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PLANNING TODAY

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1. Planning during and after the War

The roots of national economic planning may be found in the plans for production and distribution of individual commodities during the World War II. At that time the states were controlling a large part of production and use of main commodities in order to attain its goal of winning the War. Coherent plans were needed for increasing the efficiency of these means as in the case of a construction work in which blueprints, time schedules, budgets, etc. are essential for achieving the constructor's objective.

Thus they expressed the state's decision about the way of allocating production factors, i.e. material and human resources, to productive activities of specific commodities which should be assigned to various purposes, e.g. fighting, reproducing and living. The demands and constraints for productive activities were supposed to stem from mainly physical and/or technical conditions. For example, the demand for munitions would depend on military technology: the demand for foods would result from physiological requirements: productive technology and available production factors would limit the volume of production of a certain commodity: availability of production factors would subordinate to natural conditions and transportation facilities, and so on.

Plans cannot be derived directly from these conditions since the demand for individual commodities may be met at a different degree, and the constraints simply circumscribe the upper limit of production. Thus there could be various patterns of production-distribution combinations. The planners' task was to choose one of them which should be most efficient for achieving the exogenously given objective. The aim of the methods of planning such as operations research (OR) and linear programming (LP) which were developed in the United Kingdom and the United States was to carry out this task not by craftsmanship but by modern technology based on a new scientific paradigm. However, they were utilized only for the plans for military operations and/or specific productive activities, not being applied to macro economic planning of the state.

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The post-war continental Europe and Japan felt the necessity for an efficient mobilization of production factors in order to accelerate the recovery from war damages. Most of national economic plans were

produced against such a background. The mode of planning was, however, the same as that during the War, as far as I know with respect to Japan. Plans for specific production units did not employ "scientific" methodology, and a macro economic plan was nothing but an aggregation of individual production plans. The new planning technique became available several years after the end of reconstruction period. In the United States, in the meantime, the need for an overall reconstruction plan itself did not exist so that the use of advance planning technology was limited within private business management, except for the articulation of high policy, i.e. national defense.

2. Macro Economic Planning in Market Economy Countries to Date

For a country which finished the post-war reconstruction process the single goal disappeared particularly when the legitimacy of free competition through market was restored. The micro components of a macro national economy, i.e. individuals, households, enterprises, local communities, etc. started again to pursue their own interests openly. It does not mean, however, that there would no longer be national goals to be pursued by the state as a whole. On the contrary, whether or not they are attained would affect very much on the efficiency of the task of individual decision-makers. On the one hand, the achievement of the state as a macro system depends on the behavior of its micro components, and on the other hand, the latter are affected by the former.

The national economy as a macro system has obviously various goals to be pursued in order to provide desirable conditions to its micro components, i.e. individuals and their groups. Examples are: a high rate of economic growth to realize full employment and rising living standard: stability of prices: equilibrium of international balance of payments: fairness of income distribution: adjustment of industrial structure to increase the mid and long-term growth potential without inflation and balance of payments deficits: and so on.

These goals are often mutually contradictory, and moreover, they can not be attained directly by the State or the public sector of the country concerned. It may do that by intervening to the activities of micro components through the means usually called as economic or

social policies, examples of which are: to change the rules of market; to supply public goods including money and information; to demand the products of the private sector; to produce certain kinds of market goods; to redistribute the incomes of the private sector; to discourage or encourage specific activities of the private sector; and so on. The system of these policies has a rather ramshackle structure with little coherence among its various parts so that its efficiency tends to be substantially low.

The purpose of a national or macro economic planning is to make it more coherent so as to become more efficient from a holistic and strategic point of view in the long run. However, it is very difficult to foresee accurately the possible impacts of specific policies and resultant repercussions to take place within the economy and society concerned. Although the modern natural science has increased tremendously the accuracy of forecast of physical phenomena which has brought forth a remarkable advancement of productive and military technology, contemporary social science, which should be the basis for designing economic and social policies, is still underdeveloped in the accuracy of forecasting the future of social phenomena.

The methodology of national economic planning in market economy countries has been based on the system of national accounts statistics including input-output tables and the paradigm of econometrics. The former provided the framework for perceiving the relationships between the phase of the macro system or national economy and the situation of micro components such as Households and corporations: the latter provided the framework for explaining the demand-supply relationships with respect to production factors and products. 1/

In most of market economy countries the practice of producing a national economic plan is, in general, a task of the central planning authority which is more or less descended from the planning office during the War or reconstruction period. This work has been carried out by utilizing the planning techniques mentioned above. 2/ In Japan, however, traditional commodity-by-commodity plans or forecasts were co-existing for a certain period with the "modern" economic plans. The way of making national plans in developing countries except for communist ones seems to be following the model of West European countries.

3. Problems and possible solutions

The utility and validity of national economic - especially mid and long-term - plans in market economy countries have become more and more questionable from both methodological and administrative points of view.

As mentioned before, the planning technology depends on contemporary social science, particularly economics, the paradigm of which is basically the same as Cartesian atomism and Newtonian determinism. A scientific revolution comparable with the invention of quantum theory or relativist theory seems to be necessary for a technological innovation of national planning. Without it, however, the practitioners in a planning office could do a job better than now by improving the set of available tools. The accumulation of such efforts for raising the level of forecasting capacity could lead to a scientific revolution or the invention of a new paradigm of social science.

What seems to be a more intrinsic and difficult problem lies in the relationship between planning sector and executing sector (including the office of budget) of the central government. Their co-existence within the Administration may be natural looking from the nature of a plan which involves two different parts of a macro economic system. But, this has been causing persistent nuisances which injure the utility and validity of national, particularly long-term, plans. 3/

When the planning sector subordinates to the executing sector, e.g. being a division in the Ministry of Finance responsible for preparing the central government's annual budget, the way of thinking about long-term or structural problems is often distorted by short-term and political considerations. The plans produced in such an environment could have bad effects on the mid and long-term development path of the state. When the latter subordinates to the former, e.g. the office of budget being a branch of the Ministry of Plan, the development of the state could be injured by the adherence to unrealistic coherence of policy objectives. When they are equal and independent from each other, the executing sector would try to carry out its task "autonomously", while the role of planning sector would become "decorative" since it is kept away from the actual decision-making process.

In spite of these problems some long-term plans have proved that, under a certain circumstance, they can be useful for shaping consensus among various decision-makers with different concerns about the national goal and/or means which should be taken now or in the near future. Once such a consensus is shaped, no coercive measure would be needed for a smooth shift to the desirable development path.

If a national plan could serve to this purpose, whether or not it predicted the future accurately would no longer make any important problem. In this case, the plan has played the role of a public good which takes the form of information shared by the community members.

This good, which may be produced in either the public sector or the private sector, has to serve to both sectors equally in order to be of "public" nature. Usually its production cost is so high compared to the possible price that the central government would have to bear the whole cost or subsidize it to a large extent. But, it does not mean that, as mentioned before, to produce it as a part of administrative work is necessary or desirable. Even when a branch of the central government produces it, the nature of its task should be considered the same as that of a state-owned institution specialized in creative work like research, art, education, etc.

Thus the future of the public sector or economic and social policies described in such a plan could not - and should not - be taken as a commitment of the government which may deviate from the "planned course" in order to cope with the problems which were not anticipated by the plan. In place of it, it should provide information about the relationship between the choice of the state and its possible outcomes for all those concerned. If this information is reliable, it would be still useful as a public good even when the course of development differs from the planned one.

In addition to the methodological difficulties mentioned before, there is a problem of information necessary for making the national plan a useful public good. The planning office necessitates not only publicized information such as statistics but also one from both policy-makers and private decision-makers. The plan would become decorative without it, but the availability of such information would be quite limited if there is little mutual confidence between the producer and user of the plan.

Most of the above may be applied to the plan for a group of nation states which demands for efficient and equal co-ordination and co-operation among its members. The relationship between the planning office, if any, and international bureaucrats is more or less the same as that between the planning office and the policy-makers in the central government of a state.

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