

# ARAB REPUBLIC OF EGYPT

## THE INSTITUTE OF NATIONAL PLANNING



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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<sup>I)</sup>

".... 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 Alpert<sup>3)</sup>, for instance, is saying:

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

or he says:<sup>3)</sup>

" 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;