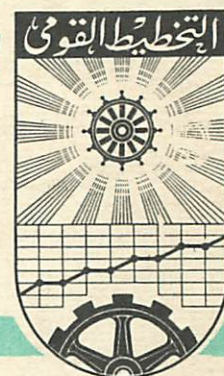


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PRICE PLANNING IN SOCIALISM

(BASES AND POSSIBILITIES - ITS
PREPARATION, IMPLEMENTATION
AND ORGANIZATION AT THE CASE OF
THE GERMAN DEMOCRATIC REPUBLIC)

By

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- I -

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OF THE GERMAN DEMOCRATIC REPUBLIC)

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Preface

Price planning is a necessary component of the material and financial development^{planning}/in socialism. The better the prices comply with the requirements of the economic laws of socialism, i.e. the more efficiently they are in the position to support the implementation of which the better the prices can be utilized in order to stimulate and actively support the preparation and execution of a planned proportional (optimal) development of the economy.

Although in general this is an acknowledged fact it is to state that the material and financial planning in particular as to the applied methods of which had been evolved much faster than those of price planning. That certainly is also one of the main reasons why in socialist literature a rather large number of books about the entire set of economic planning including many details as to the methodology and the instruments of material and financial planning have been published but at present no comprehensive publication about the problem of price planning is available. That does not mean, that there are no publications at all about price planning and price planning methods, however most of them are dealing only with some specific aspects of which and besides at least till now they have been either of a more or less mathematical nature with only rather loose connections to the economic and political sides of this problem or they have been dealt with mainly with the economic foundations and principles of price planning and neglecting the methodological and mathematical instruments.

- III -

It could not be the task of this study to close this gap. On the contrary its aim from the very beginning consisted therein to give a rather comprehensive survey about the most essential problems of price planning however not only as to the contents, the methodology and organization but also as to the various steps and the reasons or motivations about which ones on the way of the development and permanent improvement of price planning under the specific conditions of development of the German Democratic Republic have been applied.

We mean that the way chosen to present this problem gives the reader an idea about the many factors and interrelations that have been taken into consideration by the G.D.R. Government in order to construct an adequate and efficiently state controlled system of price planning under the conditions of a non-capitalist development. However every country has its own individualities as to the social and economic development and consequently has to decide itself which one of the possible ways and steps are the most adequate ones for the construction of an own system of price planning.

Hence the following study claims to be not more than an information about one of the possible ways in order to meet the task of a planned development of the prices as a necessary economic instrument within the process of a comprehensive economic development as it has been successfully achieved in the past more then 25 years of the existence of the German Democratic Republic.

W. Wunderlich

CONTENTS

Page.

0.	Preface	
1.	Aim and Utility of Price Planning	1
2.	Possibility of Price Planning and its Realiza- tion.....	14
3.	The Contents of Price Planning	
3.1.	Some Remarks about the General Contents of Price Planning	38
3.2.	Which Prices are to Plan and which are the Main Principles of Price Planning.....	50
3.3.	The General Ways and Possibilities of Planning and Preparing Price Changes as the Main Con- tents of Price Planning.....	62
3.3.1.	Preliminary Remarks.....	62
3.3.2.	The Possible Ways of Price Planning.....	64
3.3.3.	Price Stop - First Step Towards Price Planning in the G.D.R.....	65
3.3.4.	First Continuous Price "Reform" in the G.D.R. by Applying a Uniform Price Formation Principle	68 b
3.3.5.	Preparation and Implementation of Comprehensive (General) Price Reforms in the G.D.R.....	72
3.3.6.	Second Continuous Price Reform in the G.D.R.....	83
3.3.7.	Partial Price reforms, the Change of Price Levels and of Single Prices.....	90
4.	Some Methodical Problems of Price Planning with Special Reference to Planning of Industrial Prices in the G.D.R.....	
4.1.	Preliminary Remarks.....	101
4.2.	The Application of Price Input-Output Tables....	104
4.3.	The Importance of Iteration in Price Planning...	112

	<u>Page.</u>
5. The Organization of the Preparation of the Price Plans in the G.D.R.....	
5.1. Preliminary Remarks.....	120
5.2. The Preparation of a Price Conception.....	122
5.3. The Planning of Changing Existent Industrial Prices.....	
5.3.1. General Principles.....	124
5.3.2. The Elaboration of Recommendations for Price Changes.....	127
5.3.3. The Elaboration of Proposals for Planned Changes of Industrial Prices.....	128
5.3.4. The Decision about the Implementation of Planned Industrial Price Changes.....	133
5.3.5. The Publication of Changed (New) Industrial Prices.....	135
5.3.6. The Balancing of the Effects of Planned Price Changes.....	138

Appendices

Appendix A	Form about the indicators for the Motivation of Planned Industrial Price Changes..	142
Appendix B1	Form about the Numerical Effects of the Industrial Price Changes upon the Producers	150
Appendix B2	Form about the Numerical Effects of the Industrial Price Changes upon the Buyers..	151
Appendix C	Form about the Comparison of the Existent and New Industrial Prices, Partial Prices or Partial Price Standards.....	152

	<u>Page.</u>
Appendix D; Form about the Coefficients of Price Changes.....	153
Appendix E1: Form about the Numerical Effects of Planned Price Changes within the Plan of Economic Development of the Year 19.....	155
Appendix E2: Form about the Disintegration of the Numerical Effects of the Price Changes upon the Buyers.....	156
List of References.....	157

1-

1- Aim and Utility of Price Planning

Between aim and utility of price planning exist very close connections. To fix the aim of price planning means simultaneously to be aware of its utility and vice versa to find out the utility of price planning means at the same time to define its aim. In socialism price planning - briefly said - consists therein to provide the economy and its various (planning) units in time with the necessary information about the fixed price development in future (plan) periods as an essential foundation and prerequisite for the elaboration of the economic development plans of all planning units.

This generally defined aim of price planning shows that it exists not only in the provision of the information about the planned development of the prices but mainly in their utilization by all authorities and levels of management responsible for planned proportional development of the economy as an entirety as well as for its many single and more or less independent economic and other units.

In socialism the application of the planned prices in economic development planning is obligatory. This ensures that the prices can play its objective economic role in the planned proportional development of the economy, i.e. to support the development of a production structure that can cover the planned consumption of the economy as a whole, of its economic units as well as of the population. In socialism price planning is also an instrument that in connection with the other categories of cost accounting causes some kind of economic pressure upon the enterprises in order to cut their production costs e.g. by increasing the labour productivity, by dropping the use of materials per produced unit, by stimulating the utilization of the results of the scientific-technological progress or by enforcing the rational application of the planned productive funds(fixed assets etc).

Concerning the chance of their realization in non-socialist countries, aim and utility of price planning are essentially dependent of the respective ruling social(political) forces and economic foundations, i.e. price planning or price forecasting are not and cannot be understood and carried out in the same way and with the same efficiency as it is possible and necessary in socialism.

In order to define especially the utility of price planning more exactly at first it seems to be useful to have a look upon the contents of the price (not yet of price planning), its role and the social (political) and economic environment the price is operating. Here at first it can be stated that in all economies based on the existence of commodity production and the exchange of commodities among producers and consumers by the help of money, the price is an objectively necessary economic category. This applies at any rate to all capitalist as well as socialist countries, and this applies also to most of the developing countries.

Concerning its economic contents any price is the money expression of the goods value, i.e. any price fundamentally reflects and must reflect more or less exactly the expenditures necessary for the production of the respective commodities. That includes all kinds of production costs as e.g. for manpower, materials, machines and tools as well as for the construction and maintenance of factory buildings and similar installations. The price includes also a profit. That is necessary in order to enable the enterprises to contribute to the implementation of the tasks the state has to fulfil as the representative of the society as a whole (e.g. concerning the social consumption on the field of health

services, education etc.) as well as in developing and maintaining of the various establishments of the infra-structure (e.g. road construction, power stations, water supply etc.).¹⁾

The society as a whole as well as the single enterprises are interested not only in a steady and sound development and improvement of their respective social or economic conditions but also in socially necessary, i.e. in a proportional development of the social, enterprisal and individual demands. The knowledge about the planned development of the economy and the certainty about its realization provides not only security about the economic decisions of the enterprises' future development but results also in many initiatives in order to participate in an efficient realization by all management levels as well as by the working people. Price planning may be an

1/ We don't argue here about the sources the profits comes from. However one must be aware of the fact, that fundamentally in any economy a certain amount of profit (in terms of socialist political economy of the "surplus product") is a necessary component of the value and the price as well, what is to take into account for the purpose of price planning.

important instrument and under certain social conditions⁽²⁾ it actually is an important instrument to support the implementation of the abovementioned prerequisites and initiatives for a highly efficient economic development on all levels. In general, the main advantages of price planning can be characterized as follows:-

- a) Price planning is an important instrument to help the decision makers and planners to better recognize the socially most efficient solutions of a socially necessary proportional (optimal) development of the economy. This applies to all levels of planning and management, i.e. from the State Plan Commission at the top until down to the smallest enterprise.

However price planning can never be a process isolated from its material, social and economic bases. On the contrary, to plan the price development requires already a very comprehensive as well as sufficiently

^{2/} About these conditions is dealt with in chapter 2 of this Memo. But we have to emphasize here, that talking about the advantages of price planning without discussing about the social circumstances price planning can be efficiently realized is of a rather abstract nature. In other words, the advantages dealt with here are to realize in general only under the conditions of a planned development of the economy as is reasoned in chapter two of this Memo.

deep knowledge about the main traces of the material development and scientific-technological progress in order to find out their actual impacts upon the development of the value, i.e. of the social expense necessary for the production of commodities and services. It is an iterative process that continuously is to carry out among the possible solutions of economic and scientific-technological development in the various sectors, groups of commodities etc. in order to determine their numerical influence upon size and level of the value until the socially most efficient (optimal) solutions are found. Consequently it is necessary to recognize already at this spot, that price planning can operate efficiently and trust-worthily only, i.e. it can have the chance of a successful realization only on the basis of a comprehensive and realizable economic development planning.

- b) Price planning is an essential prerequisite for the determination of the (quotas of the) improvement of the real income of the population. The money incomes and the income taxes together with the retail prices for consumer goods and the the prices, tariffs etc. for social and individual services

determine the level of the real income. Any change of the retail prices touches and influences the development of the real income just as the change of money incomes. (3)

However the intention to ensure a permanent improvement of the real income of the population is first and foremost a matter of central decisions and fundamentally can not be left (at least in socialist countries) to the decision of the various enterprises or individuals, i.e. it cannot be subject to a development by chance according to a spontaneous development of the market forces. Hence the conclusion is to draw, that price planning must be not only part of a comprehensive and reliable economic development planning but also subject of a centralized state planning.

- c) Price planning qualifies the planning of the general economic and technical development of the enterprises and their production structure, because it gives the managements of the enterprises a high degree of security concerning the realization of their respective decisions about these objectives.

Price planning provides the enterprises with a reliable orientation about the future development of the prices and the price levels. That enables the enterprises to compare

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- 3) There are of course some differences concerning the impact of price changes and changes of money incomes upon the real income of the population. While price changes effect more or less all strata of the population are income changes usually restricted to certain strata or groups of the population.