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### **THE ROLE OF THE PRICE IN THE PLAN OF DEVELOPMENT**

by

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THE PLAN OF DEVELOPMENT

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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.

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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.<sup>1/</sup>

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<sup>1/</sup> 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.<sup>2/</sup>

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.).

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<sup>2/</sup> 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.