3 Planning as a process

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1 From an unplanned to a planned policy

Planning for an economic policy and more particularly for a development policy is today becoming more and more a part of state activity. More countries are tending to adopt this technique and the technique itself is constantly improving. The communist countries went over quite suddenly from an unplanned to a planned economy; the transition in other countries was, however, much more gradual. This increasing tendency towards a planned economy is an aspect of the tendency of all human activity to become more and more conscious. Whereas in the past the state often acted, in accordance with the principle of laissez-faire, only after a natural catastrophe – a war or some other grave crisis or difficulty – the conscious introduction of 'thinking ahead' has gradually led to the practice of forming an idea of the situation that will most probably prevail at some future period of time. This thinking ahead is now known as forecasting and the techniques involved in forecasting of this type have continued to improve in recent years. We have progressed from the rather naïve method of forecasting by extrapolating the line of a graph to the much more sophisticated method of forecasting based on a knowledge of the operation of social forces. This knowledge, which was initially mainly intuitive, has itself become more explicit with the passage of time.

Secondly, there has also been a change of method. Originally, each difficulty was seen in isolation. Over the years, however, more and more attention has been given to the connection between various economic factors, with the result that every effort is now made to integrate isolated parts of economic policy. For example, the regulation of separate agricultural markets has been gradually developed into a single coherent agricultural policy, which in turn has been integrated with other parts of the whole economic policy.

Finally, the aims of intervention are now seen and understood far more clearly. Whereas economic policy was in the past rather negative, in that it aimed to cure existing economic diseases, it is now increasingly regarded as an activity that fits closely into the whole economic process and is aimed far more at bringing about sound development than at curing economic ills.

These, then, are the three chief elements of modern planned economic policy – looking ahead, co-ordination and the attainment of deliberate aims. Planning has become a normal activity along-side other government functions and the production of services and goods, and in this way it has also become one of the processes which, from the point of view of economics, may be regarded as a productive process. In the rest of this chapter, I propose to examine planning briefly from this point of view.

2 Functions of the office for economic planning

The institution which is responsible for the drawing up of a plan is frequently termed an office for economic planning. Different countries, of course, use different names and in some a whole ministry is made responsible for this task. The word 'commission' is sometimes used instead of 'office', but this title does not really fit in with customary terminology. At any rate what is meant is an office in which a fairly large or even a very large number of officials is employed full-time.

The productive process of an office of this kind has various aspects, which may be grouped under the headings of function, method, procedure and organisation. Each of these four aspects will be discussed in this chapter, beginning, in this section, with the functions of the office. It goes without saying that such an office has more than one function, but its main function is of course to draw up plans. These plans may be subdivided into perspective or long-term plans, medium-term – frequently five-year – plans and short-term – generally one-year – plans.

In addition, the office has other functions, although these are all to some extent related to the main function. Its second function may be called that of carrying out preparatory investigations. Its third task is often to draw up regulations and standard figures for the planning offices at a lower level, for example, those of ministries

or of local public bodies, such as municipal or county corporations or the states in a federation. Its fourth function is to advise or report on various parts of economic policy, and it will be obtained that this function may cover a very wide field indeed. It is, of course clear that the planning office will not be concerned with every part of economic policy, much of which will be dealt with by minimized or by public bodies at a lower level. The office for economic planning will, however, be responsible for all questions in which more than one specialised institution of this kind is involved, since the first requirement is co-ordination. It is for reasons of this kind that the planning office will be consulted on questions of international economic policy.

In a number of countries, the office for economic planning is called upon to supervise the carrying out of the plan. Opinions differ as to whether the planning office should exercise this function, which was common in the past but is found even now. In our view this supervision is the task of the executive, in other words, of the government and its ministries, while the planning office has an advisory and not an executive function. Again, it is the task of the statistical office and not of the planning office to compare actual development with the development envisaged in the plan. If the existing statistical data are insufficient, new and more suitable data should be collected.

3 Methods of planning

The term 'method' is used here in the limited sense of the scientific mode of working in the drawing up of plans and not in the sense of 'procedure', which will be discussed later (see section 4). Since a great deal of the work necessary for the preparation of plans is devoted to reproducing statistically the most desirable development, a very important part of planning consists in working with statistical relationships. But this can only be done if the nature of the subject is thoroughly understood. This means that an important part must also be played by various experts in the fields of tech-

nology and the social sciences, such as engineers and other specialist technologists, economists, sociologists, legal experts, political scientists, psychologists, educationists, ethnographers and anthropologists. In most cases, the most important part will be played by the economists. The technologists will have a special part to play in the specialised preparations in the industries and the ministries concerned. Many of the social sciences are not yet in the position of being able to translate their insights into concrete proposals, but there are important exceptions, and the situation may well be different in the future. It is moreover hardly necessary to add that there are almost always individuals who are not specialists, but who are outstanding because of their intuitive knowledge of the subject, their energy and their gift for communication, and who will consequently be able to play a considerable part in the preparation of good plans. The good statesman, politician or planner, like the good entrepreneur, is more than an expert in the purely intellectual sense of the word.

Finally, with the use of quantitative relationships planning activity enters the sphere of mathematics. The mathematical methods employed may be either primitive or highly specialised. The method of trial and error is a typical example of the primitive approach, although it is fairly commonly used even in very advanced working. Thus, in addition to its application in ordinary subtraction and division and in integration (in the mathematical sense), trial and error also has its place in mathematical programming which is nowadays very commonly used. The most usual mathematical methods employed today in economic planning are differential and integral calculus, and the very popular input-output method devised by Leontiev and known in the Soviet Union as the balance method; this is an algebraic form of linear, and even non-linear, equations between a great number of unknowns. Some of the most abstract parts of mathematical economics also make use of the theory of sets.

I propose in this book to steer a middle course between the most primitive methods of trial and error and the most complicated

modern solution to all the equations that determine the system by making use of the method of successive approximations. This method is widely employed not only in mathematics, but also in economics and many other sciences. When applying this method of planning, reference will be made to planning in stages.

4 Planning procedure

'Procedure' here, like 'method' in the preceding section, is to be understood in a limited sense – meaning the nature and sequence of the contacts which the office for economic planning establishes with the outside world. By the nature of these contacts is meant first and foremost the institutions with which, or the persons with whom, contact is established and the degree of joint decision which these institutions or persons have by reason of that contact. The nature of a contact may therefore be, for example, one in which the representatives of both the employers and the employees each obtain a hearing but do not in fact reach a joint decision. It may, on the other hand, be a contact in the course of which these representatives do finally come to a conclusion together. Or it may even be simply a contact with technical experts. In practice, of course, planning can take place without any contact at all with the outside world or, at the opposite extreme, plans may be drawn up only after a very great number of external contacts. Generally speaking, there are two main reasons why such contacts can be useful. First, they can provide information. Secondly, they can also mean that all the interested parties will have at least some influence on the planning, with the result that the procedure will be democratic.

It will, of course, be obvious that, because of the wide variety of these contacts and the different order in which they can take place, some procedures will be better and some will be less good than others. This will depend on the criteria applied to the quality of the plan, the time required, the measure of co-operation obtained and many other factors. It is obvious too that the choice of the best procedure will also be determined by the structure of the

problems to be solved, the state of the national economy and the economic policy itself. For this reason, I intend first of all to go into this structure in considerable detail and only then to say something about procedure (see chapter 11). Finally, our knowledge and understanding of these matters are only in their infancy. A great deal of work has still to be done before we are able to defend any really satisfactory propositions about the best procedures to be used in planning.

5 The organisation of planning

A limited meaning will also be given in this book to the word organisation. It will be used in the sense of the hierarchical relationships within which those who are in any way involved in planning are connected with each other and with the rest of the government machinery. I propose to call the relationships within the planning machinery the internal organisation and those connected with the rest of the government machinery the external organisation.

The internal organisation will, for example, be concerned with the subdivision of the office for economic planning into departments, and possibly even with the question of geographical and functional decentralisation. Functional decentralisation is in this connection principally a division into branches or sectors of industry in the widest sense. The internal organisation will also be responsible for the definition of the official levels at which those engaged in the work of planning are to carry out their duties, in other words, the approximate grading of the office's employees according to rank. It is, of course, clear that this internal organisation will also depend on the structure of the problems that are to be solved, so that the size of the country, the nature of its industries and its economic system will also play a part. The organisation of society itself and that of its planning office are also to some extent parallel, since the planning office is in some ways a microcosm reflecting the macrocosm of the whole society.

The external organisation defines the relationship with the government, the ministries, public bodies at a lower level and so on. It will also be concerned with such questions as which authorities are empowered to give the planning office its commissions, which institutions or persons can be called upon to co-operate with the planning office in the carrying out of its duties and the manner in which contact with various institutions or persons involved in the work of planning is to be maintained. These questions are in certain respects very close to those outlined in the preceding section on procedure. Here too it is clear that it will be possible to determine the best organisation only after ascertaining the structure of the problems to be solved and the best available methods for the solution of these problems.