

COMMENTS ON PLANNING AND PLANNERS

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I. Planning

Introductory Remarks

I am very well aware of the long tradition planning has in Puerto Rico. I know that its beginnings go back to 1942 and that this makes it the oldest planning effort in the Western Hemisphere. It gives it also a many years advance over any planning attempted in the United States.

During my brief stay at the University of Puerto Rico I have listened to a number of most interesting talks and discussions on the problems of planning. I had also the privilege of holding some talks with members of the Planning Board of Puerto Rico. I think I have learned a lot about planning in this country, although the opinions which I have heard were by no means uniform. But it is perhaps the divergence of views which was the most illuminating.

Towards the end of my stay I have been asked to make some comments on planning in Puerto Rico, on planners and the education for planning. I am only too well aware of my limitations in answering that request. My knowledge of the facts about Puerto Rico is very limited. And the knowledge of facts is needed for planning and even for speaking about it.* And facts are not only data for which we look in statistical yearbooks but also the existing institutions and the organization of the economy. And it is important to know not only what is the legal setting of the institutions but also how they work in practice. What are the pressures of interest groups, internal and foreign. It is necessary to know all conditions which determine the actual functioning of the economy.

I do not know all those things; all I can do, therefore, is to refer to the basic principles of the theory of planning and try to derive from them some suggestions which might be of interest for the discussion of the Puerto Rican situation. They would not constitute —of course— any clear cut advice, but

* Planning without facts does indeed take place sometimes, but it is not a practice which should be recommended. See a most interesting book by W. Stolper: *Planning Without Facts*, on the experience of a planner in Nigeria in the early 1960's.

may provide food for thought to those who really are acquainted with the Puerto Rican realities and are qualified to put forward valid advice on policies and plans. It is hoped that even such a modest contribution may not be entirely useless as sound theoretical principles are as essential as the knowledge of facts.

Planning and market as two modi operandi which co-exist within every national economy

Planning is the opposite of market mechanism. This is a statement which may perhaps seem commonplace, but the meaning of which is not always well understood and all implications of which are not always clearly seen.

It is essential that this statement should not be interpreted in the sense that planning is an activity which is limited to centrally planned —the so-called “socialist economies”— and has no place in capitalist or market economies.

Quite the opposite is true. Planning and market mechanisms are two distinct *modi operandi* which are fundamentally different from each other, but which can be found, and indeed are actually in operation in all economic systems. Although they are different, they may exist side by side. The area in which planning has influence will be considerably more extensive under centrally planned systems, but it will not cover the whole economy: important sectors of it will be left to the market. And conversely: in market economies, market mechanisms will rule wide areas, but planning may exist and play a more and more important role. In fact, in contemporary market economies, planning has come to play such an important role that they cannot be imagined to be guided solely by the “invisible hand” of the market. This is a fact which must be realized if we want to see economic problems as they really are, and not in the light of textbook models far removed from reality.

The recognition of the fact that in every economy both plan and market are in operation is essential for understanding its working and for conducting policies. It is also most important to see clearly the differences between these two *modi operandi*. Unfortunately, that crucial question has been confused in many writings which are still considered to be authoritative texts.**

** The most notable confusion is represented by the so-called “Lange-Lerner Theory” of socialist economies (O. Lange, *On the Economic Theory of Socialism*, 1938, and A. Lerner, *Economics of Control*, 1946 which is still found in many textbooks as *THE* theory of socialist economies. It is common knowledge that planning plays a crucial role in managing socialist economies, and yet Lange’s title to fame consists in the fact that he disproved Mises’ contention (supported later by Hayek and Robbins) that rational economic calculus is impossible under socialism. He has namely “proved” that through the “trial and error procedure” a planning can imitate the market mechanism and that equilibrium achieved through planning is equivalent to the equilibrium achieved through

The distinction between the plan and the market might be perhaps better understood when its wider significance is explained. It is in fact not limited to the way in which a national economy is managed. Any collective effort may be seen as either an exercise in planning or in a market activity. The essence of the difference is found in the relation between the outcome, of the activity and the decisions which set it in motion. When the aim of the activity is formulated first, and all decisions about its implementation are subordinated to it and taken later, then we have the plan *modus operandi*. If many individual decisions guided by individual motives and not coordinated with each other are taken first, and the outcome (unknown in advance and not aimed at by any of the decision makers) comes about later as a result of those multiple and conflicting decisions, then we have the market *modus operandi*. Both *modi operandi* have been applied to collective efforts from time immemorial. Some activities lend themselves better to the plan *modus*. The construction of a building or of a machine is not conceivable if the final outcome is not clearly envisaged in advance of any action taken. But a city is not necessarily built that way. Individuals may build their houses (each according to its individual plan), but no overall plan for the whole city may exist. The result would, of course, be a conglomeration of the type of gold-rush towns of the last century. But a city may be also constructed according to the plan *modus*. A pure example of that type is the Roman military settlement. The traces of such settlements are found all over Europe and still can be seen in the core of many modern cities. But it is only rarely that a city emerges as a result of one *modus operandi* only. Most often, both plan and market ways of proceeding are combined. Some elements (street network, most important buildings, city walls and gates) were set in a preconceived plan. Within that frame, individuals were able to exert their activity, i.e., to construct the city according to the market principle.

The same principle holds for a national economy. The national developed plan (if there is one) formulates an overall picture of the economy as it is supposed to look like at the end of the time period for which the plan is to be prepared.

A realistic plan implies the availability of sufficient resources and the existence of an institutional framework which would assure that those resources would be allocated in the way required by the plan.

Plan implementation consists of making necessary resources available, adapting the institutions to their tasks under the plan, and assuring that the desired allocation of resources takes place.

At the same time, activity of the market type takes place within the economy, individual entrepreneurs, workers and consumers pursue their

the market and it may be even closer to the ideal perfect competition equilibrium of economic theory than the equilibrium actually achieves under capitalism. It is a fundamental error to conceive planning as leading to the same result of market forces. It never happens in practice.

individual aims without any consideration for their impact on the overall position of the national economy.

For these individual actions the plan constitutes a frame within which they can be pursued. From the point of view of the plan, individual actions constitute elements of the situation (constraints) within which the plan has to be implemented.

There is no half-way position between the plan and the market modus operandi. This must be very clearly understood. Actions taken to implement a national plan are of a different nature than actions taken to fulfill individual aims. It is either this or that. To make that distinction even clearer, it may be perhaps useful to state explicitly what are the most important implications of the differences between plan and market modus.

(1) The overall position of the economy towards which all actions are oriented is formulated in the plan and consequently is an *ex-ante* position in respect of all actions. Under the market modus that position is not known to the decision-makers who undertake the action. It is obtained as a result of conflicting actions and is an *ex-post* position in respect to those actions.

(2) As the final positions reached by the economy under plan and the market are of a different nature, so are the paths leading towards them.

The path means the various stages through which the economy must go to reach its final position. It can never be assumed that all the intermediate positions and the final position are reached exactly as intended. That could happen only under the abstract assumption of perfect knowledge and perfect and timeless adjustment. In practice, whoever makes decisions proceeds by the way of trial and error, encounters delays and readjusts his decisions as he follows the path he has chosen.

The trials, errors and adjustments on the path leading to a definite aim established by the plan will evidently be of a quite different kind from those on paths undertaken by individual decision makers.

Consequently, not only the final positions are bound to be different under the two modi, but also the paths leading to them. That alone is sufficient to set planning and market apart.

(3) The preferences by which the decisions are guided are different for the plan and the market. For the plan, they are the preferences of those responsible for social and economic policies, i.e., for shaping the destiny of the nation. Those decision makers exert evidently a political power which (under democracy) they have received as a mandate from the people.

The preferences which guide the decisions under the market are the preferences of individual entrepreneurs, workers or consumers referring not to matters of national interest but to their private problems of acquiring and spending their own income. Both in scope and contents they are entirely different from the preferences which guide the plan.

(4) Finally, the institutions which are needed to make the plan function are different from the institutions required for the functioning of the

market. It may be a question of creating institutions (such as the Planning Board) or adapting the existing institutions to the fulfillment of planning tasks. It is on the functioning of the institution that much of the success of planning depends.

Practical implications of the theoretical approach

Once those essential characteristics of planning are recognized, there are important practical consequences to be drawn from them.

Determination of an image of the economy and the society as they are supposed to be in the future is a fundamental requirement for the existence of planning. It may be said that planning consists in the formulation of a plan which shall contain such an image.

It is not possible here to describe all the procedures for formulating such a plan. It may be only said that at first it will take a form of a general and rough outline. Analysis of resource availability and feasibility studies at various levels will supply more detail, and make it possible to prepare a full fledged plan. It is expected that such a plan will contain new elements in the situation of the country, that it will eliminate deficiencies which have arisen in the past and open the way to future development oriented towards what is called a better society. It has been mentioned above that the substance of what the plan will contain depends on the political decisions and political orientation of the authorities actually in power. A whole range of possibilities is of course opened, but they cannot be discussed here.

What is evidently clear, however, is that such a plan cannot be formulated by a simple projection of existing trends or on the basis of forecasts of anticipated developments. If the existing trends, perhaps slightly modified by some corrective policies on the part of the government, are acceptable to the country as a development perspective, there is no need for a plan. There are countries which take that stand and do not formulate any plans at all. If, however, an opinion emerges that change is needed, that the country has reached a stalemate, that new structures are desirable for the economy to function properly and develop, the need for a plan becomes imperative. This is the case of all developing countries.

Formulation of the plan alone does not, however, make planning a reality. Actual action must be undertaken to fulfill the plan. It may be a direct action, i.e., fulfilling of their tasks by appropriate state agencies, or nationally owned enterprises (if such exist) or indirect action: i.e., intervention into the working of the market by means of various kinds of incentives or regulations correcting and adjusting the market activity to make it conform—as far as possible—to the aims expressed in the plan.

It should be very well understood that state intervention as such does not constitute planning. Intervention into the working of the market may be guided by various considerations and have different causes. Demands or

pressures from some interest groups (of capital and labor) desire to avoid some undesirable developments, or counteract in some emergencies. All that kind of activity cannot be called planning so long as it does not lead to the implementation of an existing and approved plan. It could be even said that contradictory and inconsistent government intervention may sometimes lead the economy further astray from its desirable course than would do the market if left to itself.

There is therefore a crucial difference between the state intervention into the workings of the market depending on whether that intervention is guided by national development plan or not. If it is, it is part of the planning process. If it is not, it acts against it.

II. Planners

Who they are

In the light of what was said above, it is possible to discuss our second problem and namely who are the planners and how they should be trained.

Planners fall into two distinct categories depending on the task they perform. Apart from these two, another subsidiary category could be mentioned embracing people who cooperate in the planning process but who are not planners in the strict sense of the word.

The first category of planners could be named *planners-decision makers*. They are responsible for making the crucial decisions about the contents of the national development plan. They establish priorities among competing aims and choose between existing feasible options. They are therefore responsible for the image of the future state of the society and the economy which is embodied in the national development plan.

Their function is highly political and could not be exercised if they were not vested with political power. To be able actually to fulfill these tasks, those planners must belong to the government which rules the country.***

*** It is interesting to recall in this context the idea of "planning as a fourth branch of government" put forward by the Governor of Puerto Rico, Rexford G. Tugwell (See: *Tugwell's Thoughts on Planning*, Salvador M. Padilla, editor, University of Puerto Rico Press, 1975.) The present writer is very much in agreement with Tugwell when he stresses the crucial importance of planning. Yet it is difficult to agree that planning can be conceived as a fourth branch of government. And that is for two main reasons. One refers to the concept of planning Tugwell seems to entertain. The other is of legal and political nature.

Tugwell seems to conceive planning as an act of shaping the future which can be exercised by people who are highly qualified in this respect. If such people are appointed to be planners, they are sure to fulfill this task. This approach assumes planning to be similar to the judiciary branch. All that it required for the judiciary to function satisfactorily is the appointment of conscientious and highly qualified judges who would know how to impart justice.

The nature of planning is, however, very different from the judiciary. Professional competence is not enough. However competent the planners may be they cannot be expected to discover *THE* road to development which is optimal in the absolute sense.

The second category of planners can be named *planners-experts*. These are the people who know what elements are necessary for preparing a plan, who can assess its feasibility, can construct a planning model and formulate a plan proposal. They are the technical experts in planning. They are the planners in the most strict and also most commonly accepted sense.

These are also experts in various fields who can be useful in the planning process by providing information needed in the drafting of the plan, but who are not engaged in the formulation of the plan. They are statisticians, technical experts in industry, agriculture, construction, transportation, foreign trade, banking, finance, labour problems, health, education and social services, etc., etc. They are also administrators and managers at various levels. Although they are not planners in the strict sense, they should understand what planning is and what is their own role within it.

The subdivisions in the planning professions suggested above are an attempt at clarification of various roles performed within a planning process. Conceptual clarity seems important here, although in practice the dividing line may not be always easy to see as individuals may be performing more than one function.

Such cases of confused identity are indeed quite frequent, especially when planning machinery is far from perfect (e.g., in developing countries expatriate experts are seen, assuming decision making powers). This is, however, always detrimental to planning.

Training of planners

What was said about the nature of planning and the role of the planners may be significant for the training of planners. The suggestions listed below seem to me to be consistent with the approach to planning presented above and they also reflect the author's experience in teaching of planning.

(1) Planning requires a good understanding of the social and economic problems of a nation and consequently a planner should be provided with a solid and *broad background* in economic and/or social sciences as a basis for the planning skills.

(2) There seem to be little merit dividing the planning curriculum into water-tight specializations. It seems desirable that future planners-decision makers and planners-experts receive the same training. That would contribute to a better understanding between the two categories of planners.

Absolute optimality does not exist. There are many highly divergent roads and each of them reflects a political ideology. Once this is clearly seen, it becomes obvious that planners, however competent, cannot be expected to function without some kind of mandate from the people. To hold elections for planners parallel to the legislative elections is, however, impractical.

In consequence, it seems that planning must be conceived as one of the tasks of the executive branch of the government, which ought to be responsible not only for current, but also for long-term problems. Its importance should be enhanced. But to achieve that is not necessary to exclude it from the executive branch.

Moreover, it cannot be known in advance who has a chance of becoming a planner-decision maker.

Planners-experts may work at the national (macro), the regional or project (micro) levels, but they all should be taught about planning at all levels. The understanding of the relations between the various levels of planning is of utmost importance. Too specialized teaching might impair that.

(3) Training of planners should not concentrate exclusively on Puerto Rican problems. Evidently, facts on Puerto Rican economy should be well known. But the ability to think should be the most valuable outcome of university education. And the ability is best developed by comparative studies. It seems certain that more information about planning in various countries (including the centrally planned ones) will be of benefit to future planners.

(4) In devising the curriculum for planning students, a balance should be kept between the study of planning strategies and of planning techniques. Techniques without understanding of strategies become blind. Strategies without techniques lead nowhere. There is, of course, no prescription for the right mix of the two. They both ought to be present.

(5) Detailed advice on the contents of the curriculum cannot be given here. One point could, however, be mentioned as it is of crucial importance. The role of the political element in planning should be made very clear and its relation to objective elements well understood. This refers primarily to the study of strategies, but the political element should be also reflected in technical devices used in planning.