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Theoretical Problems of Industrial Planning

Part II

The System of Industrial Planning

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THEORETICAL PROBLEMS OF INDUSTRIAL PLANNING

PART II

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THE SYSTEM OF INDUSTRIAL PLANNING

0. Introduction

Always and everywhere one is talking about planning. In socialist countries planning has been the method for managing national economy from the very beginning. Not so in non-socialist and purely capitalist countries.

Thus, one could observe in former times, according to social order of society, two pure systems of carrying out management of national economy.

1. the unplanned capitalist system of national economy, and
2. the planned system of socialist economy,

Nowadays, however, as mentioned above, all over the world they are talking about planning, without considering social order of society. And they are not only talking about it, but they are even trying to realize their ideas concerning planning. I would like to remind you of the efforts being made in France to establish their system of plannification, or of Great Britain, where a new economic planning organization, the National Economic Development Council (N.E.D.C.), has been founded in 1962. It is, according to Prof. Watkin^{I)}

".... the first organization set up in Britain which has had the specific task of undertaking planning functions on a national scale with the object of attaining a sustained rate of economic growth,..."

Prof. watkin is full in right, when stating this fact as a novum in British economy. We can say that planning of enterprises has been exercised for over a long period; in a way, even from the very beginning of capitalist mode of production. But planning cannot be planning; there are some considerable differences. And if they are going now to establish planning systems comprising national economy as a whole, than we have to consider it an absolute novel.

I remember quite well the time, when western economists were sniggering at national economic systems of planning applied in socialist countries. They were always talking badly about planning efforts having been believed rigid and little effective ones. They have spoken about ruling shortage of commodities and abundance of money in socialist countries, leading to inflation and other disorders on money market, etc.

And now they are going to copy that bad system. Why that? According to their former opinion health and wealth should be lying with the pure market system. The forces of market should be ruling without any state interference.

May I be permitted, for instance, to quote B.F. Hoselitz, a Candian economist, who writes in " Patterns of Economic Growth" 2)

"..... the relations between government and private individuals in the economic sphere may be so conceived as to leave, ideally, all significant decisions to the private individuals, yet, " he goes on saying, " government may impose narrow limits within which private initiative may be exercised or may use various forms of subsidies, so that, in practice, the process of growth depends primarily upon the government's "inducements" rather than autonomous private decisions".

That means, Hoselitz, among others, of course, is in favour of the so-called absolutely free market system. And to-day nowhere on earth such a pure system can be found. In a way, one can say that the economic development of the industrialized countries of the West happened according to market mechanism. But, this market mechanism was, with the exception of the very early capitalism, not an absolutely pure one. It was always mixed with state measures, such as tariffs, taxes, subsidies, etc.

The novel now is that in former times all these measures had been directed in a particular direction. Never has it been their aim to stimulate economic development as a whole. Nowadays, however, they are going to establish a system of economic instruments so as to influence the aggregate process of economic development comprehensively.

Therefore, they are changing their opinion concerning planning.

When they were talking about planning in former times, they talked about it as a matter of socialism, as a matter of authoritarian state and economies, as a system hampering and limiting the personal freedom of human beings, restricting private initiative and embarrassing in such a way pace and rate of economic development.

In the course of changing their opinion, now they are going to consider planning a neutral technique.

Paul Alpert³⁾, for instance, is saying:

"Planning in itself, however, is a neutral technique, which can serve whatever purpose is desired."

or he says:³⁾

"The nature and direction of planning in each country are thus determined by its political orientation".

In a way, we think, Alpert is right, but at the same time that cannot be the whole answer.

Planning cannot only be considered a neutral technique, it cannot only be determined by the political orientation of the country concerned, but it depends, and that is all the most important to be mentioned, on the social conditions given in the country.

According to our opinion, real planning can only be realized under the conditions of social property relations, and it has to be carried out in accordance with economic laws which are existing objectively, that means, outside of and independent from human being consciousness, but caused by social property relations

In other words, certain property relations are calling into play certain economic laws, and the special law of proportional and planned economic development is such a special law called forth by socialist property relations.

Perhaps, there is in a way the possibility to regulate capitalist economic development by means of "planning measures", but never should this kind of planning be compared with planning of socialist economies.

When speaking about planning, we always bear in mind an activity aiming at:

- "a) establishing targets (aims) of economic character with the intention to implement them by coordinated economic and social actions,
- b) establishing or choosing means, necessary for the fulfilment of established targets,
- c) adjustment of targets and means in order to maximize the implementation of targets at a given level of disposable means." 4)

Now, one could say, these criteria would be holding true for capitalist planning as well.

Prof. Watkin, for instance, defines the functions of the British National Economic Development Council saying that; 5)

"..... it has to frame reasonable objectives and calculate how these objectives may be fulfilled by intergrating the activities of industries, sectors, and economic interest groups so that the objectives may be achieved. In addition, these plans have to be monitored so as to discover when and where actual performance deviates from the fulfilment of the objectives and the responsible body has to undertake corrective action."

That is all but the same definition:

the one says - establishing of economic targets, the other says - to frame reasonable objectives, the one says, furthermore, - to implement these targets by coordinated economic and social actions,

the other says - these objectives may be fulfilled by
integrating the activities of industries,
sectors, and interest groups.

Well, also in case of capitalist planning targets of economic character- or reasonable objectives - are being set. But what about the the second point of identity, what about the integration of activities of industries, sectors, and economic interest groups Prof. Watkin is talking about ? What about - according to Prof. Fedorowicz - the coordinated economic and social actions to attain the targets set or to achieve the objectives ?

Coordinated economic and social actions of industries, sectors, and interest groups are presuming common interest of those interest groups or - in other words - of the whole society . Is, however, such a common interest existing in capitalist societies ? We do not think so! - look, at least, at one example. Workers are interested in high wages and low prices. The interest of undertakers, however, is diametrically opposed. They are interested in low wages and high prices. - What will be the result of this contradiction ? The workers will fight for high wages, and if they are strong enough they will fight up to the utmost. The utmost, that means strikes a.s.o. But strikes, that means hold - ups of production, and what about attaining the planned target ? Strikes cannot be planned, we think. But their happening must be taken for granted.

The same holds true concerning the secondly mentioned feature of planning. The choice of means concerns financial and physical means as well. Anyhow, this point is closely connected with the previously mentioned one.

Look, if I am not able to plan correctly the previous planning period, I cannot be able to plan a coming planning period more precisely, for the financial and physical means, to be used within the coming planning period, are the result of the previous period, and if, because of occurred hold - ups, the goals set and bound to be reached could not be reached, the fulfilment of all the coming plans is self-evidently put into questions.

Concerning the third point - adjustment of targets and means so as to maximize the implement of targets - the diametrical opposition of interests is so obvious that we should not lose any words about it.

Summarizing the differences between planning under socialist and capitalist conditions of production we should state, capitalist planning - especially national economic planning - is more or less a passive forecasting, accompanied with giving recommendations to producing and investing enterprises, and that it can lead - in case of consideration - to some improvements concerning the running off of the social reproduction process.

Socialist planning, on the other hand:

" ... does not include passive forecasting, deprived of any intention of the direct management of the economic life. Furthermore, planning cannot be considered a mere collection of different methods of establishing economic aims, of choosing means and of their mutual adjustment, (socialist - th. a.) planning is an organizational activity, too, establishing links between different economic units, coordinating their economic decisions and - subordinating their activity to the achievement of general national targets". 6)

Since planning must be looked upon as unity between

- planning,
- management, and
- organization,

the close interrelation between these three components has to be observed..

We have to think of the fact that every national economy is composed of different productive units, economic branches, a.s.o. The connection between all these single units, branches, a.s.o. is given in a twofold way:

- 1) there is an interlacing caused by economic relations, either in form of commodity- money relations or in form of pure money relations,
- 2) an interlacing is given by administrative measures, according to the organizational framework.

From this it appears that even socialist planning cannot be an equal system always and everywhere. The character of the system in question rather depends on the strictness of administrative organization .

Proceeding from this we have to distinguish between two marginal systems existing in their purest forms only theoretically.

These two systems are :

- 1) the perfectly centralized system and
- 2) the perfectly decentralized system of planning and managing national economy.

I. The perfectly centralized system of planning

In case of a perfectly centralized system of national economic planning it would be the business of central planning authority to run social reproduction process in all details. That is to say that in such a case all the single spheres of social reproduction, as there are production, distribution, circulation and consumption would entirely be planned by a central planning authority, i.e., by the State Planning Commission, the Ministry of Planning or whatsoever the institution may be called.

Perfect centralization of planning would mean that it is the task of centralized planning authorities:

I) to plan production in all details and with

- establishing production programmes for every productive unit; proceeding from
- detailed investigations of demands and markets,
- calculation of available capacities and their possible extension by means of technical progress (i.e., research and development of scientific and technological progress, introduction of newly developed technique, i.e., products and technologies, into production)
- calculation of disposable materials and manpower,
- fixing of products to be produced (with due regard to quantity and quality)
- determining technology and organization of production so as to implement production programmes

2) to plan distribution of goods and performances among production units and individual consumers as well. There, another question arises. Usually, distribution is carried out by means of monetary relations. Monetary relations within the sphere of distribution lead to monetary circulation within the sphere of circulation.

That is to say, in case of monetary relations within the sphere of distribution commodities are being moved (in the sphere of circulation) by means of money.

In case of fully centralized planning, however, all the available goods needed for production and consumption as well are being distributed by means of administrative measures; by planning authorities the single goods are allocated to the enterprises, organizations, and single consumers being in need of them.

Therefore, in a perfectly centralized planning there is no need for money at all.

For realizing all these tasks, mentioned above, there must be a comprehensive system of balance - sheets balancing not only national economic proportions in general, but balancing the whole demand for materials and goods with due regard to:

- quality and quantity of materials and goods;
- where do they come from ?
- where are they going to be used ?
- when will they be used ? etc.

That means, the centralized planning authority would be in need of balance - sheets for all the very single products and goods containing sources and uses as well; and that, specified up to the last consumer.

It is understood that such a way of planning can only be a theoretical one and impossible to be realized. Otherwise, most of the the people must be planners, and no one would be available for producing. But why then planning? Thus, we can say, perfectly centralized planning cancels planning at all.

2. The pure market system in planning and management

The diametrically opposed theoretical construction of a system of planning and management (opposed to the perfectly centralized system) would be the pure market system, or in other words, the perfectly decentralized system of planning. We have to make the last reservation, for, of course, there is planning. A really pure market system, a system without any planning is only imaginable under non-socialist relations of production. And, as I mentioned earlier, even under non-socialist conditions of production nowhere on earth such a really pure market system of national economy can be found nowadays.

When talking about the theoretically possible and perfectly decentralized system of planning we bear in mind a system of socialist planning socialist countries are tending to nowadays without reaching it ever.

Within a fully decentralized system of planning central planning authorities are using a minimum of planning indicators only; the very minimum, I may say. Within a fully decentralized system planning as such is the business of productive enterprises or, at the utmost, of the organizations of nationally - owned enterprises.

That is to say, within a perfectly decentralized system of planning all the producers and consumers as well would entirely be independent regarding their decisions, and they would only be listening to the law of demands and supply, and with this to the law of value.

Proceeding from that the field of finance would be the most important one and planning of finance would replace physical planning; at least with regard to central planning authorities .

In brief, such a system could be characterized as follows:

- actual planning would be the business of productive enterprises and would be carried out according to demand and supply only;
- accordingly, value categories would be the only determining ones;
- from this, again, it appears that full appraisal must be given concerning all economic functions of money (net return, credit, interest and price) and concerning market mechanism as well;
- proceeding from that, enterprises would be highly interested in increasing benefits (or net returns) by means of maximum utilization of their productive capacities; that maximization, however, can be a two - edged sword, why that? -enterprises will try to attain maximum utilization of available capacities by choosing production programmes most advantageous from the point of view of cost and price, technology, a.s.o. and not from the point of view of long - term national economic development;
- thus, the proportional economic development depends more on the law of probability than on real planning;

- national economic planning as comprehensive planning would be more a planning following at a trot, for it would almost be nothing more than a certain kind of summarizing individual plans of enterprises;
- within a system of perfectly decentralized planning the functions of superordinated organs (as organizations, financial institutions, and central authorities) would mainly be represented by a special kind of following - up carried out by means of financial categories (as, for instance, prices, credits and interests, net profits, a.s.o) ?)

Summarizing one could say, within a system of fully decentralized planning it would be the task of a central planning authority to observe economic development by means of economic levers only.

3. The practically used system of planning and management in European socialist countries

In socialist practice neither the perfectly centralized system of planning and management of national economy nor the system of full decentralization is being used. None of these two theoretical constructions can fully be realized, but all the socialist national economies have to move in between these two theoretically existing limits.

In former times, and especially in the early stage of socialist development, all the socialist national economies were tending more to the system of perfectly centralized planning, without, however, reaching this marginal point at any moment of time.

Nowadays, there can be observed a tendency going the other way round; i.e., socialist economies of today are more or less and more and more respectively tending to the so-called market system ; without setting the aim - and that should be stressed, since western economists are talking about changings of socialist economies into capitalist methods of management - ever to reach this extreme point.

But even in socialist countries there are different meanings concerning the degree of centralization or decentralization of planning and managing national economy .

K. Stregl, a Czech Professor; for instance is saying ⁸⁾ that

" An important feature of this new system is the marked strengthening of the economic tools and a suppression of directive administrative tools and levers of management. Inseparably linked with this is the full appraisal of all economic functions of money (not return, credits, interest, etc). and the market mechanism (the pressure of supply and and demand) for a truly healthy development of the socialist economy. "

(punctuation by the authors.)

We would like to draw your attention to the last (and underlined) statement of Prof. Stregl, to the full appraisal of all economic functions of money, and to the pressure of supply and demand. Following this statement we have to come to the conclusion that also under socialist conditions of production the law of supply and demand is the leading law and that, connected with this fact, the law of value is still playing a primary and primarily regulating role - And this is, in our view and under the planned conditions of socialist production, completely impossible.

Prof. Fedorowicz, for instance, points out 9)

" The weak point of this system (the system of fully decentralized planning, what would be equal to full appraisal of all economic functions of money and market mechanism; - the others.) is ... the lack of connection between central plan and independently established plans of separate enterprises. This lack of connection between central plans and enterprises plans (and, furthermore, between central plans and real economic activities in the whole national economy) is a consequence of errors, made in general suppositions, on which the market system of planning and management is based." And he continues: "The first - and, perhaps the most important mistake, - is the assumption that the maximization of enterprises benefit entails the maximization of production. The pattern of a socialist economy is not that of the perfect competition, in most sectors it is much nearer to the pattern of the monopolistic or, at least, oligopolistic market."

And, therefore, in our memorandum 10) we come to the conclusion

" that the new economic system of planning and managing national economy is not aimed at undermining or even abolishing centralized planning affecting society as a whole. On the contrary, "we stress, "the point in question is to improve substantially the effectiveness of centralized planning, mainly by improving prospective planning and increasing its significance."

In our opinion, when applying the new economic system of planning and management, marked by a greater scope of market principles, we are going to secure economic advance of socialism by scientifically - based leadership at all managerial levels and with the application of material incentives in the framework of a comprehensive system of economic levers . - That is the greatest difference between the new economic system, applied at present in most of the socialist countries, and the so-called pure market system existing as a merely theoretical construction which is and can neverwhere fully be materialized.

Concerning the full appraisal of all economic functions of money or value categories in general - mentioned by Prof. Stregl - the following should be said.

In the framework of the now and practically used system of planning socialist countries are going to widen the sphere or scope of value relations. This is an inevitable precondition for enlarging the effectivity of socialist production .

When widening the sphere of value relations a greater scope is given to the law of value , that is understood . But, that does not mean , that full appraisal is given to all economic functions of money and, by this, to the law of value as well .

Plan and law of value are by no means contradictions. Quite the contrary ; by practice it has been shown that national economic plans basing only on administrative methods, neglecting, however, the law of value and value categories, in general, did not strengthen the system of planning and its effectiveness, but weaken it . Caused by those administrative methods and conditioned by a certain rigidity of planning - resulting from neglecting

the law of value - often supplementary plans had been necessary in the course of one plan year making difficult the adjustment and coordination of plans. - The economic stimulus had been missing for making the regulations go smooth.

The new system, one could say, is a sound mixture of administrative methods and economic laws taking into consideration the actual economic requirements and the prospective ones as well.

" It is at stake", writes the weekly DIE WIRTSCHAFT, ^{II)}
" to shape by means of reorganizing planning and management of national economy better preconditions for utilizing the advantages of planful organization of production along with a most perfect consideration and utilization of the economic laws of socialism so as to reach a higher efficiency of social production."

That is what we wanted to express ^{I2)} when writing that the now applied system of planning and managing national economy in European socialist countries is consisting in :

1. improving scientifically - based managerial activities;
2. improving scientifically - based and centralized public planning;
3. and in applying a comprehensive system of material incentives in form of economic levers. ^{I3)}

This range is, by no means, chosen arbitrarily. The main importance is, in any case, carried by the first two points, although all the three points or features of the system of national economic planning and management must be looked upon as a dialectically connected unit.

What does that mean, scientifically - based managerial activity, scientifically - based planning, and application of a comprehensive system of economic levers ?

In the before mentioned paragraphs we spoke about the two possible and extreme systems of planning and management mentioning that the feature of the one would exist in a merely administrative handling of drafting and executing plans. In this case, "administrative" and scientifically based" are contradictions - why that ? By plans the economic reality must be reflected, and, especially, the requirements of economic laws must be satisfied. Economic reality is a lively one changing not only now and then, but steadily. Administratively drafted plans, however, and, especially, an administratively carried out execution is characterized by a certain rigidity. Thus, practical changings can be considered either not at all or even late and incompletely and causing, in such a way, weak coordinations between production programmes and material provision or between demand and supply in general.

Administrative handling was expressed by a lot of indicators used so as to give tasks from the central planning authority directly down to the production unit (by means, of course, of subordinated planning authorities). By these indicators rigidity and strangeness towards life was caused. Therefore, in the actually used system of planning and managing socialist economy they dispense with administrative indicators, at least, they are going to reduce their number so as to improve and, especially, to widen the effectiveness of economic categories. That does not mean, of course, to plan without using indicators at all. Planning without indicators is completely impossible, that understood, I think.

But, and that is the point in question, while reducing the number, the quality of still used indicators must be raised .

Thus, all over the socialist world a trend towards two main indicators can be observed :

- 1) commodity or market production
(to control the quantitative side of production and the observance of material or physical proportions);
- 2) profit
(to control the qualitative side of production, development of labour productivity, cost of production, etc.)

It goes without saying that the number of indicators must be a different one regarding the different levels of management. It depends on the number and quality of available or effective economic levers . One can say, the number of indicators used is all the higher the less the number and the quality of effecting economic levers.

That is to say, the number of used indicators must be a larger one within enterprises (between productive units and managerial controlling departments of enterprises) and between enterprises and leading organs directly superordinated to them (organizations or associations of enterprises), for there are all but no (within enterprises) or only few (between enterprises and associations or organizations) monetary relations capable to serve as economic levers.

Summarizing, we can say :

the actually used system of planning and managing socialist national economy is either a fully centralized nor a perfectly decentralized one . It is, however, a sound mixture of both of them employing

principles of central planning as far as necessary so as to ensure proportional development of national economies from the national and international point of view as well, and using marketing principles (or marketing measures) as far as possible so as to make full use of the economic laws and for making enterprises fully responsible for production and circulation.

4. Some ideas concerning planning systems in developing countries

National economic planning in developing countries started in the early 1950. The first country where planning could be termed as such has been India. Later on and step by step all the other developing countries have made up their mind to go the way of planning. Nowadays, all over the "developing world" systems of national economic planning are existing or, at least, they are going to be established.

But, when looking at the single systems, commonly three fundamental mistakes can be observed. Virtually, it was (partially has been) one fault consisting in the lack of comprehensive planning, what appeared (and partly appears) in the three mentioned mistakes which could be characterized as follows:

- I) usually, there is no system of really comprehensive planning; what does that mean? - when speaking about comprehensive planning we bear in mind a system of national economic planning comprising all the single spheres of social reproduction, starting with production (all kinds of production, of course) and continuing with planning of distribution, circulation, and consumption;

- 2) usually, again, there is no uniform system of planning comprising all the separate stages or levels of national economic planning; that is to say, in case of real economic planning (national economic planning) there must be a "through - passing" system of planning from top to bottom and the other way round as well;
- 3) the row of mistakes is being completed by the fact that most of the early plans considered planning a matter of industrialization, whereas agriculture was (or has been) neglected.

What must be resulting from these mistakes ? -- The process of economic development must be and has, therefore, to be looked upon as a homogeneous one. No country and no planning authority is able to give arbitrarily and with impunity bias in favour of developing industry without taking into consideration those natural conditions which are given within the country concerned and by which the supply of industry with rawmaterials, for instance, highly is influenced .

This fact was only imperfectly understood in most of the development plans. Thus,

"..., bold production goals were often set which were little more than official targets and which took little account of the means necessary for their attainment and of the obstacles which stood in way of their realization . Projects were often of a prestige character and unrelated to policy objectives ." ¹⁴⁾

The three "mistakes" , mentioned above, and their outcomes are by no means coming into being accidentally. It depends mainly on the

political and economic conditions given within a country . As we expressed earlier, planning cannot only be considered a neutral technique . Planning is a social problem and depending, therefore, on social conditions, i.e., on socio-economic conditions, in general, and on property relations, in particular .

Because of this, planning in developing countries cannot be equalized with planning in European socialist countries . Even when taking for granted certain similarities regarding property relations - public sectors usually are determining also in developing countries - the socio-economic conditions given in European socialist countries and in developing countries must be considered very different ones . Therefore, the system of planning applied in socialist countries of Europe must differ from those used in developing countries.

Even, when looking at developing countries themselves, differences caused by different socio-economic conditions and ruling property relations must be stated .

Of course, there are always some analogies of applied systems of planning; but mostly - at least, for the time being - the differences are bigger than the similarities .

This fact, however, is by no means caused by objectively given differences existing in socio-economic fields . This is more or less subjectively conditioned.

It is a feature of developing countries that the public sector is a relatively strong one and that it is going to be developed more rapid than the private sector. This fact lies with several reasons. In some

cases it may be caused ideologically. Those governments, supporting public industrial development, are proceeding from the fact that private industrial development will bear in itself the danger of foreign influence imperilling economic and political independence as well, and they are proceeding, furthermore, from the intention to make real economic planning possible. The most progressive ones amongst them have already made up their mind, partly from the very beginning, to build up socialism (Cuba, Ghana, the UAR, a.m.o, for instance)

A big part of developing countries, however, is faced with the situation that private investors are either unable or unwilling to shoulder the responsible task of shaping the fundamental basic industry which is, on the one hand, the real foundation for every national economy, on the other, however, marked by the fact that it needs high investment means, and that the returns usually are lower and, therefore, slower flowing than those of light industry .

" Once the desirability of economic development is postulated, therefore, the governments find themselves in the grip of certain ineluctable necessities in response to which they are compelled to extend the fields of public enterprises, whatever their views about its theoretical desirability may be ." 15)

Anyhow, whatever the real reason may be, in developing countries there is - or is going to be - a strong public sector forming one of the main preconditions for planning ; and thus, also the objective conditions for establishing planning systems are - in developing countries - all but the same .

But in spite of this general coincidence, the socio-economic conditions given in separate developing countries are different ones and, therefore, the applied systems of planning - congruent from the general point of view - have to be different ones, too. -How that ?

Socio - economic conditions could be defined as the unity and totality of property relations and human relations existing within one society. There is, in our opinion, a close correlation between these two components. The character of property relations is highly determining the human relations, whilst, in turn, the character of property relations, its level of mature, is highly being influenced by human relations in the widest sense of the word.

Now, we started earlier that in almost all the developing countries there is a strong public sector yet (or it is going to be). But property relations are not only being embodied by the public sector. In every country there are existing several forms of property side by side and at the same moment of time, even in European socialist countries uniform property relations are not existing either .

Commonly, one can observe (concerning developing countries and socialist countries as well) the following forms of property:

- 1) the public sector
- 2) the sector of co-operatives
- 3) the sector of small-scale producers (handicrafts, small farmers or peasants),
- 4) the capitalist sector .

The weight (or the importance) of the single sectors is different in separate countries. Regarding socialist countries, of course, the first two are being predominant. Regarding developing countries, however, the picture is quite another one. The question, whether the one or the other is prevailing in developing countries, cannot undividedly be answered. But for establishing planning systems the structure of property relations is of highest importance; especially, the contents of that structure, less the outer form being more or less equal, or at least, similar.

Generally, one can state, the more weight is given to the public sector, the more centralized the planning system can be. I would like to stress - can be. For it is a matter of fact that a strong (a very strong) public sector is forming, on the one hand, the main precondition for centralizing planning, on the other hand, however, and depending on the reached degree or level of maturity of this public sector (from a very comprehensive point of view) it makes possible a sound decentralization as it can be observed in European socialist countries at present.

What we wanted to say is that there are close correlations between the contents of the property structure and the applied or possible system of planning, and that we find one reason for different planning systems in planned economies just in this fact.

But, and according to our definition, socio-economic conditions do not end in property structure or property relations as such. There are included human relations, too.

That is to say, existing property structure and property relations have to be looked upon as basis for existing and developing human relations.

But the fields of human relations must be contemplated as a very wide one. With due regard to our problems to human relations there are belonging:

- 1) the attitude of labourers towards work,
- 2) the skillness of workers and the common level of education
- 3) the qualification of managerial personel, their practical experiences in planning, and
- 4) the relationship between workers and those between management and workers.

There is a certain gradation in this row of factors. Thus, point 4 should be considered a certain summing-up being - more or less - the reflection of the three facts mentioned before.

Seeing the great importance of that problem the UAR's Premier Mr. Zakaria Mohedien paid peculiar attention to it in his speech opening the production conference in October. Starting with the statement that the relationship between workers and management is based on common interests and that after realizing people's control over the means of production and after restoring production profits to their legitimate owners, the principal reasons leading to paradoxes were removed, Mr. Mohedien points out that: 16)

" These common interests make both workers and management act together to realize the objectives of production. The continual political enlightenment of management and workers is one of the main factors in developing this relationship. And it is very important to create humanitarian ties between management and workers."

Mr. Mohedien is entirely right when stating that this possibility is resulting from realizing people's control upon means of production. But one should not forget that by transforming property relations only the first and - without any doubt - most important step has been done so as to shape new human relations and to change workers attitude towards work.

As certainly known, there are some differences in developing basis and superstructure. ¹⁷⁾ It is quite clear that the so-called superstructure is determined by the basis and that every change of basis leads to changes of superstructure, radical changes in the field of law, politics, moral, and ideology. No doubt, the developing superstructure is influencing the basis, too. That means there are substantial correlations between basis and superstructure. But the fact is that basis is developing more quickly than superstructure.

Ideas of workers, their attitude towards work, depend mainly on their knowledge. And, of course, political enlightenment mentioned by Prime Minister Mohedien in his opening address, is really a good thing, but it cannot be the whole answer.

Workers must be made able for taking - over co-determination in and responsibility for production. That cannot only be reached by means of political enlightenment. The whole strength must be directed to fastening superstructure as a whole. That cannot be done overnight; there is no question.

But - so as to return to our startingpoint - the different degree of mature of superstructure in connection with the reached level of economic development (development of the basis) in separate developing countries has to be taken into consideration when discussing suitable systems of planning.

Let us, therefore, repeatedly mention once more; the specific system of planning, actually applied in developing countries depends on:

- 1) the reached level of industrialization,
- 2) the existing property structure,
- 3) the extent to which their economies are controlled by their governments, and
- 4) on that what we should like to sum up as human relations in economy; or, expressed in another way, on the place human values have attained in economic and social development.

Taking into account the influence of all these factors on planning and considering, furthermore, the differences existing in separate countries and concerning the single factors it is somewhat difficult to make generalizations which apply to all of them. Even, it is rather impossible to recommend a general system materializable by all of them. - This should not be our task either.

When looking at developing countries one can observe that all of them are using at least a certain kind of planning. Usually, their governments initiate, finance, and carry out large-scale development of agriculture (irrigation system, for instance) and industry (steel mills, oil refineries, chemical industry, in here especially fertilizer industry, because of making their agriculture more profitable).

That means, they are planning. And that in spite of the statements of western economists, saying that planning in developing countries means "depressing still further standards of living which are already low." 18)

But they cannot help saying that :

" complete state control enables a government to enforce a high level of saving and investment." 18)

And turning to China the just even now quoted Mr. Benham writes that she

" ... is by far the most important of those communist countries which are still underdeveloped .
She has attracted much attention by her rapid progress towards industrialization and by her expansion of output, especially, in heavy industry, during recent years there is no doubt that substantial economic progress has been achieved." 19)

Please, remember Benham's statement, mentioned a just before, that planning in poor countries will lead to depressing still further standards of living. China is such a poor but planning country . And Benham is forced to recognize "substantial economic progress."

Economic progress - what for ? if not for the sake of increasing standards of living ? Benham feels his own contradiction and because he is unable to explain really the reasons for economic progress, he writes:

"chinese ... seem to be more hard working and more able to learn and to practise improved methods than the people of most underdeveloped countries." 20)

A really convincing explanation, I think, not worth while being discussed. Chinese are "diligent and intelligent " , Arabs and Africans and all the other Asians are more or less "lazy and dull".

But let us return to a more serious mode of consideration.

There is no doubt, for ensuring a rapid, homogeneous, and comprehensive economic development developing countries are forced to plan. This has, as a matter of fact, been recognized by all the leading economists, no matter whether from the East or from the West.

But what should be said about the applied systems of planning. At the beginning of this paragraph I stated three remarkable deficiencies:

- 1) no real comprehensive planning,
- 2) no "through - passing" planning from top to bottom,
- 3) one-sidedly directed planning

Taking into account all the substantial differences existing in separate developing countries, and there in the socio-economic field, one should come to the following rough generalizations:

- 1) systems of planning of developing countries have to move in between the two theoretically existing limits of possible planning (perfectly centralized and fully decentralized planning) without attaining the one or the other marginal point;
- 2) the degree of centralization or decentralization respectively depends upon a row of factors the most important of which are represented by:
 - the role of the public sector,
 - the attained level of industrialization and the reached level of economic development in general,

- the reached level of social development and the attained educational level in particular, including skillness of workers etc;
- the qualitative and quantitative situation among managerial personnel;

By these mentioned facts the degree of decentralization or centralization is determined, since decentralization or centralization in planning ~~must~~ be compensated by an according use of economic levers (material incentives), the number of centrally used indicators (expressing the degree of centralization) is reciprocally proportional to the number of needed levers or incentives;

- 3) the used of system of planning has to be a really comprehensive one comprising all the separate spheres of social reproduction connected by close correlations; one cannot plan, for instance, prospectively the industrial development of a country without planning simultaneously all the necessary preconditions (physical planning, financial and manpower planning, planning of home and foreign trade, etc, and the outcomes as well (social outcomes, as, for instance, medical outcomes etc.)
- 4) the applied system of planning has to be an uniform and "through-passing" one; it is not advisable to maintain the "two levels of planning" used in most developing countries at present, and confined in such a strong way as "system of national economic planning" and "system of enterprise planning"; there is no real national economic planning without comprising enterprise planning and vice

versa; it cannot be the only business of state planning authorities to shoulder the responsibility of macro-economic development and to let micro-economic questions be settled by enterprises themselves; central economic planning and enterprise planning are forming the two ingredients of one and the same thing - of national economic planning, the obvious connection between both the parts, expressed by indicators passing the thought bounds, depends on the degree of centralization or decentralization which, again, is influenced by the general level of socio-economic development (look at point 2 of this summing - up);

- 5) the applied system of planning has to comprise annual and prospective planning as well; goals are to set by prospective planning, by means of annual planning the attainment of goals set shall be ensured; within prospective plans the development of all national economic branches and spheres of social reproduction shall be adjusted; beside of prospective plans, comprising the concerned national economy as a whole, such of separate branches and districts have to be established; the latter have to proceed from the position of separate branches and regions within national economy, from the tasks resulting from that, and, finally, from the possibilities and necessities of their technical development; prospective plans are expected to make evident and good the economic development of branches from the point of view of production, technology, and capacity; the decisive factor concerning prospective plans of economic regions has to be represented by the harmonious development between the separate economic and industrial branches and all the other social spheres of the region in question; prospective planning might not be a rigid system of strongly limited 5 -, 7 -, 10- Year plans (or whatsoever the space of time would be), prospective planning

should be a continuous one , i.e., prospective planning should always be happening in advance and prospective plans should always be valid for the same space of time (not, for instance, from 1961 to 1965 and from 1966 to 1970, but from 1966 to 1970, from 1967 to 1971, from 1968 to 1972, etc, i.e., prospective plans should be elaborated at every moment of time and always for a constant space of time). 21)

Footnotes

- 1) E.E. Watkin, English Planning Policy, Memo No, 526 p.1.
- 2) B. F. Hoselitz, "Patterns of Economic Growth", Canadian Journal of Economics and Political Science, November 1955.
- 3) P. Alpert, "Economic Development", the Free Press of Glencoe Collier - Macmillan Ltd, London, 1963 p. 71.
- 4) Z. Federowicz, The System of Planning in a Socialist Economy, Memo No, 505, p. I.
- 5) E.E. Watkin, ib., page 2.
- 6) Z. Federowicz, ib. page I.
- 7) Some examples of how to use financial measures and categories in case of fully decentralized planning:
 - a) pricing policy; prices must be fixed in accordance with demand and supply, on the one hand; if, for instance, demands for certain goods are surpassing supply prices must be raised, and vice versa, if supply is surpassing demand; on the other hand, however, pricing policy could be used so as to reduce consumption of alcoholics, or so as to stimulate purchase of educating books; the same effects could be attained by means of
 - b) taxation policy; but both the measures and effects are not identical; in case of pricing policy producers and consumers are affected as well; in case of taxation policy consumers are being affected only; this so, because taxation policy can be used in a two -fold way:
 - 1) taxation policy can closely be connected to pricing policy (in case of consumption tax which appears as an ingredient of price and which, in this way, is able to reduce demands for special and concerned goods-educational effects, for instance)
 - 2) taxation policy as direct taxation (for instance, income tax, property tax, land tax, etc) By this kind of taxation a reduction of purchasing fund is expected in general;

- c) policy of subsidies; a certain kind of budgetary policy; so as to promote production of goods which there is a big need for (vitally necessary goods, for instance, the prime cost of which, however, are too high for getting an acceptable consumer price) or so as to reach a certain structure of national economy in future (financing of long - term launching cost, subsidies for financing research work, etc)
- d) crediting policy closely connected with policy of interest (generous granting of credits - connected with low rates of interest - in case of promoting production and economic development of certain enterprises or branches -; restrictive granting of credits - connected with high rates of interest - in case of embarrassing production and economic development of certain enterprises and branches.
- 8) K; Stregl, The New Progressive Changes in Planned Management of the National Economic Experimented in the Present Time in Czechoslovakia,; Memo No, 553, p. I.
- 9) Z. Fedorowicz, Memo No-505 p. 9/10.
- 10) K; Sack / H. Linsel, Basic Principles of the New Economic System Memo No - 495, p.6.
- 11) Die WIRTSCHAFT, No - 42, 1965, P. 23.
- 12) K. Sack / H. Linsel, Basic ... Memo N - 495, p. 6.
- 13) More detailed explanations you will find in the mentioned Memo N - 495 pp. 6.
- 14) Rich Rewards of Planning, The Egyptian Gazette, October, 28, 1965, p.4.
- 15) A.H. Hanson, Public Enterprise, International Institute of Administrative Science, Brussels, 1954, p. 401.
- 16) Z. Mohedien, Opening Address to the Production Conference, The Egyptian Gazette, October, 18, 1965, p. 4.
- 17) In our opinion, by the economic structure of a society the basis is formed on which there arise many kinds of social relations, ideas, and institutions. The ideas of society, the institutions, and organizations which arise on a given basis are forming the superstructure of society.

The theory of basis and superstructure explains how in the final analysis the mode of production determines all aspects of social life and reveals the link between the socio-economic relations and all the other relations of a given society. Every society known to history has its own and specific basis and corresponding superstructure as well .

- 18) F. Benham, Economic Aid to Underdeveloped Countries, Oxford, 1961, p. II.
- 19) ib. p. 10.
- 20) ib. P. 13.
- 21) C.F., Recommendations of the Production Conference, held in Cairo in October 1965.

In the Egyptian Gazette, October, 20, 1965, there is written:

" - The conference recommends the adoption of the principle of the dynamic planning for the second Five - Year Plan. This system is to reconsider the Five - Year - Plan at the end of every year and to add a new year to it, so that there will always be a Five - Year - Plan . This will give the plan realistic application at the end of every year."