness or closedness of basic economic subjects. A large number of dwarf-like, relatively isolated economic cells give the economic structure the dominating characteristic of atomization. These cells carry a great burden of the management costs of the economy and of society which, under the conditions of a
Table 1 Principal Differences between the BOAL and the Enterprise

<table>
<thead>
<tr>
<th>BOAL</th>
<th>Enterprise</th>
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<tbody>
<tr>
<td>Primarily socio-economic and then economic subject</td>
<td>Primarily economic category (although also plays the part of a basic cell in the reproduction of social relations)</td>
</tr>
<tr>
<td>Labor (Pooling of labor)</td>
<td>Capital (Pooling of resources)</td>
</tr>
<tr>
<td>Income</td>
<td>Profit</td>
</tr>
<tr>
<td>Openness (Great tendency to pooling)</td>
<td>Closedness (Cocoon-like tendency to autarky)</td>
</tr>
<tr>
<td>Primary line of connecting with other units: vertical (technological inter-dependence), firm connections stability</td>
<td>Primary line of connecting: profitability, and therefore all kinds of connecting (both vertical, horizontal and diagonal) which contribute to this; secondarily: reduction of uncertainty, dispersion of risk (conglomerates)</td>
</tr>
<tr>
<td>Stability (Based on the long-term mutual inter interest)</td>
<td>Uncertainty (Short-term interest, absence of global planning)</td>
</tr>
<tr>
<td>Long-term development interest (Development programs-planning)</td>
<td>Short-term interest (profit)</td>
</tr>
<tr>
<td>Co-operation: harmonization, reconciliation, absence of conflict</td>
<td>Competition: aggression (expansion, growth), state of conflict</td>
</tr>
<tr>
<td>Solidarity, distribution</td>
<td>Growth (expansion)</td>
</tr>
<tr>
<td>Autonomy, equality, (&quot;Network&quot; of relations)</td>
<td>Domination (&quot;Pyramid&quot;)</td>
</tr>
<tr>
<td>Transparency (Personal self-realization) (Emancipation)</td>
<td>Mediation (Alienation) (Exploitation)</td>
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relatively low level of global development and realization of economic sub-optimum over a longer period of time leads to a sharpening of economic and social contradictions. Instead of overcoming them in the sphere in which they have arisen, attempts to overcome these contradictions are made (and there may even appear illusions as to the possibility of their abolition) by enormous normative activity.

Notes
1 Zakon o udruženom radu (translated by M. Pavii) (Belgrade, 1977).
5 N. Balog in a discussion on the BOAL, Glediška, 5–6 (1973), 608.
7 This refers only to certain basic “principal” (and not systematically presented) differences with regard to the evolution and nowadays very complex differentiation of the enterprise and partly of the BOAL. The differences which S. Ostojić, “Ka tipologiji samoupravnih organizacija [Towards a Typology of Self-Management Organizations],” Gledišta, 4 (1978), 271–86.