

SOME NOTES ON THE CONCEPT OF PLANNING

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In this paper an attempt has been made (a) to enumerate a few of the different impressions which appear to be associated with the term 'planning', (b) to sketch the differences, both in content and effect, and (c) to derive a definition of the term which may approximate most clearly with the usage and understanding of a majority of economists.

There are perhaps not many concepts in economics which enjoy unqualified scientific precision. Partly, the difficulty may be almost entirely terminological, the result of inaccuracies in the linguistic equipment. At times, a change in meaning may follow inevitably from a change in the facts so that the same term attracts new meanings, without necessarily shedding the old. Again the "poetic license" of one economist in proposing definitions to terms used by him may become a source of bewilderment when the connotations of his terms differs from those of others employing identical terms. Concepts which lie on the borderline of economics and other sciences may acquire even more complex gyrations of meaning and where the word becomes charged with political or ideological matter, as unfortunately 'planning' has, an almost hopeless confusion of thoughts may result.¹

We may illustrate from the writings of some economists on the subject. Planning according to Durbin is possible without a Plan;² to Landauer "it seems a misuse to speak of planning when there is no plan."³ Planning, to some,

1. Cf. L. M. Fraser: "Economic Thought and Language" (1947), Sir Oliver Franks: "Central Planning and Control in War and Peace" puts the same idea as follows: "..... when phrases are used as weapons in the arena of party politics, they become highly charged with emotion. They evince hopes and fears rather than state facts. Often no very definite thoughts seem to correspond to them."

2. "Planning does not in the least imply the existence of a Plan — in the sense of an arbitrary industrial budget which lays down in advance the volume of output for different industries. *Planning does not involve any dogmatism about the future.*" Durbin, "Problems of Economic Planning" (P. 43).

3. Also: Planning can be defined as a guidance of economic activities by a communal organ through a scheme which describes "..... the productive processes *that ought to be undertaken during a designated future period.*" Landauer: "Theory of National Economic Planning" (P. 43).

involves rationalization and the application of science and scientific management to economic processes;¹ in the opinion of others, central economic planning is “essentially unscientific”.²

M. Stalin believes there can be no effective planning without Socialism,³ Professor Rather has written an entire book on “Planning under Capitalism” outlining schemes of state intervention in U.K.; on the other hand, G. D. H. Cole appears to think of Capitalist planning as the operations of large-scale monopoly Corporations.⁴ Planning extends the horizons of human freedom, if one is to believe Laski and the British Labour Party,⁵ but the modern Manchester School is convinced that planned economy and freedom, for the individual are “logically incompatible”⁶ and to Professor Hayek the road to planning is the “Road to Serfdom”. To Barbara Wooton, freedom under Planning requires certain conditions which are “not incapable of fulfilment but will not fulfill themselves.”⁷ Professor Von Mises argues that the extension of planning renders the use of an automatic system of prices and cost theoretically impossible;⁸ to Hayek and Lionel Robbins, the use of the price-mechanism becomes practically impossible;⁹ to modern socialist planners, not only is rational allocation and costing possible through a price system but can be carried out more efficiently.¹⁰ Finally, to many, the planned economy is the only way of establishing “a system of common welfare and social justice”, for bringing about “the full utilization of available productive resources” and for promoting “standards of consumption

1. “The worship of ‘science’ and technique is the core of the idea of planning planned economy may be regarded as an attempt to nationalize economic life on national lines.” F. Zweig: “The Planning of Free Societies” (P. 23).

2. Also: “Central Economic Planning cannot be scientific,” John Jewkes: “Ordeal by Planning” (Pp. 142-148).

3. Baykov: “Soviet Economic System” (P. 424).

4. G. D. H. Cole: “Principles of Economic Planning” (Pp. 95-161).

5. “Those who seek the new social order (Planning) are in this hour, the soldiers of freedom” — Laski: “Liberty in the Modern State” (Pp. 39-40). Again, “A planned economy can be a more free society ...” — Labour Party: “The Old World and the New Society” (Both quotations are used by Barbara Wooton in a scintillating book: “Freedom under Planning”).

6. *Ibid*, Footnote (5) — Chapter X (Pp. 189-209).

7. Also refer T. Wilson: “Modern Capitalism and Economic Progress” (Chapter I, Part I (Pp. 3-19)).

8. Mises: “Economic Calculation in Socialist Common-wealth” (Reproduced in “Collectivist Economic Planning” edited by Hayek).

9. Hayek: “The Present State of the Debate” in “Collectivist Economic Planning”. Also Robbins: “The Great Depression” (Pp. 118-156).

10. Oscar Lange: “Economic Theory of Socialism”, Dickison: “economics of Socialism”, Lerner: “Economics of Control”, Paul Sweezy: “Socialism”.

most consistent with common welfare”.¹ To others the operation of planning must inevitably entail the abrogation of the rule of law, the growth of dictatorial political power, the appearance of the concentration camp and the torture chamber,² the destruction of civil liberties and moral values, a society in which “the arts sickened, science withered and charity declined.”³

A concept which carries such widely divergent implications, may be almost too difficult to define precisely; to attempt such a definition may appear like rushing into ground which the angels fear to tread. Two comments are, however, quite obvious. Firstly, the term planning as it is used by some writers quoted above, is logically inconsistent in connotation with the term as used by others so that if some statements about planning are correct, others are incorrect. Secondly, at least a few of the apparent differences relate not to the pure, logical content of planning but to the degree of planning that is applied; beyond a certain point, differences of degree may become differences of kind so that separate consequences follow from different degrees or kinds of planning.

It is therefore proposed to approximate; first, to a definition which is accepted as reasonably correct and then to attempt some definitions of different types of the planning effort.

It is proposed to establish a few rather obvious propositions with reference to planning; sometimes the truth may escape emphasis, only because it is so obvious.

1. The concept of planning involves the idea of purposive activity in economic life. This is of course a first approximation and covers a very wide denotation; all economic activity involves choice — which is purposive (even if the purposes are not too consciously expressed) and in that sense, as Prof. Robbins points out “all economic life involves planning.” Individuals, corporations and public authorities are all planners. In other words, there is an order in society and there are ways of co-ordinating economic life, in any case. This point is important for it must be realized that there is a choice between planning and not-planning precisely because there cannot be, on any rational criteria, a choice between order and chaos.⁴

2. Planning involves purposive activity in the economic sphere on the part of public authorities. This is our second approximation, for we remove

1. *Ibid*, Footnote (6) (Pp. 406-408).

2. Hayek: “The Road to Serfdom” (Chapter VI-XI).

3. *Ibid*, Footnote (5) (Pp. 1-3).

4. Cf. Lionel Robbins: *Economic Planning and International Order* (Pp. 1-7).

(a) individual planning and (b) company planning from the denotation of our term. The former is easy to explain; individual plans may cease to be purposive in certain circumstances.¹ Similarly, plans made by private economic units, however large in scale, may be mutually frustrating and thus, in the social context, cease to be purposive. Purposiveness for individuals and private corporate economic units is dependent on a co-ordinating agency outside of themselves, which under our form of social growth² must mean the activity of public authorities. One significant issue can be clarified at this stage. To describe restrictionist policies of monopoly corporations as a form of planning is internally inconsistent and with due deference to Professor G. D. H. Cole, we may reject his description of planning under Capitalism as inconsistent with the understanding of the vast body of economists and economic thought.

3. This has as yet not carried us very far, for the question arises: do we regard all purposive activity by public authorities, or in other words, state intervention as equivalent to economic planning? If so, the maintenance of law and order is planning, a public registration of births, deaths, marriages and divorces is also planning and so is any other act of the State in economic life. To pose the issue in this way brings out one idea clearly: all planning may involve state intervention, but all state intervention does not become identical with planning. The next question is: what kind of state intervention? Here is perhaps the most crucial question in the problem of definition. Unfortunately, the apparent variety of *differentia* is noticeable here, as in the case of the implications of planning we examined above. Types of State intervention which can be considered planning under these differentia are as follows:

- (a) which involves a change in the principle or methods of economic administration so that certain economic decisions are arrived at on the basis of a much wider survey of economic resources and conditions than is possible for the private entrepreneur.³

1. "My plan may be realized by robbing you; yours by robbing me. The result of our separate planning may be disorder and chaos." *Ibid*, Footnote (14).

2. We do not consider a society of angels or wild men, but of man arrived at a certain stage of cultural-mental growth during the past few centuries.

3. According to Durbin, planning requires that the State set up administrative organs which intervene in economic life to make certain crucial decisions with respect "to the larger questions of output prices, investments and costs" through an extension of "the area of economic life surveyed by the deciding authority." As against this, "the diagnostic property of an unplanned economy is the requirement that all decisions should be taken by individual supervisors in only a small — indeed, an infinitesimal — area of the industrial world."

- (b) which involves the economy as a connected whole.¹
- (c) which goes beyond the purpose of harmonizing private plans and attempts to substitute or subordinate them.²
- (d) which provides a framework of decision within which private business must remain and to which it must subscribe.³
- (e) which involves the laying down of priorities in production.⁴
- (f) which involves state determination of investment and its distribution, of occupation, of consumer's choice etc.⁵

The above are only a few of the differentia which may be quoted; a definition of planning requires that there should be some common ground so that in a strictly logical sense, there are no differentia at all. This common ground is provided in the relation of state intervention with the price — mechanism also called the market-system.

The price mechanism may be defined as an apparatus for arriving at economic decisions through a continuous process of choice exercised freely by individual consumers and producers in the market. The final pattern of production (what to produce, where, when and how) of consumption, distribution and exchange emerge as a result of the myriad decision of million of economic units (households and firms) “each of whom is concerned with its own particular part of the whole.” The system works through the continuous equalization of money-prices and money-costs, of profits and marginal utilities. It is “based upon the market and upon the firm. In the market the consumers, by their process of choosing, are engaged in a perpetual plebiscite as to the goods they want. The result of that constant and detailed voting are passed back to the firm which must in the light of its costs (which are again prices paid to factors of production) decide what adjustment it must make to provide for the constantly

1. *Ibid*, Footnote (4). The rationalistic principle is implied in every scheme of planning. It is not, however, the application of this principle as such that is the particular feature of planning — in essence the rationalistic principle is nothing but the economic principle — but only the application of the rationalistic principle “to the economy as a whole” (Pp. 19).

2. *Ibid*, Footnote (15). According to Robbins, “it is the aim of modern planning to supersede private plans by public — or at any rate to relegate them to a very subordinate position.”

3. Cf. Oliver Franks: “Central Planning and Control in War and Peace”. “If the state is active in planning the decision which the state takes of its own responsibility and initiative are industrial and commercial decisions and diminish the field within which and in terms of which other similar but less general decisions can be made.”

4. *Ibid*, Footnote (7).

5. *Ibid*, Footnote (5).

changing needs of consumers, as expressed by prices. If prices offered are higher than costs, there is a profit margin; when the profit margin increases, the firms (or producers or entrepreneurs) increase output and *vice versa*. It is in this sense that the profit motive is the regulatory principle through which the mechanism works.

State intervention in relation to the price mechanism may take 4 forms: (i) it may supplement the price-mechanism, (ii) it may work through the price-mechanism, (iii) it may control the mechanism and finally (iv) it may supplant it. These forms may now be explained as follows:

- (i) Certain collective wants are not appropriate for expression or cannot be expressed through the price-mechanism, such as, for instance, the need for defence, public health education, the development of atomic energy etc. Where the State intervention is intended specifically to meet these specific needs, it is not generally considered to be economic planning.
- (ii) For purposes of satisfying the above collective wants the state may offer certain prices to attract resources in competition with other economic units; this is working through the mechanism and does not involve planning.
- (iii) The State may deliberately manipulate certain prices in order to achieve certain results; imposition of tariffs, the variation in exchange rates, the change in bank rate – these may be considered as economic planning. To some writers, such manipulation is planning only if it is meant to affect the economy as a whole as, for instance, in the definition of Zweig. Such a restriction is however not acceptable to all economists.
- (iv) Finally when basic economic decisions are made not with reference to prices determined in the free market but according to certain, authoritative conclusions arrived at independently, on their own criteria, by public authorities, the intervention resulting as it does, in the suspension of the price-mechanism, falls without doubt, within the sphere of economic planning. On this point, there is little controversy among the majority of economists.

An examination of the differentia enumerated in earlier paras will show that state intervention defined as planning fall under (iii) or (iv) and are covered by this definition of planning *viz.*, purposive intervention of the state by means of controlling or supplanting the price-mechanism with the aim of attaining certain objectives affecting basic economic conditions.