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Eduard Rădăceanu (Editor)

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DAN ARDELEA, CEZAR SCARLAT

A STRATEGIC MODEL ON THE TRANSITION PROCESS TO THE FREE-MARKET ECONOMY

More or less authorized discussions about "privatization", economic reform" or "transition toward market economy " are very actual but they generate questions and are even confusing.

Thus, we propose a model for the economic system and possible transition strategies analysis.

The model's conceptual framework is simplified and neglects some factors and elements from the system's structure. We consider those to be less important.

Considering a two-dimensional model of transition, ownership and management, inside the system, both an economic systems'typology (command, monopolist, social-market and market economy) and different ways of transition can be identified.

Primarily, one has to distinguish between the two coordinates of the problem :

(I) the economic ownership that could be state or public ownership and private ownership (the intermediate step between the previous two categories is accepted);

(II) the adopted managerial strategy defined at the decision-making level that could be: centralized leadership,characterized by decisions made at the macroeconomic level, and the decentralized decision, where decisions are made at the microeconomic level (intermediate forms being possible).

While the association "state ownership" + "centralized leadership" defines "the command economy" (quarter 3), characterized by the countries belonging to "the real socialism", the association "private ownership" + "decentralized leadership" is typical to the democratic countries'"market economy" (quarter 1).

Analyzing the model with combinatorial techniques, two more associations are shown : "private ownership" + "centralized leadership" (quarter 2), defining a monopolist economy and "state ownership" + "decentralized leadership" (quarter 4), introducing the so-called "social-market economy".

Hence, the free market economy, free-competition capitalism, tends to slide to the monopolist structures as a result of the capital concentration. The bigger is tempted to break the rules, exploiting his economic and, implicitly, political strength. This phenomenon was experienced at the beginning of the past century in the U.S., France, Britain, Germany, Holland, Italy, Sweden, etc. (we listed the most developed countries). The trends to a monopolies'dictatorship (of the kind the United Fruit Company had practiced in the Central American countries) could be infirmed due to the democratic political system, to the state of laws, which regulate economic relationships, and especially by antitrust regulations.

A different situation, wherein the frames of private ownership and free competition principles are broken and/or replaced by the

centralized command mechanisms, is that of the war econ (Germany, Italy, Romania, during the world War II). By la decrees etc., the economy's direction is accomplished by the st both at macro and, somehow, microeconomic levels. The st targets all the nation's resources in order to sustain the efforts. During the crisis this strategy can lead to results t are superior to those from quarter 1. But in normal times hinders initiative and dynamism, placing the economy behind free markets.

Without accessing the models'details, the free mar economy's superiority (through motivation, adaptability flexibility, and progress, and finally through productivity efficiency) is practically proved, confirmed by the social historical dynamics of economic systems.

We think it is interesting to underline the unstable charac of the economic models belonging to quarter 2 and 4. Contradict between the private ownership and centralized leadership will h serious effects like economic and social unbalance, excessive immoral revenue sharing and, finally, the danger of signific unemployment. The opposition between state ownership decentralized leadership (as much as it possible) leads to property's depreciation through poor efficiency, as a result of back interest, with a major negative consequence, inflation.

To prove this, there are significant examples. For situation of monopolies based on private ownership, we spec that economic dictatorship can be exercised either by the st (for the war economies) or by a monopolist oligarchy (in many La America, from African, and Asian countries dictatorships are lin more to certain historical and political circumstance Companies'creative abilities are paralyzed at every lev Companies aren't able to start anything unless they get appro and "protection" from the monopolist oligarchy (to be read mafi

About the second situation, an example is shown by Yugosla since the Tito's time. The autonomy Yugoslav companies w allowed, since the sixths has shown certain advantages compared the rest of the socialist countries.

Quality was improved; products were competitive. The "st employee" mentality still exists in most of the employees. T time the "mafia" groups were created within companies where a c with more "initiative" reached the command levels using st capital to "round" the personal one. The result: the state, he the entire society, looses, while a group of privileged get r without taking any risk exploiting their presence in key areas the system.

The managerial description of the proposed model starts f two basic prerequisites:

(I) private ownership, opposed to the public one, genera motivation;

(II) increase of decentralization, determines the flexibil of leadership systems and processes.

Thus, the model can be characterized from the manager outlook according to those presented above.

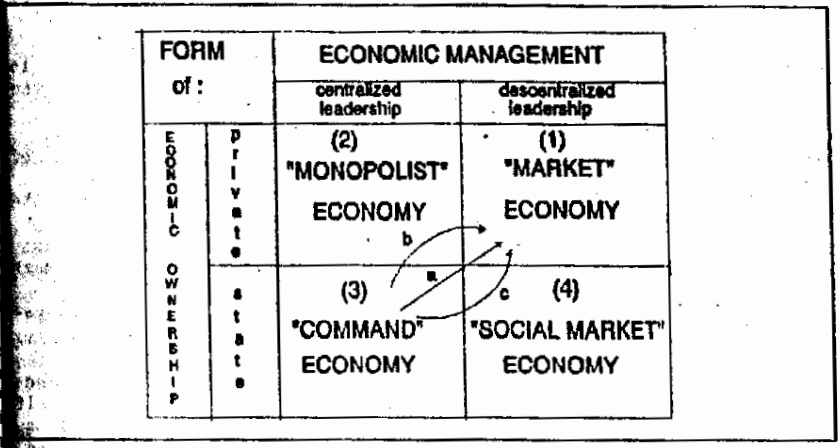

Fig. 1. The Transition's Quarters

Quarter 1. Interest aroused by private ownership and managerial flexibility results in elastic and efficient management.

Under the necessity of a free market circumstances, governed by the principles of request - offer balance and of the competition, the necessity of a fast market - factors information transfer appears.

Extensive and intensive use of computers and informatic becomes part of management.

Quarter 2. There is private ownership's motivation but centralized leadership creates over-sized structures with slow decision time and a long information circuit. Quite rigid and disadvantageous management results. This can be improved by using information systems.

Quarter 3. Management is imposed from outside the system. The economy is of "command" type but the company is deprived of a basic managerial function: "decision-making". That is ultra-centralized, the communication channel is long, and information is distorted and weakened through a bureaucratic chain with non-coherent feed-back. In the few situations where it appears, it doesn't contribute to the decision making. The lack of motivation increases the system's immobility.

Quarter 4. Accepting that a company is allowed to make decision, state ownership rejects that kind of motivation. The result is a formal management. Where the information systems are used in an inefficient way.

Transition of the Romanian economy from "the command" to "the market" implies transition in the fields of ownership and in decentralization.

The adopted legal acts (the Reorganization of the State Owned Enterprises Act, the Corporations Act, the Act of Land) target

those certain aspects.

The conclusion is that transition to a market economy necessary. The fundamental problem is choosing and justifying optimal strategy, defined by:

- duration of transition (abrupt or gradual transition);
- privatization technique - considered to be a component reform;
- transition management (the effective path followed by economic system).

The proposed model's analysis reveals at least three path

a. the direct transition (quarter 3-1); theoretically the m advantageous but require an outstanding managerial effort;

b. transition through quarter 2, potentially high unemplo ment generative. The question: "who should buy in a couple of d the existing facilities?" might be asked.

c. transition through quarter 4, threatened by inflati Yugoslavia, Hungary and Poland started this way before Romania. the economic criterion (inflation avoidance) is overwhelmi variant (b) will be chosen meaning prioritizing the privatizati If the social criterion (lowest possible unemployment) prevai (c) will be followed and companies will become fully autonomou

From the theoretical, managerial standpoint, transition sho be as short and straight as possible. Prolonging the transit through unstable statuses (quarter 2 and 4). Induces stresses leads to a drop in economic efficiency or in the speed of economic reform process a decrease.

Finally, state stability should be protected by two kinds measures:

- "antitrust" regulations (antimonopolist, fight against competition) in order to discourage the movement to quar 2;
- the limitation system of nationalization processes t shouldn't allow a deeper access to quarter 4.

Justification of those measures lies in the fundamen principles of a market economy: open competition, balance of request and offer, and company autonomy.

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