INTRODUCTION

'Economic planning' is essentially a concept of practical economics; it belongs more to the domain of applied economics than to that of theoretical economics. Nevertheless, it would not be an exaggeration to claim that a distinctive theory of economic planning has been taking shape in modern economic literature. The purpose of this study is to explore the growth of the theory of economic planning from its early manifestations down to the present time.

One important point that we have to bear in mind is that planning essentially means, as we now understand it, conscious direction of economic processes—processes of current production and consumption as well as of prospective development—by a central agency with certain clearly determined ends or objects—

+cfr. Bettelheim "... an economic plan... consists of a totality of arrangements decided upon in order to carry out a project concerned with economic activity. This definition can be applied just as well to a partial economic plan as to an economic
This agency may be the government itself or a separate planning board or a commission which, however, operates in close association with the government. While the formulation of a plan may be the specific task of a board or commission, its execution is largely a function of the government.

Economic planning thus presupposes a distinctive theory of governmental functions. Economic planning is utterly incompatible with any theory of laissez-faire. Fortunately, laissez-faire or the individualistic theory of functions of government belongs definitely to the past. Planning, however, does not necessarily signify any form of totalitarianism. It is true that planning has had a remarkable record of success in Soviet Russia and some other totalitarian states. This does not mean that planning is impracticable or suffers from any inherent drawback.

Plan which embraces the whole of economic life”.

in a democratic set-up, democracy is not wedded to laissez-faire as Ernest Barker has so clearly demonstrated. The following remarks of Barker have to be noted in this context: "The union of democracy with the so-called 'liberalism' of laissez-faire was a coincidence in time rather than a congruity in spirit." + Further he says: "... the end or aim of the democratic state demands a constant and complicated intervention, above all in the sphere of economics. The liberty of all, shared equally by all, is so far from being a natural condition that it may be described, without any paradox, as the most artificial of all conditions. It is so far from existing without intervention that it can only be created and maintained by means of intervention." ++

++ Ibid, p. 189.
Our main attention has been focused on the problems of planning in a democratic set-up. Having presumed the democratic framework of society (and apart from this presumption we have no other concern with political considerations), we have endeavoured to analyse separately the problems of planning in advanced countries and in under-developed countries. The distinction between developed and underdeveloped countries is of fundamental importance from the standpoint of planning. The planned approach would be basically different in respect of the two sets of countries, because the outstanding problem in the former is one of stability, while in the latter it is that of development.

Diverse trends of thought have contributed to the development of the theory of planning. These trends of thought have to be viewed in the historical perspective as well as in regard to their current implications. We have started with an analysis of the ideas of mercantilists who have been significantly characterized as the first planners in history.
However crude and rudimentary the theory of mercantilism might seem to be, it contained many fruitful ideas as modern economists have recognized. Above all, it embodied a far-reaching policy of state interference which was akin to a policy of economic planning.

We have also devoted some attention to the ideas of classical economists, although their analytic scheme was fundamentally opposed to planning or to any kind of active state interference. But when we review the evolution of classical thought we find how, step by step, the conception of the role of the state in economic life underwent change in the writings of the classical economists. An important landmark in this evolution was the theory of Pigou as presented by him in his "Economics of Welfare". A landmark of greater significance was the theory of Keynes. Keynes, no doubt, distinguished his theory sharply from that of the classical economists, but, basically, his theory is a continuation of the classical tradition, because it aims at the preservation of the
capitalist framework of society, which formed the fundamental premise of the classical analysis. It has, of course, to be admitted that Keynes made policy-recommendations of farreaching significance. In so doing he prepared the way for the development of planning theory as it may be applied in a democratic country. In latest interpretations of Keynesian theory — as for instance, the interpretation given by Dillard+ — we notice a close approximation to the theory of planning.

Quite another line of reasoning was adopted by the Socialist School. First of all, there is the theory of Karl Marx, which challenges the very foundations of capitalism and makes a forecast of its eventual disintegration. This is the negative side of his theory. On the positive side we find that he puts forward certain suggestions regarding planning.

+ See Chapter entitled The Keynesian Background of Economic Planning, pp. 192 - 96.
which have to be taken into consideration in a study of the evolution of the theory of planning. In fact, Marx's ideas formed the basis of the Soviet type of planning.

More significant for the purpose of our analysis is the economics of socialism as it has been developed by some modern writers, who do not support Marxism. We have endeavoured to present an elaborate study of the economic theory of socialism, particularly with reference to the new light that it has thrown upon the valuation problem. We can now visualize the value theory in a new perspective. The reoriented theory of value is a major contribution of the socialist school to the economics of planning.

We have given special attention to planning in the perspective of under-developed countries. The planned approach has revealed great possibilities in such countries.
Finally, we have referred to problems and prospects of international economic planning. A discussion of international planning seems at first sight to be far removed from the realities of the world in which we live. The discussion may well be considered highly speculative and fanciful. We have, however, to take into account some important factors. In the first place, even a brief reference to the developmental plans of a number of undeveloped countries would at once convince one that a proper co-ordination of these national programmes at an international level would prove most helpful, having regard to the problems of balance-of-payments adjustment and external assistance that are almost inevitably associated with these programmes. Secondly, even the advanced countries have to face various

Reference may be made in this connexion to A.H. Hanson's stimulating book Public Enterprise and Economic Development (1959) which brings together in a short compass the development plans and
problems in their trade and financial adjustments among themselves as well as in relation to the underdeveloped countries that call for an international approach and solution. Last but not least, we have to take note of the realistic factor that a great deal of international planning is already well under way, though in a somewhat haphazard and unco-ordinated way, under the auspices of the various international agencies. In view of all these factors it has appeared to us that a study of the evolution of the concept of economic planning would be inadequate and incomplete without reference to the need and reality of international planning. In the days to come such international planning would take a more and more positive shape, unless of course a world catastrophe intervenes to disturb violently the peaceful evolution of harmonious

problems of a number of countries. Also refer to publication of the United Nations: Processes and Problems of Industrialization in Under-developed Countries (1955).
International co-operation. However that may be, the international background of economic planning cannot either be ignored or underestimated, and as such we have thought it proper to review the prospects, possibilities and also the actualities in the sphere of international economic planning.

In a final and concluding chapter we have set forth the conclusions, or some of the generalizations, that have appeared to us to emerge from the survey.