

## SOME BASIC PROBLEMS OF ECONOMIC PLANNING IN DEVELOPING COUNTRIES

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1 — After gaining their political independence, these countries face the enormous task of attaining economic independence on a solid basis. It is related to a number of stupendous tasks which culminate in the complete economic and structural changes in these countries. In this process the question that arises is how this has to be done. Many have thrown overboard the classical bourgeois theories in economic development and have turned to planned economic principles to get out of this wretched situation brought about by colonial domination often lasting centuries.

2 — There was a time when planning was denigrated and described as characteristic of an authoritarian regime, but today most bourgeois economic theorists are of the view that planning is a neutral instrument whose specific characteristic in the various countries correspond to this political orientation of the governments concerned. In our view, this is wrong. Planning is a social and historical category the effectiveness of which depends on the existence of certain social relations. This means that a real economic plan, which does not come into conflict with the objectively prevailing economic laws, can only be materialized if there is an absolute preponderance of the state sector of the economy in a democratic country which consistently serves the interests of the broad masses.

Apart from the character of the state, the following points determine the character of planning and efficiency :

- (i) a well disciplined economic administrating organization;
- (ii) the position attained in social and economic development of the country concerned ;

(iii) its international position in general and in certain integrated economic communities in particular.

3 — Since the beginning of the fifties, developing countries have begun with some national planning (I am not referring to the so-called plans of the former colonial powers for these countries). The national planning efforts show varying results and conditions according to the varying relations in inputs or expenditures made. The differences in the results depend on the different solutions of fundamental questions like the national and the colonial question, the resulting position vis-a-vis their former colonial powers and imperialism in general, the agrarian question and finally the social issue in these countries.

When today we view the planning system of these countries where there are possibilities in effective planning (I have in mind developing countries of socialist orientation), one can see a number of fundamental mistakes. Essentially they are as follows :

(i) There is no real comprehensive system of economic planning which encompasses all stages of the social reproduction process.

(ii) There is no uniform system of planning and plan communication that includes all stages and levels of an economy.

(iii) Planning is usually carried out as financial planning (budget estimation). Physical balancing in terms of physical resources is scarcely or insufficiently included.

(iv) They usually separate plan drafting and plan implementation. Planning ends with plan formulation. The unity involved between plan drafting and implementation and control is not appreciated. The formulated plan is seen as something like a «magical formula» that is almost realized automatically, i.e., the plan is not raised to the level of a directive having legal force.

4 — The mistake or shortcomings mentioned have an ideological background. They are mainly based on an erroneous view that planning is a neutral instrument realized independently of socio-economic relations and that theories in planning can be con-

sidered as detached from concrete conditions. As a consequence of factors arising out of past connections of developing countries with advanced capitalist countries and because of the actual fact that a large number of the intelligentsia have received their education and training in the latter countries making them look more towards their former mentors, there are still relatively a lot of ideological and theoretical influences. Under their direct and indirect guidance, economists and planners in developing countries attempt to realize planning (programming) which has been elaborated for the economies of developed capitalist countries (e.g. planning models of Harrod/Domar, Tinbergen and others).

5 — A second cause which has its origin in ideology is nationalism in some developing countries. This is expressed in two tendencies (in connection with our problem of planning), especially in the Arab countries and has a history that one may not underestimate.

(i) They over-stress some of the national peculiarities and decline to draw conclusions based on experiences of other countries which carry out planning. When, however, they are faced with a contradiction, one sees that their present knowledge has its origin in the experiences of others and gathered under totally different conditions which are now supposed to serve them here. The result is that they are unsuitable for these theories.

(ii) Nationalism appears in planning in the shape of «Arab socialism». This is supposed to be socialism based on a fundamentally different philosophical outlook. This view greatly hinders drawing lessons from socialist theories.

6 — This must not be taken to mean that the socialist system of economic planning as practiced currently in the European socialist countries can be or should be copied in developing countries (the progressive ones included). Planning, as already mentioned, is a social category and as such is related to the concrete social conditions of the particular country where it is to be realized. This again does not mean that in the basic elements of the system, there cannot be some analogies or identities. The variability is in the degree of decentralization or centralization of decision making.

7—The specific basic elements and characteristics of a developing country where an effective system of planning is to be realized, i.e., the degree of centralization or decentralization, result from the specific socio-economic and political conditions of the country concerned and depend on :

(i) the position reached in economic development generally (position of the productive forces) ;

(ii) the power relations between the various socio-economic formations (the state or public sector, the cooperative sector and here especially its social character generally, the sector of small commodity producers and the private capitalist sector) ;

(iii) human relations which express the power relations and that they are stable

(a) as relations between people and state,

(b) as relations between man and man especially in production,

(c) the relations of man with the means of production especially his attitude to work,

(d) the state of education and training of a worker and the standard of education and training in general,

(e) the existence of progressive mass organizations, especially the existence of progressive parties which include the avant-garde of society and has a mass basic and it is possible for it to determine the direction of development and enforce its realization.

8—Apart from the social criteria, one may not leave out of consideration the organizational-technical problem. There is a close connection between centralization, decentralization and the system of indicators. The relation is of quantitative and a qualitative nature. The number of indicators required (as information and as a directive) rises with the degree of centralization and decreases with decentralization. The qualitative relation is the reverse, i.e., the quality of the indicators used must rise with increasing decentralization and it has to assume the character of an incentive.

9 — The present stage of development in developing countries requires a good deal of centralization. This is all the more necessary since the given possibility is consistent with a relatively limited complexity of the given economy. In this way a relatively less difficult comprehensive survey can be obtained of the reproduction process, including its internal and external interrelation or inter-dependences. At the moment the realization of centralization deemed necessary in economic planning is made difficult. As a consequence the given possibility is limited because of insufficient build up of a reliable system of statistical information.

10 — The current two-level system of planning in developing countries cannot be maintained but has to be replaced by a uniform system which encompasses all levels and can be considered as a unit of economic and enterprise planning. Based on the actual fact that the economy is a cybernetic system, planning must also be based on cybernetic methodology. In principle it has to encompass all the partial systems of the aggregated whole system. From this standpoint, by planning we mean,

- (a) the strategy applied in order to attain some aims or results and
- (b) the totality of the aims and results of the partial and the aggregated or the whole system.

11 — Planning in developing countries, like any real and effective planning generally has to be a unity between

- (a) long-term prognostic estimation of future development stages stretching from a period of 15 to 25 years,
- (b) a concrete perspective plan stage of about 5 or 7 years,
- (c) a short-term plan period with all the concrete tasks fixed for the plan year.

Prognostic estimation has the following tasks :

- (i) research in international economic development within a system of international division of labour to which the country belongs,

(ii) research in international trends in development in demand according to the typical export products of the country concerned, the development of eventual substitutes, i.e., research in international trends in the development of productive forces,

(iii) research in the natural conditions of the country and the resulting production possibilities,

(iv) based on research, a programme has to be worked out fixing the necessary changes in the structure after taking into consideration the current economic structure of the country concerned,

(v) apart from these economic structural changes, there has to be a prognosis of social structural changes which are necessary in order that the economic surplus could be productively used, i.e., for realizing the prognostic programme.

(vi) further, there has to be a prognosis in the sphere of current sociological problems and the resulting changes which are a consequence of social and economic structural changes or conditions for these changes (population figure, its social and professional relations, demands on professional groups, conclusions drawn for education and training in view of the changes, cultural and materials needs of the population etc.).

As a generally valid plan axiom, also for the developing countries, it has to be stated that perspective plans are specifications of long-term prognoses without making it an arithmetical fraction. In this way, results of prognostic estimation are continually and critically examined and modified. This applies to short-term and perspective plans as well.