ECONOMIC PLANNING

Economic Planning bristles with a series of objectives or aims and ends framed by the central authority of a State for developing its economic resources in a systematic way. Economic Planning is essentially a theory or concept of practical or applied economics. It no longer comes within the scope of theoretical economics. A distinctive concept of economic planning has been taking shape in modern economic literature. Planning means a conscious direction or guidance of economic resources or processes. These processes may relate to current production and consumption as well as to future development by a central agency with certain clearly determined ends, objects or purposes. The agency may be of different types, viz., the Government itself, or a planning commission as it obtains in India. It functions in close or intimate contact with the Government. The execution or working of its items rests with the Government.

Economic Planning, may, therefore, denote a distinctive theory of Governmental functions. Bettelheim's definition of economic planning is: "......... an economic plan ........ consists of a totality of arrangements decided upon in order to carry out a project
project concerned with economic activity. This definition can be applied just as well to a partial economic plan as to an economic plan which embraces the whole of economic life. Economic planning may be said to envisage a particular mode and pattern of economic development. This development is sponsored, guided and directed by the State itself.

E.F.M. Durbin observes: "The term (Economic Planning) is used in current speech to describe widely different types of economic reform. It applied indiscriminately to large scale and fundamental changes in economic institutions, such as those carried through in the Russian economy, and to the comparatively small alterations which the cartelisation of the English milk industry involves." 2

Thomas Wilson's definition of economic plan is: "......... planning may mean the adoption of a number of consistent and related measures designed to make the economic environment favourable to rapid growth; secondly, it may mean the preparation of official targets for production". 3

Ernest Barker remarks: "......... And the idea of planning leads to the idea of scientific government acting on the basis of a scientific survey, and proceeding by a scientific scheme which emerges from the survey". 4

According

According to Barbara Wootton, "Planning may be defined as the conscious and deliberate choice of economic priorities by some public authority." 5

By Planning Carl J. Friedrich means "anticipating problems and finding solutions for them in short : leadership". 6

"Planning can be defined as guidance of economic activities by a communal organ through a scheme which describes, in quantitative as well as qualitative terms, the productive processes that ought to be undertaken during a designated future period". 7

Economic planning may, therefore, be termed as the method of making major economic decisions or proposals or programmes. All such conscious decisions should be taken by a determinate authority. Decisions should be taken on the basis of a comprehensive survey of the whole economic system. Robbins says: "to plan is to act with a purpose." Therefore, planning may be defined as a conscious and deliberate choice of economic priorities by some public authority. Economic planning is essentially a way of organising and utilising resources to the maximum advantage in terms of some defined social ends.

In

7. Ibid, quoted by Carl J. Friedrich the definition of Landauer, p.489
In the opinion of Leontyev: "Economic Planning is based on an accurate consideration of the objective conditions for the development of the economy, of its motive forces and trends". 8

G. Sorokin says: "Planning is a form of economic management by the State, .......". 9


Planning may be classified into two types, viz., Democratic or Capitalistic Planning and Authoritarian Planning. There are broadly speaking two types of Socialism also, viz., Evolutionary Socialism and Revolutionary Socialism. An Evolutionary Socialist's planning method is termed as Democratic Planning method and the Revolutionary Socialist's as Socialist Planning method or centralised planning method or planning of the authoritarian type. The Soviet Planning system as a model of authoritarian type of planning and the Indian planning system as an example of democratic planning will be dealt with in their proper context.

The authoritarian planning is also occasionally called the totalitarian planning. Advocates of the authoritarian planning term their plan as a Socialist plan as is prevalent in Soviet Russia. G. Sorokin's conception of Socialist plan is: "In the transition period from capitalism to socialism and in a fully Socialist
Socialist Society planning is a form of economic management by the State, based on the knowledge and utilisation of objective Socialist economic laws, independent of personal wills or desires. L. Leontyev's definition is: "The Socialist plan is based on scientifically established social requirements and an objective appraisal of the productive resources and reserves. It indicates the ways for the most effective development of the economy. The planning of the Socialist economy must ensure the necessary quantitative relations between the individual parts and sectors of the organic organism. Co-ordination of the separate parts of the plan on the basis of national economic balances is an important feature of Socialist planning. To be realistic, the plan must be well balanced. A balanced plan is required to ensure high production growth rates, the most expedient economic proportions and the high quality of output, all of which should be achieved with a minimum outlay of social labour. As the Socialist economy grows and as the tasks it faces grow in complexity, the optimisation of planning becomes even more important, and demands that interdependence in the economy be based on highly accurate computations. The optimisation of planning is achieved through the application of mathematical methods. The modern development of mathematics and computing techniques makes it possible to compute optimal variants of the plan. The production programme is the main link of the technical output and financial

10. G. Sorokin: op. cit., p.6
financial plan ........................................
Socialist economic planning is based on the organic com-

bination of long term and current (annual) plans .........
Socialist planning presupposes active mass participation
in working out plans and their implementation. Socialist
planning implies the planned management of the whole
economy". 11 Regarding the Socialist plan Pigou
observes: "Planning for the common good must mean for
the purpose, planning that is generally believed in a
vague and in a loose way to be intended for the benefit
not of a limited class, but of the community as a whole."
Planning of this sort, in addition to the exclusion of
profit making and the collective or public ownership
of the means of production, is now generally held to be
among the essential features of Socialism". 12

Planning need not, however, be only of the autho-
ritarian type as in Soviet Russia. It can also be demo-
cratic planning. It is true that some writers hold that
planning under democracy, or planning with freedom, is
impossible. In this connection we may refer to the
views of Prof. F.A. Hayek who has taken this stand in
his book, "The Road to Serfdom". According to him,
recourse to planning necessarily leads to regimentation
and dictatorship. His views deserve a careful study.

U.S.A., U.K., West Germany and India have also
taken recourse to planning, but this planning system
differs from the Soviet Planning system. Their
planning

planning is termed as 'Capitalist Planning' or 'Democratic Planning'. Totalitarian or authoritarian planning is normally planning by command or by direction. Democratic planning may also mean planning by persuasion or by inducement.

Guild Socialists, Fabians, and Social Democrats are the supporters of the democratic type of planning. Thus it is that E.F.W. Durbin, Ernest Barker, Bernard Shaw, Bertrand Russell, G.D.H. Cole, Lord Beveridge, Barbara Wootton, and others advocate the democratic type of planning. They discard authoritarian or totalitarian system of planning where the plan is postulated and executed by an all-powerful and all-pervasive central authority.

In democratic planning, the objectives, targets or aims and ends of the plan are, at the first instance, made known to the masses. Then the plan with its targets is placed before the Parliament. The Parliament discuss the plan and can make recommendations for alteration or inclusion or rejection of the plan. The plan is, thus, finally accepted or rejected by the Parliament. The Government always try to get the active co-operation of the people for the execution of the plan. It needs hardly be emphasised that "popular enthusiasm is both the lubricating oil of planning, and the petrol of economic development - a dynamic force, that almost make all things possible". The democratic planning is flexible. Its planning policy is framed and formulated by
by popular elected representatives. The planning is also based on the philosophy of the democratic Government. The mixed economy is followed. Here is a scope for free enterprise. The Government of the country only try to influence its economic and investment decisions. In lieu of a wholesale control of the economy of the country, a compromise between the 'growth' and 'welfare' objectives and targets is discerned. This type of plan aims at reflecting the wishes, ambitions and aspirations of the majority of the people.

While the authoritarian School of Socialism believe in planning from the top, the democratic school advocate grass-root planning or planning from below.

G.J. Friedrich's observations in regard to the democratic planning are worth- quoting: "Democratic planning, dedicated as it must be to achieving the greatest satisfaction for as many as possible, cannot neglect the reactions of all those whom a given policy affects. Based upon the primary decision of the electorate which the constitution embodies, the broad pattern of such a plan will be submitted to and periodically reviewed by the representative legislative bodies. Where the referendum is an established institution, it may be employed for clarifying some aspects. But generally speaking the procedures applicable to sound budgeting (itself a plan for Government operations) are ceteris paribus the procedures applicable to democratic planning . . . . . . . . . . In short, co-operative, democratic planning under a constitution may be defined as guidance.
guidance and co-ordination of the Community's activities through an over-all programme, especially in the use of economic resources, in accordance with the Community's preferences, as expressed through the constitution and through representative bodies. This over-all programme describes in quantitative terms where possible, the various measures required in guiding distribution over a projected planning period of, say, four years."
UTILITY OF PLANNING

In the absence of a sound economic planning no country can prosper to-day. Quick economic development of a country can be brought about by planning only. Planning should not be termed as 'Capitalistic' or 'Socialistic'. Plan is plan. Without recourse to planning no country can develop itself properly. Planning in some form or other has been in existence in both capitalist and socialist or communist country. It is admitted on all hands that planning really owes its origin to the Soviet Russia. Mr. Durbin points out the utility of planning when he says: "It is, however, perfectly clear that social equality cannot be achieved in an un-planned economy ..............

It (Planning) is the indispensable preliminary plans for the attainment of the new Society". 14 Mr. Thomas Wilson observes: "It is now generally agreed that the State should intervene or even take the initiative in various aspects of economic affairs. Complete laissez-faire has few supporters and we need not waste time in flogging a dead horse ............" 15

14. E.F. M. Durbin - op. cit. p.45
15. Thomas Wilson, op. cit. p.4
In the opinion of Sir Ernest Barker, a precondition of the successful operation of a democratic Government is that there should be a sufficient level of material existence. He argues: "......... the end or aim of the democratic State demands a constant and complicated intervention, above all in the sphere of economics".  

"......... There is no escaping from the necessity of planning in the process of economics ........".  

Mrs. Barbara Wootton remarks: "......... Social equality is, indeed, itself plainly the product of deliberate planning".  

All these writers directly or indirectly point out the utility of planning. The opinion may, thus, be hazarded that all political scientists and economists of repute prefer some form of planning or the other. Even Marshall, a very famous classical economist and a supporter of free competition, indirectly championed the cause of State-interference. His book on "Principles of Economics" bears out that he was not altogether satisfied with the beneficial results of free-competition. He remarks: "In the first place it assumes that all differences in wealth between the different parties concerned may be neglected, and that the satisfaction which is rated at a shilling by any one of them, may be taken as equal to one that is rated at a shilling by any other. Now it is obvious that, if the producers were as a class very much poorer than the consumers, the aggregate satisfaction, might be

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18. Barbara Wootton: op. cit. p.157
be increased by a stinting of supply when it would cause a great rise in demand price (i.e., when the demand is inelastic); and that if the consumers were as a class much poorer than the producers, the aggregate satisfaction might be increased by extending the production beyond the equilibrium amount and selling the commodity at a loss. 19 Here Marshall may be considered to have realised the desirability of state-interference in certain circumstances, although he refrained from drawing any positive conclusions. At length he observes: ".............. These conclusions, it would be observed, do not by themselves afford a valid ground for Government interference. But they show that much remains to be done, by a careful collection of statistics of demand and supply and a scientific interpretation of their results, in order to discover what are the limits of the work that Society can with advantage do towards turning the economic actions of the individuals into these channels in which they will add the most to the sum total of happiness." 20

A.C. Pigou, a great economist, in his famous book on "The Economics of Welfare", also supported State action or some form of economic planning. He stated the doctrine of State action in a clear manner. He thought that the broad frame work of private enterprise economy was to be maintained and at the same time there was the need for State action in certain fields of economic activity in certain specified circumstances.

He stressed that the State should play an active role in bringing about a better distribution of the national dividend. He was of the view that the transference of resources, disincenitive effect on the savers and enterprisers, He also stated clearly how and in which circumstances the resources from the relatively rich to the relatively poor could be transferred. Pigou's theory, therefore, strikingly demonstrates the specific need for State action in appropriate fields in the light of theoretical reasoning and analysis. Pigou's viewpoint exemplifies the realisation and recognition of the importance of planning.

A recourse to planning can within a very short period of time, achieve the maximum welfare of the maximum number of people and utilise all the available resources of a country. Planning ushers in an equitable distribution system.

Economic planning has, indeed, assumed and acquired a special urgency and significance in the context of the development problems of underdeveloped, undeveloped and developing economy. Soviet Russia was underdeveloped or backward country and transformed itself into a developed country within a brief span of time through planning. The effectiveness of planning as an urgent necessity in a backward or underdeveloped country cannot be over-estimated. In "Planning For An Expanding Economy", Vakil and his friend have mentioned that a great need of planning in an expanding economy is essential. According to them, planning can stimulate
stimulate certain tendencies under the pressure of which an underdeveloped country or an expanding economy reaches towards the 'cumulative growth orbit', i.e., towards the production of a 'growth surplus'. Consequently, employment and investment would grow at a greater rate than the rate at which population increases. The technique pursued by an underdeveloped economy may also be one of 'planning backward' rather than 'planning forward'.

In an advanced country, too, planning assumes and assures at least a measure of stability associated with balanced growth. Its planning may effect some tangible relief from the erratic fluctuations of the trade cycle. The basic problems of an underdeveloped country, however, demand a comprehensive approach to their solution through the method of planning. Prof. Maurice Dobb has compared the method of economic planning to that of military strategy. 21 This is indisputably a plausible comparison in the context of an underdeveloped country. An underdeveloped country is in the grip of mass and chronic poverty. Here resources are also inadequate and insufficient. Here resources in the form of land, labour, capital and organisation are quantitatively and qualitatively very meagre. The Government of an underdeveloped country has to so plan its economic strategy that it may do away with the curse of poverty to a remarkable degree. 22

21 Maurice Dobb : Soviet Economic Development Since 1917
22 Ragnar Nurske : Problems of Capital Formation in Underdeveloped countries (1955)
Britain and America took to the planning method during the time of war. It is known that elaborate controls were set up even in America. This evidently speaks for economic planning of a fairly comprehensive variety. The war crisis in America and Britain provided the main stimulus and inspiration for planning because there was a sense of urgency for this economic development. Such an urgency is also experienced by an underdeveloped country and herein lies the utility of planning.

J.M. Keynes recognised the utility of planning and, therefore, suggested certain economic policies which closely approximate to the theory of economic planning. This makes Prof. Pillard think that Keynesian theories are akin to those of economic planning. Prof. Kurihara remarks: "...... the stabilising role of a State associated with the name of Keynes must, in our view, be coupled with its developmental role in the specific context of underdeveloped countries ........." 23 He also adds: "...... it is not the stabilization of the effective demand which is crucial for the State in an underdeveloped country to promote .......... Rather the principal economic task of the State in such a country is one of directly or indirectly developing its productive capacity relatively to any given level or rate of increase of effective demand. To fulfil this latter task, it is necessary to mix central control and central ownership in proportions appropriate to the task.

task and consistent with the social philosophy of a particular underdeveloped country.24 Prof. Kurihara's argument, thus, advocates the Keynesian justification for adoption of economic planning in an underdeveloped country to boost its economic development and prosperity. Mrs. Joan Robinson also realises the utility of planning when she declares that an underdeveloped economy would have to represent also a Socialist State in order to achieve its industrialisation. India as well has resorted to planning for its quick economic development for obvious reasons.

An underdeveloped country can, therefore, properly explore and utilise the unemployed and under-employed resources, viz., human and material, through a planning method. Recourse to planning is a must if certain ends are to be achieved within a specified time period. In a planned economy a balance may be struck between the physical and the financial resources so as to ensure a proper adjustment between the money payments to individuals and the prices charged for the goods produced.

There is need for planning in achieving social ends as well. Planning can ensure an even distribution of wealth. It can also prevent the concentration of wealth in a few hands. The problems of unemployment and underemployment can be solved satisfactorily by means of a planning method. External economics finds a huge scope in a planned economy. It helps prevent the waste-resources. It also succeeds in conserving and utilising

24. Ibid, pp.189-190
the importance of basic investment, in a planned economy, for other types of investment is self-evident. A planned economy always assures a higher rate of growth. It lays emphasis on "social priorities" and not on "profit maximisation". The judgement of the determinate planning authority is often wise and better. Planning is usually followed in its wake by a rise in the standard of living of the masses.

Planning also provides for social services. It creates scope, facilities, and opportunities for the masses. It builds social equality and justice. Economic plans organise social activities on a nation wide scale and accelerate economic development. The development of productive forces and relations of production, production, distribution, exchange and consumption of the social product; the accumulation and utilisation of the national income, employment and training of the labour force and specialists, improvement of the instruments of labour and processing techniques; development of property forms etc., are mostly covered by economic plans. Plans reveal the objective advance of society towards socialism or democracy or communism. Planned economy signifies equality and economic and cultural co-operation among all peoples, irrespective of race or level of economic and cultural development. Planning is also a powerful lever in goading backward peoples towards socialism. Engels testifies to the utility of economic planning in his "Dialectics of Nature" where he observes: "Darwin did not know, what a bitter satire he wrote on mankind, and especially on his countrymen, when he showed that
free competition, the struggle for existence, which the economists celebrate as the highest historical achievement, is the normal State of the animal kingdom. Only conscious organisation of social production, in which production and distribution are carried on in a planned way, can lift mankind above the rest of the animal world as regards the social aspect, in the same way that production in general has done this for mankind in the specifically biological aspect. Historical evolution makes such an organisation daily more indispensable, but also with everyday more possible. From it will date a new epoch of history, in which mankind itself, and with mankind all branches of its activity, and particularly natural science, will experience an advance that will put everything preceding it in the deepest shade. 25

Planning or planned economy, no doubt, brings about the welfare of millions of people. It is, thus, a symbol of hope for the underdeveloped, developing and underdeveloped countries and for their common people.