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II. SPECIAL GROUP MEETINGS

SPECIAL GROUP A

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Methodological Problems in National Economic Planning and the Provision of Basic Data

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1. *Planning and the socio-economic plan*

By planning the author understands the intellectual activity aimed at exploring in a scientific way future development and preparing on this basis action programmes containing selective decisions with due allowance for political considerations.

Planning is composed of two closely connected but well discernible elements: *forecast research* and the *preparation of plans* proper. Forecast research constitutes the outer sphere, and plan preparation the inner sphere of planning.

It is typical of the planned economics of the socialist countries that the plans have always been action programmes, and the inner sphere of planning has always been made use of in planning activity. Forecast research as the outer sphere of planning has played a role of varying intensity, being usually adopted most vigorously and frequently in periods when long-term planning gained increased significance. Planning activity in the capitalist and developing countries has also been strengthening over the past decade. Though these countries or group of countries have made progress in planning to various degrees, the outer sphere of planning, i.e. forecast research, has spread in all of them, while none of them has developed and could develop a system of plans functioning as action programmes comparable to the system existing in the socialist countries.

The product of forecast research—at least in a planned economy where plans are prepared as action programmes—is the *plan study*. Plan studies are made in the phase preceding plan preparation proper. The length of time covered by these studies may be identical with or longer or shorter than that of the plan itself. Depending partly on the length of time covered by plan studies, partly on methodological differences, we may speak of *prognostic and futuristic studies*.

In prognostic studies it is the lasting trends of past and present development and the probability of their survival in the future that is emphasized.

From this it follows that extrapolation plays a prominent role in preparing prognostic studies. The time span covered by prognostic studies is growing. This growth is due partly to a social need deriving from the development of planning, partly to the fact that, as a result of scientific development, we are able, on the basis of a better understanding of past and present, to project development into the more distant future. On the other hand, the length of time for which the continuation of past and present development can be predicted is, owing to the speeding up of technological and social progress, decreasing. This fact restricts the period of time covered by the prognosis.

Though an unambiguous definition of futurology is still outstanding, futuristic studies are concerned with a field of forecast research that deals with longer periods of time, usually 15, 30 and 50 years. They are therefore of special importance to long-term planning. The usefulness of these studies follows from the fact that they examine the objectives of long-term plans from the viewpoint of the expectations of still longer periods. Consequently, their most important methodological tool is the approach to realities from the borderland of science fiction, that is, a regression towards an imagined state in the future from a still remoter point of time.

It has been found that even futuristic studies do not entirely lack some elements of extrapolation. This seems to be justified by the fact that our present contains at least the germs of the future of some 30–40 years hence. Therefore a certain survival of the present must be reckoned with even in the case of relatively long periods of time. On the other hand, it is also beyond doubt that the more allowance is made in long-term projections for present realities, the less we are likely to make correct forecasts for the future.

In principle, the dividing line between the time horizons of prognostic research and futurology must be drawn at a point of time where the departure from the past or from a relatively distant future results in a better delineation of a state imagined to exist at a given point or in a period of time. The two ways of approach overlap of course in the borderland of their time horizons.

The socio-economic plan is the action programme of the social and state organs of the socialist countries in question. The role of the action programme is fulfilled by a concerted system of plans. The simultaneously existing plans embodying the action programme may be, according to their time span, long-, medium- and operative plans, and according to their scope, general and partial plans. The latter may be functional, regional and sectoral plans.

A long-term plan is the political and economic-political strategic programme of the above-mentioned organs. Its aim is to provide a reliable perspective and orientation for the preparation of medium-term plans.

A medium-term plan is a more concrete action programme of the party and government. Its aim is to work out in a more detailed and concrete form the part concerned of the long-term plan, as well as to provide and co-ordinate the measures and means of economic control necessary to ensure the implementation of the plan objectives.

The operative plan is the economic policy programme of the government.

Its aim is to determine from year to year, under constant consideration of the objectives of the medium-term plan, the basic relationships of and changes in extended reproduction, and to point out the measures necessary to take for the effective implementation of the medium-term plan.

General plans encompass the whole of socio-economic development, while partial plans deal with a specific aspect of the latter.

The unity of the system of plans can be examined from the point of view of content and form. By the unity of the contents of the various plans we understand the integration of their systems of objectives, while by the unity of their forms we mean the inner articulation of their systems of indices and input/output analyses.

2. *The extension of the planning activity*

One of the essential features of the extension of planning is the *extension of time* covered by planning. This question has already been touched upon in the foregoing when we, taking forecast research to be a planning activity, pointed out that the planning period has extended to 30-50 years.

Another essential characteristic of the extension of planning is the fact that it tends to include an ever larger area of human activity. Thus planning is also *extending in a functional direction*.

In the course of the history of planned economies, planning has had a primarily economic, in the socialist countries a national economic, character. It is this field of planning which has developed in the first place. Further development consists in the fact that, on the one hand, ever more economic activities have been covered by planning, and, on the other, that an increasing number of technical and social problems have been identified as objectives in the *context of economic planning*. Though the plans have never been confined to economic problems, they have virtually retained their economy-centered character.

The extension of planning in functional direction manifests itself in the strengthening of the *planning of technological development*. The need for the elaboration of technological concepts on a social and national economic level has come to be emphasized as a social demand.

A further important feature of the extension of the planning activity is the greater emphasis on the *planning of scientific research*. The latter has been for a long time part of the planning of technological development. It is only recently that the planning of scientific research has gained its independence. This is all the more a welcome development as it emphasizes the outstanding importance of this field of planning, and also because it goes to show that research on technological development is an important but by no means the only area of scientific research.

A further area covered by extending planning activity is the so-called *social planning*. This area is still rather undeveloped today, being composed of such mosaics as family planning, education planning, etc. Social planning can only be regarded as established practice in the socialist countries when the state of the future phases of socialist development or of communism can be modelled for given points of time or development levels in a social aspect, and when the

process of structural changes on a social scale can be outlined, a process which determines a state to be arrived at in long-term development.

It would be desirable to give some thought to *political planning* as well.

3. *Planning and decision-making*

Planning activity consists of the processes of understanding and decision-making. Decisions are judgements arrived at as a result of understanding.

The entire process of the planning activity, from the very beginning of forecast research up to the working out in a final form of the plans, is interwoven with decisions. Decisions are already made when it is determined how the planning work should be tackled. Further decisions are connected with the progress of forecast research and later with the setting of preferences, the choice from among concept variants, the approval of plans, etc. Decisions may be made even after that phase, partly because it is not absolutely necessary to approve a plan in its final form, since the essence of a plan is its conceptual content, and this is what has to be considered in the first place when approving it, and partly because a plan can be improved continually.

Decisions made in the course of planning may be related to planning and supervising, and may be either individual or collective.

By planning decisions we understand the continuous judgements of planners and experts engaged in the outer sphere of planning, i.e. in forecast research. In the course of his work the planner usually arrives at 'critical junction points' where he has to decide which way to take. These decisions of his greatly affect the quality of planning. They may be influenced of course by given initial conditions, if there are any, which must be taken into account by the planner, but also by his professional efficiency, resourcefulness and his own concept. The planner's independent concept may be an advantage, especially if new paths are to be opened up in planning, but it may also be a disadvantage if there are too many concepts to act as a cementing force in the case of a large body of planners.

The judgements of organs directing planning continually also qualify as planning decisions. These decisions may be taken either by the management of the planning agency or by socially organized bodies.

By supervisory decisions we understand the judgements of bodies supervising planning and approving plans. They are usually superimposed on the planning bodies if the latter are state organs, while in the case of social organs as e.g. party organs, they are on an equal footing with the superimposed bodies.

The decisions of the supervisory bodies may refer to the guiding principles given for the planning work, to the continuous evaluation of planning, to the evaluation of the concepts emerging in the course of planning work and embodied in the plan variants as well as to the official, legal approval of the plans.

Owing to the inaccuracy in determining the relationships and functions of the system of organization, the planning and supervisory decisions are often too difficult to keep apart.

Concern with the future and consequently with planning too has become a preoccupation on an increasingly wide scale. The ever faster rate of scientific-technological and social progress has led to significant changes in man's life. Since these changes considerably affect a growing proportion of people, sometimes in a most trying way, more and more of them wish to take part in deciding on, and achieving, the objectives affecting their future.

At the same time and as a consequence of the speeding up of scientific-technological and social progress, the quickly accumulating wealth of knowledge is shared by an increasing number of people. It is practically impossible to confine these riches of scientific knowledge to a few people or bodies. This invaluable material must be made use of in planning. But this is possible only if planning is organized on a wide social basis, if planning is democratized.

The democratic character of planning means therefore on the one hand, the satisfaction of a wide and ever stronger social need and, on the other, the integration into the plan of the results of science.

In future we must reckon with an ever growing number of people engaged in planning. There will be more and more people dealing with planning. And we must not be afraid of this process. What is involved here is qualitatively different from the anxiety voiced a few years ago. This anxiety was caused by the experience that the plans and their breaking down into more and more elaborate details resulted in the strengthening of certain bureaucratic tendencies with the number of planning bureaucrats steadily increasing, while their aggregate performance, from the point of view of planning, became more and more questionable. Future planners will be increasingly 'social workers', whose work will be based on, and supported by, a general planning outlook.

The ever-increasing number of the social workers of planning does not discard but rather presupposes 'professional planners' being employed in every important post to organize and co-ordinate this steadily expanding planning activity. The network of professional planners will ensure a consistent system of plans drawn up on a social scale and the co-ordination of the various plans prepared in different places.

The democratization of planning as outlined above does not preclude but rather presupposes the widening utilization of a modern computer technique. But it does preclude the possibility of using computer techniques for a strong centralization of planning and for the exclusion from planning of the majority of ordinary people and specialists.

The democratization of planning will also lead to the democratization of supervisory decisions. It will result in the *preparation* of supervisory decisions being distributed on a wide basis.

The democratization of supervisory decisions must not be interpreted as needing the approval of the socio-economic and national economic plan by a very large body. The decisions are democratic only if the decision-makers are appropriately informed and combine professional knowledge with political sense. Otherwise the decisions are *formal* and *manipulated* in a bad sense.

4. *The basic data of planning*

The problems connected with the basic data of planning can only be dealt with in an appropriate way if we take our departure from what has been outlined above. Basic data have entirely different implications depending on the phase of planning activity involved, on the existing system of the national plans and, finally, on the extent to which planning is centralized or decentralized, which in turn is not independent of the concrete system of economic control and management either.

The problem of basic data for forecast research appears to be a question of the information needs of prognostic and futurological research.

If we want to delineate the problems connected with the basic data for forecast research, we can do it by outlining the information needs of prognostic and futuristic research or the information needs of scientific research in general.

As far as the basic data for the inner sphere of planning are concerned, the problem will be different depending on whether prognostic or futuristic studies are available or not. If they are, these studies will provide the primary, the most important basic data for the preparation of the action programme. In this case it will be beneficial also from a methodological point of view to apply the two methods simultaneously, i.e. that of projecting past experience into the future and that of tracing long-term assumptions back to the less remote state in the future. If such studies are not available, then only the information about past development can be used as basic data—both in themselves and in the form of their deviation from the plan targets. In this case, however, all the information, usually received from political organs, must also be handled as basic data, and must be reckoned with as given initial conditions or limiting factors. In this case planning is one-sidedly base-oriented, that is, past development constitutes virtually the only starting point for planning.

As far as the system of national economic plans are concerned, the situation is roughly the same. For the short- and medium-term plans there are two possible ways of approach if a long-term plan is available. The preparation of a five-year plan, or a medium-term plan in general, can be approached from two sides in the case of the availability of a long-term plan, and from one side only, that is from the base, in the case of the absence of such a plan. This will also raise a further methodological question whether in a given stage of development and in face of historical endowments. It is past development rather than the targets of a long-term plan that are of more relevance to the elaboration of the system of objectives of a medium-term plan.

A functional, regional or sectoral plan can also be approached either from past development or from long-term target assumptions in the case of medium-term plans, but also from the expectations of a comprehensive, general plan covering the same period of time.

In the case of a more centralized planning method and of breaking down the plans to smaller units, part of the basic data necessary for the central plan will be assembled in the information channels from which the plans and

instructions in general are communicated to the lower units. Thus both the information about the previous development of the sectors in question and the information expressing in a summary way the planned development of the lower units serve as basic data. Therefore the central planning organ collects a significant part of its basic data from the apparatus of its lower organs. In this respect it is, however, of extraordinary importance to keep a tab on what sort of information is carried to the central planning organ.

It follows from the nature of plans that they require more basic data than the data actually included in the plans, and more than the number of data provided by the central agency for the lower units. There exists, however, the danger that, in view of the immense quantity of data flowing from the lower units towards the centre, it becomes practically impossible to deal with them when elaborating the relationships on a social and national economic scale. In the case of a more decentralized method of planning these problems are as a rule less significant.

SPECIAL GROUP A. REPORT

In his opening remarks, the Chairman referred to the broad aspects of economic planning, the procedures and the problems with regard to regional planning which were discussed in the Plenary Sessions on the earlier two days. He observed that the methodological problems were different in different situations and in the first session these problems would be discussed in the context of the experience in Socialist countries.

Opening the discussion, G. Kovacs referred to the concept of the planning activity and drew attention to the forecast research and the preparation of plans containing selective decisions with due allowance to political considerations. He stated that the absence of unambiguous definitions had made research more difficult. Attention was drawn to the differences between prognostic and futuristic studies and their role in planning. The system of planning differed according to the length of time covered and the scope of the activity and the tasks involved. There was however an inherent unity in the system of plans which could be examined from the point of view of content and form.

Reference was made to the extension of planning activity in time and function. The aspects relating to National economic planning, planning of technological development and scientific research, and social planning were explained. Planning activity consisted of the processes of understanding and decision making. The decisions made in the course of planning might be related to planning and supervision and might be either individual or collective. The democratic character of planning meant therefore on the one hand, the satisfaction of a wide and even stronger social need and on the other, integration into the plan, the results of science.

Forecast research constituted the outer sphere of planning and plan preparation the inner sphere. As for the basic data for the inner sphere of planning, the problem would be different depending upon whether prognostic

or futuristic studies were available or not. Both the methods viz. that of projecting past experience into the future and that of tracing long-term assumptions back to the less remote state in the future were beneficial. The information basis for planning was not restricted by the availability of rigorous statistical data. Analysis made by experts with adequate experience had great significance in this connection. As planning activity expanded, both the inner and outer spheres of planning expanded and it was necessary to find out what their inter-relationships were. Care had however to be taken that while discussing methodological problems more and newer problems were not created. The problems of provision of basic data varied according to the phase of planning involved and to the given system of plans as well as to the extent to which planning was centralized or decentralized.

After the paper was presented, the subject was thrown open for discussion. A participant from Bulgaria, referred to the progress made in the country under the National Plans and listed the main achievements. The plans were given a material and technical basis and this had resulted in rapid development in different spheres. The principle of democratic centralization and the arrangements for coordination of various activities within the country as well as the relationship between Bulgaria and the U.S.S.R. were explained. Additional investments in industry resulted in increased agricultural production and there was adequate distribution between the rural and urban areas. Within agriculture, integrated development of horticulture and animal husbandry was also being attempted.

An important question was raised regarding the economics of planning in the socialist economies. It was mentioned that planning was equally important in the Western economies. However, in the capitalist economies, planning was at a micro-level i.e. at the level of individual farm; and in view of the fact that there were multitudes of farms of different sizes, there were many farm plans, each of which was formulated on the basis of expected net results for each. The aggregation of these individual plans made up the global plan. The optimum allocation of resources of these individual plans was sought to be achieved through price mechanism. Government intervention through fiscal and monetary policies helped to reduce malallocation of resources arising out of market imperfections. In the context of a study of the comparative economics of farm planning in different economies it was stated that it would be interesting to know the methodology of resource allocation in the socialist economies.

A clarification was also sought regarding the theory behind the rewards for over fulfilment in the socialist economies in contrast to the penalisation of overproduction in the market economies. It was accepted that any radical transformation of the ideology of economic planning in a country was neither feasible nor desirable. However, an exchange of ideas between the capitalist and socialist economies on their experiences with regard to economic criteria and the results could help in the modification of the approaches in the different countries.

One of the participants observed that mere listing of the different dimensions of planning, the time perspective, the spatial coverage, and the

functional emphasis could not alone go a long way in promoting the understanding of the methodology of planning in the socialist economies. On the other hand it was considered necessary to explain the manner in which (a) the short-term, the medium-term and the long-term plans were dovetailed, (b) the micro and the macro plans were integrated, (c) the social, the political and the economic plans were coordinated, (d) the developmental and the distributional aspects of the plans were compromised, and (e) the physical and the monetary balances were achieved. In the course of the discussion, it was also accepted that the plan for agriculture was only part of the national plan and that there was need for correlating the various sectoral plans in order to evolve a consistent over all Plan.

The main methodological problem of planning according to one speaker was that of construction of an analytical model. It was further recognised that extrapolation of past trends was only one of the methods of empirical projections. In connection with the discussion on the tools of economic planning the relevance of the system of national/social accounts was noted. It was observed that every country had a system of social accounts. It was thus a common statistical instrument irrespective of the political or economic ideology of the economy. Hence attention needed to be focussed on the perfecting of this tool for purposes of agricultural planning.

The need and significance of the availability of basic data for economic planning were stressed by some speakers. Agriculture was integrated with the rest of the economy through intersectoral flows of products and factors. Further the extent of sophistication of the methods adopted would itself depend upon the availability of basic data. In particular the possibilities of prognostic or futuristic studies would be constrained by the nature and quality of economic data. In this connection it was observed by a participant that the collection of data should correspond to the requirements of analysts. In view of the fact that (a) farm enterprises varied in size and range of activity and (b) they differed from industrial enterprises, an appropriate concept and definition of farm should come from the economists than from the statisticians so that collection of data would be relevant to the problem.

A member from Mongolia cited the experience and planning and achievements in his country to illustrate the methodological problems involved. Another participant emphasised the need for planning on a global scale and for fitting in the Country and Regional Plans within the Global Plan.

The representative of the Council of Mutual Economic Assistance narrated the experience of planning in the countries of the Region, the arrangements for coordination between the Countries and the benefits that resulted from such cooperation and coordination. Cooperation between the Countries was voluntary and was aimed at maximum utilisation of national resources. This also enabled exchange of information leading to technological improvements.

Another speaker referred to input-output analysis as a basis for economic planning. For this purpose the accuracy of data in respect of each element entering the National accounts had to be ensured. An error of 1 to 2 per cent in important items was more important than 50% error in minor items.

Further national accounts could be built up for regions within the country.

Concluding the discussions at the first session, G. Kovacs mentioned that in accordance with the different purposes of planning, there could be different Plan studies. He further stressed the need for sufficient experience and information for the formulation and implementation of plans. In this connection he stated that the role of computers could enhance the probability of the results achieved. The socialist economies, according to him had better experience with regard to the inner sphere of planning while the Capitalist economies, the outer sphere. In the former countries, planning was closely correlated to the political and economic life of the people.

Among the participants in the discussion were G. Kovács *Hungary*, K. Kalchev *Bulgaria*, G. S. Gaponenco *U.S.S.R.*, A. Weber *Federal Republic of Germany*, — Osborn *F.A.O, Mexico*, H. Schlicht *German Democratic Republic*, Harry C. Trelogan *U.S.A.*, O. Niamha *Mongolia*, K. Kirsman *Australia*, — Hoffmann *Council for Mutual Economic Assistance*, D. K. Britton *U.K.*, S. Kulthogkham *Thailand*, R. Thamarajakshi *India*, P. N. Pershin *U.S.S.R.*