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THE ROLE OF THE PRICE IN THE PLAN OF DEVELOPMENT

by

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Preface

This topic comprises a great number of aspects and problems of theoretical, practical and methodical natures.

In order to illustrate the role of the price in economic development planning it seemed to be useful to begin with a short survey about the social and economic prerequisites of comprehensive planning and the possibilities of its implementation as well as about the main contents and targets of planning. This was demonstrated at the case of the German Democratic Republic.

Although it is theoretically clear and acknowledged as an economic requirement, a main problem still consists in bringing about the necessary unity among material, value and financial planning, because in spite of the fact, that many research has been done, however since now many details are by far not yet solved. That is the reason, why this problem could be dealt with in this study chiefly on the basis of the main requirements and interdependences.

Part Two, which will be issued later this year, is founded on this basis and deals with some main problems resulting from the various demands of planning towards the prices as well as with the possibilities, ways and limits of the utilization of prices within the process of planning.

W. Wunderlich

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THE ROLE OF THE PRICE IN THE PLAN OF DEVELOPMENT

PART 1

1. The Position of the Plan in the Social and Economic Development in Socialism

1.1. Aim, Contents and Foundations of Planning in General

The price is a category of commodity production. It brings about the exchange of commodities among the producers and the consumers. In this sense the price is a general economic category of the production of commodities and their circulation independent of the fact in which social order the production and circulation of commodities is carried out. The law of value determines the level and the development of the prices in any social order where commodity production is prevailing.

However the mode of operation of the prices, their formation, development and utilization by the society is not only determined by the law of value. Although the law of value is a general economic law in any production of goods, its mode of operation however is decisively influenced by the prevailing social conditions and the respective basic economic law, which determines not only the aim of the economic development and the means of its realization but also the specific mode of operation of the law of value and the other economic laws. This applies to the role of the prices and its mode of operation too.

In any social order, the socialist as well as the capitalist one, the aim and the character of production is mainly determined by the respective ownership of the means of production.

In socialism, where the means of production in its overwhelming majority are nationally-owned or cooperative property and the workers' class-as the ruling class- and its allies bear the responsibility for the systematic development of the economy, the main aim of any production consists in the ever better satisfaction of the growing material and cultural needs of the population.

Under these social conditions an absolute harmony exists between the economic foundations and the political character of the society. Under those social conditions there is no antagonistic contradiction between the social production and the distribution of its results as it is comparatively in capitalism. Under the socialist conditions the many enterprises of the economy can be considered as one national enterprise only, its structure of production can be planned and realised as well as the produced national income of which can be fully utilized for the benefit of the working people who are the actual producers. However such social conditions not only provide the possibility but also require to develop the economy as a uniform entirety in order to

to accomplish the aims set by the socialist society as it is required by the basic economic law of socialism. And that demands imperatively the planned development of all available material and spiritual resources, but in such a way and in such proportions that they all serve the main aim of socialist development, permanently to meet the growing material and cultural needs of the population to the highest possible extent.

Hence, the contents of socialist planning deals with everything of the social and economic evolution which in any way can contribute to the permanent increase of the living standard of the people. Because the basic economic law demands the fulfilment of the aforementioned needs, the main principle to observe within any kind of planning and its implementation consists in the requirement to find out the most efficient way in order to plan and finally realise the socially set targets with the lowest possible expense. In other words the available social resources as manpower, material, equipment, educational institutions, training centers etc. and their development are to plan in that way, that they in their final realization and consumption prove socially necessary. Thus no waste of social resources will occur as it is an inevitable result under capitalist conditions of spontaneous production.

Nowadays no serious bourgeois economist attempts any more the unserviceable experiment to demonstrate that comprehensive planning in capitalism can be realized in practice and thus avoid losses on a national scale. As much as before capitalist production even in its most advanced imperialist stage is carried out as social production. However on the basis of the private ownership of the means of production the social production and the distribution of its results are utilized in the interest of the single capitalists and their class in order to obtain the highest possible profit and to ensure and strengthen their economical and political power. That's the main reason why also under the partition of the national economy into big national (sectoral) monopolies even an excellent elaborated comprehensive plan is impossible to realize in capitalism.

Many people mean, that the development of a public sector provides better foundations for the realization of comprehensive planning in capitalist runned countries. This is of course very right. But the transition of great capitalist enterprises into nationally -- owned enterprises or the new building of a public sector in capitalist countries as it was done e.g. in England, F.R.G., France, Sweden etc. actually couldn't much improve the possibilities to realize comprehensive state plans. One main reason for this phenomina is, that the public sector in these

capitalist countries did not impose the most vital, i.e. the economical and political most important sectors and when, then not in the necessary extent, so that the public sector under these conditions remains of secondary importance.

Other reasons for the failure to implement comprehensive planning in capitalist countries - inspite of the existence of a public sector - consists therein, that the political power and the main economic positions remain in the hands of the capitalists, and the producers, i.e. the working people had no influence at all upon the management and development of the public sector and its enterprises as well as on the distribution of their results.

In capitalist countries the public sector is mainly composed of institutions and enterprises which represent the various sectors of the infra-structure (public health service, educational system, road-building, public transportation, communication media etc.). Although they are of great significance for the social development they are not regarded as the main basis for economic and political power. Besides, they are very expensive in maintenance which guarantees the capitalists only small profits. Therefore, the capitalists are without nondoubt interested to build up such institutions but not at all interested in running such institutions with their own capital, however they ensure, that people deeply devoted to capitalism are in charge of them.

Since now the participation of the working people in planning and management even in those institutions of the infrastructure, and of course in the production enterprises too, has been prevented by the capitalists and their state power. And it goes without saying, that under these circumstances the foundations for the realization of a comprehensive plan of development are more than limited, because the economic laws of capitalism and their spontaneous mode of operation caused by the capitalist ownership of the means of production are still in action.

The experiences of the socialist countries and of many developing countries too prove very clearly, that the chance to realize comprehensive planning improves in about to the same extent as:

- a) the share of the public sector in the important branches and sectors of the economy (industry, home trade, foreign trade, agriculture) surmounts more or less the share of the private sector,
- b) the working people - encouraged and supported by the government - participates actively in planning and management on all levels,
- c) the private sector becomes incorporated into national planning and systematic development.^{1/}

^{1/} Concerning further details about the development of the GDR's public sector, the incorporation of the private sector in national planning and the role of the working people in economic planning and management see: Dr. Voigtsberger/Dr. Wunderlich "The Development of Economic Policy in the German Democratic Republic", Memo No. 1083 at the Institute of National Planning, Cairo, Dec. 1974.

To the same extent as the evolution of the aforementioned factors improves the conditions for the realization of comprehensive planning to the same extent the conditions emerge for a systematic planning and formation as well as for a conscious utilization of prices in social and economic development.

1.2. The Plan as the Obligatory Guideline for any Social and Economic Development in Socialism.

The plan of the development of the economy of the G.D.R. is to elaborate according to the "Regulation of Planning", issued by the government. The regulation of Planning includes uniform directive rules about the methods and the organization of planning, the implementation of the plans and the follow-up of the plans of the economic development in all branches, sectors and territories for the different plan periods.^{2/}

The application of the Regulation of Planning is compulsory for each planning unit (State Commission for Economic Planning and Control, the ministries, associations and enterprises as well as for the regional state organs as the councils of districts, of the towns etc.).

^{2/} See Appendix No. A.

The development plan of each planning unit is to conform by the respective superordinated and supervising management level and the national development plan by the Peoples' Chamber, the highest representation of the people in the G.D.R. After its final conclusion by the Peoples' Chamber the comprehensive plan of economic development is the legal foundation and the obligatory guidelines for the society as a whole as well as for each enterprise, territory or ministry. No planning unit is empowered to change any set targets of its concluded plan unless important circumstances require a correction. In such cases the concerned planning unit has to propose a motion for plan correction to its superordinated management. Simultaneously the applying planning unit is obliged to give detailed reasons and prove about the necessity of the wanted plan correction. In case the superordinated management is not authorized to agree to the plan correction, e.g. by reason of the great effect of the proposed changes on the planned development of the economy, the next higher level of management and in very essential cases even the government himself has to decide about such a plan correction. In those important cases of plan correction the other planning units, where such a plan correction causes changes in the implementation of their set plan targets too, are to inform about the effects and their development plans are to correct accordingly.

The obligation to fulfil exactly the plan targets in quantity, quality and in time however does not mean that overfulfilment of the set targets is out of discussion. On the contrary, overfulfilment is wanted and stimulated by various incentives, but plan overfulfilment must not narrow the plan implementation of any other planning unit. In other words, any plan overfulfilment is desired only by obtaining the thereto needed material, manpower etc. out of own resources as e.g. increase of labour productivity, economizing of the use of material etc. or by the availability of additional not already planned and balanced other especially local resources. Thus no disturbances will take place upon the plan implementation of any single other planning unit as well as upon the overall plan itself.

On the basis of such a high authority of the plan within the framework of the economic development the role and the mode of operation of the price is substantially determined. Economic planning is based on material and value coefficients and indicators as quantity, weight, meter etc. and prices respectively.

A comprehensive planning requires, that the planned targets are elaborated as exactly as necessary (not as possible) in order to find out the optimum structure of economic development

according to the demands of the economic laws and the therefrom derived aims of the social and economic policy of the state.

However a long-term planning, and socialist planning must be first and foremost long-term planning, needs appropriate instruments, tools and methods of planning. This requires too such means of planning that ensure an exact planning without any disturbances and difficulties that may arise out of often or even spontaneous changes of these coefficients and indicators. Therefore those plan coefficients and especially the prices have to have a certain degree of stability in order to guarantee the comparability among the different plans within the various plan periods as well as among the consecutive plan periods. Concerning the prices the main conclusion can only be to ensure their planned and clearly arranged evolution. Hence, the prices as a main instrument reflecting the economic development in planning can fulfil this task only when they are planned and fixed according to the requirements of long-term economic planning. Consequently, price planning and price formation must be an integral part of overall economic planning, i.e. price planning and price formation cannot be a matter of private considerations or arbitral dealing. They generally must be under the strict guidance and control of the state.

As well as the arbitrary change of plan targets or the negligent non-compliance of the set plan targets within the framework of plan implementation are put under disciplinary punishment or in severe cases even under legal punishment, in general the arbitrary change of prevailing prices or the non-observance of the central directives of price planning and price formation is put under disciplinary or legal punishment too. Thus it is guaranteed, that the plan by support of the system of material and spiritual incentives of socialist accounting can act as the obligatory guideline of economic development.

1.3. The Plan of Development as a Unity of Material-, Value- and Financial Planning

Under the conditions of goods production the development of the economy emerges as a unity of the use value and the value. This applies to any single commodity as well as to the sectors and branches and to the economy as a whole.

One main criterion of goods production consists in the fact, that the goods are not sold and bought or better not exchanged one good in return for another one but are sold or bought independent from each other with the help of the money, i.e. the time of the sale of any commodity from the producers usually falls apart with the time of the purchase of the same commodities by the consumers.

Socialist economy is necessarily a planned economy. In order to plan its development the two phenomena or sides of the goods, to be a unity of use value and value on the one hand and its seemingly falling apart within the process of goods exchange on the other hand are to take in consideration within physical and financial planning. However there are many more processes within the functioning of an economy where production and consumption and the money go very different ways especially caused by the money which acts in several functions.^{3/} In other words,

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- ^{3/} In socialist society money fulfils the following functions:
- The universal measure(reflection) of value. In the shape of the prices money reflects the goods value.
 - The standard of price, Any currency with its classification (into coins and money takens) is such a standard of price.
 - As a medium of circulation, to pay wages, salaries etc. to all kinds of industrial, office and other workers and employees, to pay pensions, to transfer net income realized by the enterprises to the state budget and to redistribute it, to grant credits and loans and to repay them etc.
 - As a means of accumulation and savings. Socialist accumulation results mainly out of payments (taxes and other deductions) from the enterprisal net incomes and thus accumulated in the hands of the state and used for the expansion of production, capital construction, cultural and social development etc. Savings of the population kept in savings banks are also at the disposal of the state.
 - As universal money, world currency. The socialist countries use gold as world currency. Consequently national currencies of the socialist states do not circulate on the world market as it is the case with the national currency of some capitalist countries.

For further details compare Marx, Capital, Vol. 1, in particular pages 97-144, issued by Progress Publishers Moscow.

the motion of the goods is more or less separated from the motion of the money.

Furthermore in socialist countries exist many deviations of the prices from the respective values of the various commodities. These factors altogether complicate substantially the planning in particular concerning the achievement of the necessary accordance among the to be planned material, value and financial development.

Of course physical and financial planning as well as price planning are established in socialist economic planning. And it also can be said, that a relatively high degree of accordance among them in planning and plan implementation is already realized, e.g. within the framework of physical planning simultaneously the planning/its targets is carried out in value categories too, i.e. not only the quantities of production input and output are planned and balanced but also their money expression and the expenditures and proceeds as well.

Furthermore on the basis of the economic development plans there are financial plans and balances to elaborate covering the state finances as a whole and the state budgets for the various levels of the state power (overall state budget, the budgets of the districts and the other subordinated territories) as well as

the financial plans of the ministries, associations, enterprises and institutions. A relatively far reaching accord among them has been already obtained.

Besides, there are manifold further relations and interdependences among physical, financial and price planning. It arises the question for the crucial factor guaranteeing both, qualitatively and quantitatively, the unity of physical and financial planning and planning in value terms as well.

The experiences of all socialist countries verify the truth, that planning in physical terms is not the main problem. However that is only half the truth. Comprehensive economic planning requires not only to determine the development in physical terms but at the same time to ensure too, that the plan targets are set in a way which enable their realization with the highest possible economic efficiency, i.e. to determine the socially necessary quantities and their reflection in value terms so exactly, that they are produced and realized with the lowest amount of social labour. Consequently socialist production must prove as socially necessary to its full extent from the very beginning of planning until its final consumption, i.e. it must exclude waste of social labour (embodied and living labour) at any place of the social reproduction process.

In order to ensure the fulfilment of these very important aims, other more organizational preconditions must be created, three of which shall be mentioned here:-

- 1- The accordance between physical and financial planning is not only required on the central level of governmental planning but on all levels of economic planning. Generally can be said, that the better this accordance is obtained already on the central governmental level^{4/}, the better is guaranteed that the planned reproduction process of the economy as an entirety as well as of single enterprises and institutions can be realized proportionally and with high efficiency.

4/ That concerns e.g. such main proportions as:

- between the funds of consumer's goods and the purchasing power of the population,
- between the planned investments and the money funds in order to finance their implementation,
- between the social gross product (the total sum of all products produced within a certain period) and the money volume necessary to ensure the proper movement (production, circulation and consumption) of the social gross product,
- between the material tasks of the overall social consumption and its branches and the therefore needed money funds etc.

As already was pointed out, within the processes of financial redistribution the money is separating temporarily from the motion of the commodities and thus is going its own ways which are to find out and to determine by means of planning of the various money relations and money flows. This applies to the final redistribution of money by the state budget as well as to the temporary redistribution of money by the socialist bank system by means of credits.

The targets aimed at the processes of distribution and redistribution of money at any time consists therein to direct the financial means not only to the various places and in the amounts needed to carry out the planned physical targets of the economic development plan but also to ensure that they are available in the right time. Because, whenever one of these money flows ends either at the wrong place or in a wrong amount or not at the right time as well, disproportions may occur. This is possible, because non-conformity among the various planned money funds on the one hand and the material funds on the other hand may lead to a more or less spontaneous redistribution of the planned distribution of the material funds, e.g.

- In case certain money funds are planned and directed to the wrong place (sector, enterprise, investments etc.)

it may happen that in the respective sectors, enterprises etc. either a surplus of money arises where an appropriate material realization is not planned or/and simultaneously in other sectors, enterprises etc. a lack of money funds can prevent the implementation of planned targets. Of course, in the latter case the money gap may be closed by credits, however the planned reproduction process is disturbed.

- The same results occur, when the money funds are not planned and distributed in the amounts needed to carry out the planned material targets.
- Finally the social reproduction process is disturbed too and a disproportional development may be stimulated then, when the money funds are not available at the right time. That may delay the completion of certain material targets in case the flow of money is planned to a later time or cause a pressure to buy certain materials, machines etc. at a time they are provided for the planned implementation of other targets.

It goes without saying that the actual negative impacts caused by non-conformity among the physical and financial plans are dependent on the size of the divergencies. Not each divergence results disproportions. Small differences don't matter

at all, they are within the frame of the planned tolerances. In order to prevent the negative impact of big differences, some other regulations have been introduced, e.g. a directive rule which forbids the enterprises etc. to make use of the actual available money funds for ~~other~~ purposes as are planned or as already mentioned -- the possibility to apply for additional credits in case lack of money hinders the carrying out of the planned targets. Nevertheless, any planning of the money funds that do not correspond and harmonize with the planned physical targets are either the reflection of a disproportional development already in planning or the cause for possible further disproportional evolutions, both of which are influencing negatively the optimum (socially necessary) proportional development of the economy.

2-- There is another problem to be solved in order to ensure conformity among physical and financial planning. Since now, in the G.D.R. the central plans and balances are elaborated on the basis of rather high aggregated figures. The hitherto experiences of the socialist countries reveal that the application of very global figures (co-efficients, indicators etc.) in central planning, e.g. of goods production according to the sectors, and some important commodities, materials etc.

only, do not give the possibilities to reason exactly the the money funds and the motion of the money. Therefore it is an important task to find out the optimum nomenclatures, central planning and balancing should be based on. At present much research is done in the G.D.R. and the other socialist countries in order to find out the most efficient nomenclatures for central planning of the co-efficient, indicators and accounts.

Of course, within the framework of planning on the upper level (State Commission of Economic Planning and Control) it is impossible to prepare and to determine the "plan tasks" and the "plan orders"^{5/} for each enterprise. This would not only mean a perfectionistic planning by the centre but would also take away from the ministries, associations, the enterprises and institutions the responsibility for planning and plan implementation and thus violate the main organizational principle of socialist planning and management, the principle of "democratic centralism"^{6/}. This cannot be the aim of a central planning and it is of course not its aim. However a more detailed central planning and balancing compared with the prevailing handling will provide more possibilities in obtaining a higher degree of conformity between physical and financial planning.

^{5/} Compare Appendix A, particularly Footnote No.2 and Diagram A.

^{6/} See footnote No. 2.

3- The preparation of the central "plan tasks" is the most decisive stage of planning and balancing, because the main proportions of economic development as well as of social development are already substantially determined within this early stage of planning. Very often several variants of development are possible to solve a certain problem, each of which requires many analytical research and considerations to determine its social effectiveness and finally to find out the optimum solution. Because of the manifold interdependences each variant e.g. concerning whether the increasing demand for energy shall be provided more and more by water or atomic or coal or oil or other power resources appropriate accounts are necessary not only to realize which one of the possible variants of energy production proves as the socially most efficient one but also to realize the influence of each of which upon the following stages of the reproduction process.

What is worth for energy production is worth too for preparing investments, applying different technologies, for the change of the structure (expansion or reduction) and the share of home-made and imported machines, materials etc. Although those decisions in quite some cases are influenced by political, spatial or other reasons, they are first and foremost economic decisions, i.e. decisions dependent from

the long-term economic efficiency of the various possible variants. Economic decisions fundamentally are decisions about the economically most efficient solution, however concerning their targets determined by the prevailing social basis.

In order to find out the most efficient variants and solutions a suitable means must be available which enables the decision-makers to compare the results of the various variants each with one another. Under the conditions of goods production there is no choice since now. The only available means is the price. However it is well-known that the main function of the price consists in acting as the measuring instrument of the goods value. Any change of the value, e.g. caused by the increase of labour productivity, in socialism leads in the first instance to deviations of the value from the fixed prices. In order to ensure the equilibrium between value and price, price corrections covering the movement of the value are necessary.

However the prices are not only object of planning but also a tool of planning, i.e. on the one hand the prices should follow the motion of their values and on the other hand planning requires relatively stable prices. Although it is impossible that the prices follow any single motion of their respective values, in general it is impossible too (of course with the exception of planned deviations) that the prices

remain stable completely independent from the motion of their values. Hence it is necessary to find an optimum between these two extremes, i.e. to ensure that the prices have a certain degree of stability and dynamic as well. This is easily said but not at all easily done.

Several ways were already executed in socialist countries within the past 25 years. To answer is the question whether - in order to approach the value - the necessary price corrections shall be carried out at once in form of a big move, i.e. in form of a comprehensive price reform covering all parts of the whole price system or to approach the value of the various commodities or groups of commodities by several single steps closing the gap between value and price after it reached or exceeded a set limit. In the G.D.R. we have had periods of comprehensive price reforms as well as of periods with many successive price corrections including a self-regulating industrial price system. Both methods include advantages and disadvantages, which are not to discuss here. Within the coming Five-Year-Plan the G.D.R. is approaching something like partial price reforms covering certain reproduction complexes e.g. the prices of oil or other basic raw materials are changed together with the prices of the commodities made out of them in the processing stages of production until up to the industrial prices of consumer's goods.

Independent of the (more or less comprehensive) ways of price corrections one experience always proved right: any price change must be announced to the concerned planning units at least in its main traces at a time the planning units are beginning to elaborate their plan drafts. That does not mean, that the planned price corrections are already accomplished at that time but the size and the dates of price corrections to be carried out within the coming plan period must be known at that time to all planning units thus enabling them to include the new price levels and price relations into planning of the financial and rentability targets. Everywhere this principle was not maintained in the past, the decision-makers were not in the position to find out the economically most efficient variants at the right time as well as the planners were forced to carry out plan corrections within the process of plan implementation instead of including these price corrections already within the framework of preparing the "plan tasks" and within the elaboration of the "plan drafts".

Appendix A

Object and Contents of Economic Planning in the German Democratic Republic (G.D.R.)

In the G.D.R. the planning of the economy, its implementation and follow-up is to execute according to the "Regulation of Planning", issued by the State Commission for Economic Planning and Control as the responsible state organ of the government for this issue.

The Regulation of Planning contains methodical rules, which are valid for the Five-Year-Plan-Period 1976-1980 and obligatory to apply for the purpose of:

- (a)- the elaboration of the Five-Year-Plan 1976-1980, the annual plans covering this period and the plans of the state budgets and the balances of the credit system, which is to be carried out by the State Commission for Economic Planning and Control, the Ministry of Finance and the State Bank as well as
- the elaboration of the draft plans (in preparation for the aforementioned plans and balances) by the ministries and other central state organs, the regional state organs of the districts, towns etc, the managerial organs of

the economy (associations etc.), the nationally-owned enterprises and the co-operatives.

- (b)- The elaboration of the Five-Year-Plans of the districts and the elaboration of the annual development plans and the budgets of the districts and communities.
- (c)- The co-operation among the aforementioned state and economic management organs within in the process of plan elaboration. T

The planning of the economy includes the economic, social, scientific-technological and cultural development of all branches, sectors and territories. It includes also the requirements, synchronized and concluded tasks of the socialist economic integration with the member-states of the Council of Mutual Economic Assistance (CMEA).

The basis of the elaboration of the Five-Year-Plan, the annual plans, the state budget, the main proportions of the financial plan and the balance of the credit system are the demands of the population and therefrom derived of the productive spheres and the state as well as the already traced results of the long-term planning (10-15 years) of the economy.

The elaboration of the plan takes place in a democratic mass movement which includes the central governmental organs as well as the workers and employees in the sectors and enterprises. It is based on the principle of "Democratic Centralism", which ensures the combination of central planning and management with the creative initiative of the workers, their collectives, the managements of the sectors, enterprises etc.^{7/}

Because the development plans determine the main directions and proportions of the social and economic development it is a political document of uppermost importance. Consequently the workers' party feels directly responsible for the elaboration and implementation of the plan. It is the party which submits to the people and its government the main outline of the plan. Proceeding from this main outline, called the "Party's Directive", the State Commission for Economic Planning and Control prepares the comprehensive plan draft and organizes the elaboration of the plan. Within this process all the state and economic managerial organs, enterprises and institutions have to elaborate their plan drafts. These plan drafts form the basis of the coordinated overall plan which after its adoption by the supreme state organs becomes the obligatory directive rule for the activities of all enterprises, organizations and ministries.

^{7/} Details about contents and mode of operation of this principle see: Dr. Voigtsberger/Dr. Wunderlich, The Development of economic policy in the G.D.R., Memo.(INP-Cairo) No. 1083, Dec. 1974, page 79.

The Five-Year-Plan Comprises

- (a) - The state plan-coefficients^{8/} and indicators, economic balances and accounts about:
- the development of quantity and quality of production and services,
 - how to meet the increasing individual, social and productive demand,
 - how to meet the requirements of socialist rationalization,
 - how to increase the material and cultural conditions of the population,
 - the development of the capability of social manpower,
 - how to increase the economization of material,
 - the development of the various territories;
- (b) - the measures of socialist economic integration and of the foreign trade;
- (c) - the targets of science and technology including the tasks about the introduction of the scientific-technological findings into the production process, the aims about the development of the research capacities and the decisive tasks of standardization, of development of the quality of the commodities, of scientific labour organization, of purchase and sale of licenses and of the basic research;

^{8/} State plan coefficients (indicators) are a summarizing term for all kinds of coefficients and indicators applied

- (d) - the tasks of the continuous development of the educational system;
- (e) - the main figures about an economical use of material and the balances about material, equipment and consumer goods according to a centrally fixed nomenclature;
- (f) - the centrally planned investments;
- (g) - a conception about the main measures concerning the price evolution.

Cont'd 8/ within the processes of the elaboration, implementation, control and analysis of the Five-Year and annual plans of the economic development. There are three groups of centrally fixed state plan coefficients and indicators: obligatory coefficients, indicators characterizing the level of the future development and informative indicators, the main distinction of which consists in the differences of their binding force.

- (a) Obligatory plan coefficients set definite targets to be obtained within the different plan periods. They are the results of central state accounts and balancing and they determine the main structure and proportions of the development of the socialist reproduction process. Obligatory plan coefficients are delivered by the State Commission of Economic Planning and Control to the ministries and other state and economic managerial organs. Such obligatory plan coefficients are e.g. the volume of production of commodities (expressed in prices and concerning important goods also fixed in physical terms as quantity, weight etc.) or the output of consumer's goods which are of vital importance for the population (expressed in prices and physical terms) separated according to the responsibility of the various ministries etc.

Cont'd 8/

- (b) Indicators, determining the level of future development are characterized by the fact that they are not expressed with one set figure as e.g. the total amount of output but in tolerances or in limits leaving thus the exact determination e.g. about the total output of goods production within the range of responsibility of the ministries or other authorized planning organs. However the centrally set tolerances are neither to exceed nor to fall below by the planning organs. The centrally set limits are either minimum limits the ministries etc. are not allowed to fall below or maximum limits which are not allowed to exceed, i.e. these indicators are obligatory too however only concerning the set constraints which are not to fall below or to exceed.
- (c) Informative economic indicators are centrally elaborated accounts applied in order to find out and optimize the targets of economic development. They are delivered to the subordinated planning units in order to show them the ways the aforementioned coefficients and indicators have been elaborated. Thus the subordinated planning units obtain the knowledge about the social, economic, scientific-technological and other factors, their inter-relationship and valuation as well as the way of (mathematical and other) accounts to determine the obligatory plan coefficients and indicators.

The state plan coefficients and indicators are delivered as the so-called "plan tasks" by the State Commission of Economic Planning and Control to the subordinated planning units for the purpose of the elaboration of their respective plan drafts and after the conclusion of the overall economic development plan by the Council of Ministers and the People's Chamber the state plan coefficients and indicators are delivered to the subordinated planning units as the so-called "plan orders". The "plan orders" are now the obligatory basis the various planning units have to elaborate their final economic development plan.

In preparation of the Five-Year-Plan draft and within the framework of its elaboration are to elaborate the abovementioned state plan coefficients and indicators according to the centrally fixed nomenclature^{9/} as well as the following economic balances and accounts:

- (a) Balance of the social (national) gross product (total sum of all products and productive services produced within a fixed period) and the produced and allocated national income;
- (b) a complex survey of important tasks and coefficients about the improvement of the living standard of the population;
- (c) Balance about the money income and the money expenditure of the population;
- (d) Balance of building measures of the economy as a whole and separated according to the districts for selected branches;
- (e) Balance about the development of the total population, the manpower structure and the youth;
- (f) Balances of the foreign trade including the balance of payment;
- (g) accounts about the efficiency and rentability of the social production;

^{9/} See page 31.

- (h) investment balances for selected important investments separated according to building, machinery and equipment;
- (i) the basic proportions of the state budget, the credit and the money funds necessary for the development of the planned material development of the economy.

While the comprehensive Five-Year-Plan represents the aggregated final result of the plan drafts (proposals) of all planning units, the conception about the measures to be implemented on the field of prices is to elaborate by the Board of Prices in cooperation with the State Commission for Economic planning and Control, the Ministry of Finance and the other ministries and central state organs only. The latter depends on the more or less confidential character of preparations for price development especially concerning the retail prices.

9/ Centrally fixed nomenclatures are part of the overall set of systematics. They are uniform for all kinds of planning activities and to apply compulsorily by all planning units within the framework of planning, plan implementation, plan control and plan analysis of the economic processes in all their parts and on all levels. The uniform set of systematics guarantees not only the uniform registration, control and analysis but also the aggregation and comparability of the enterprisa data and their utilization in electronic data processing. The most important economic systematics are:-

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- the nomenclature of commodities and services; it includes more than 80 000 items of the domestically produced and imported commodities as well as the therewith connected material services within the various sectors of the industry, building and agriculture;
- the systematic of the manpower forces according to the various professions;
- the nomenclature and the list of the quotas of depreciations for the means of production;
- the economic scheme of accounts, which ensures obligatorily the uniform registration of the costs in all enterprises and other institutions;
- the classification of the enterprises determining the membership of the different enterprises to the respective sectors mainly according to the main share of their output;
- the nomenclature of the price coordination organs, which lists the price coordination organs of the industry, the foreign and the domestic trade organizations authorized by law to carry out limited activities on the field of price formation in particular of the classification of the prices for further developed commodities into the prevailing price levels and the publication of which.

All parts of the Five-Year-Plan are to elaborate as a unity however subdivided according to the plan targets to realize within the single years of the Five-Year-Plan. This applies to the elaboration of the conception about the important measures on the field of prices too.

On the basis of the set targets of the Five-Year-Plan (subdivided according to the single years) the annual economic development plans, the annual state budgets and the annual balances of the credit system are to elaborate. There may be differences compared with the set annual targets of the Five-Year-Plan, because;

- new findings of the scientific-technological may require plan corrections,
- an unforeseen development of the needs of the population may have emerged and is to take in consideration,
- the overfulfilment of the plan in a previous year allows to increase the plan targets of the following years,
- new requirements or possibilities of the socialist economic integration and of the foreign trade are to take into account.

The Five-Year-Plan, the annual development plans, the state budgets and the balances of the credit system are to carry out in three stages: (see diagram No.A).

- (a) the elaboration of the central plan targets and the issue of the "state tasks" (see footnote No. 2, to appendix No.1) as the basis for the elaboration of plan drafts,
- (b) the discussion of the plan targets by the workers and employees within the planning units as well as the elaboration, the adjustment(harmonizing) and the defence of the plan drafts including the coordination among the different corresponding planning units and the balancing of the physical and financial demand,
- (c) the carrying out of the final plan and after its conclusion the handing over of the "plan orders" to the subordinated planning units in order to finally complete their respective development plans.

Diagram "A" also reveals, that in general planning in the G.D.R. is carried out on four different planning and managerial levels:

- the Cabinet Council and the State Commission of Economic Planning and Control,

- the ministries and the other central state organs,
- the associations of the nationally-owned enterprises, the various wholesale trade organizations and the councils of the districts,
- the nationally-owned enterprises and the other local and municipal institutions.

However it goes without saying that there are also many direct consultations, adjustments and discussions necessary among the four planning and managerial levels, mainly within the process of the elaboration of the plan drafts of the various planning units.

Finally it is to reiterate that planning and balancing are an inseparable unity. Comprehensive economic development planning cannot work without simultaneously guaranteeing that the available resources (material, equipment, manpower etc.) and their allocation are balanced. The regulation of Planning determines which of the central and other planning units, beside the State Commission of Economic Planning and Control, are responsible for balancing the output and allocation of certain materials, commodities etc. In order to ensure the enterprises and institutions the needed quantities for their

production as well as to enable the balancing units to elaborate exact balances, already within the framework of the elaboration of the plan drafts contracts are to prepare among the suppliers and the buyers about the needed materials etc. One copy of the contracts is to deliver to the concerned balancing units.



