

# CEPAL

## Review

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# C E P A L

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# Planning for a fresh social and economic dynamic

## *Latin American and Caribbean Institute for Economic and Social Planning*

In its simplest expression, this document is based on three premises. The first of these is that planning is capable of playing a major role in consolidating the State, considered as the political manifestation of each Nation. The second is that this role may be shared out within the organizational or administrative structure of each State, and that it is desirable for it to be organized by a high-ranking institutional body, which, for the purposes of this document, will be generically termed the NPB or National Planning Body.<sup>1</sup> The third premise is that the role played by ILPES in the near future—as at one and the same time a multilateral agency of the United Nations system and an intergovernmental agency—will have as its overall framework the priorities identified in the region in respect of the issues covered by the first two premises.

On the basis of the foregoing, it is desirable to begin by contrasting two groups of roles: on the one hand, that of planning as a process for rationalizing the decisions which affect the development of each society as a whole, together with that of the governmental administrative body mainly responsible for ensuring the society's advancement (i.e., the NPB); and on the other, the role which the member governments may assign to the Institute, as their principal multilateral agency specializing in the planning and co-ordination of government policies.

### I

#### **"Planning" versus "letting the future look after itself"?**

The first premise implicitly recognizes that the actual course followed by each society is the result of a complex set of stimuli—many of which are domestic, others external; some "rational", others not—which spring from a variegated network of social agents. Planning assumes a leading role if the State, on behalf of society as a whole, endeavours to favour one or another of the countless number of possible paths: in other words, if the State wishes—on the basis of different criteria of rationality—to influence the final outcome of the interplay between the countless forces within each society which sometimes oppose or cancel each other out, or on other occasions reinforce one another.

The "net impact" of government activity on concrete social change can only be fully grasped if it is examined within this heterogenous and shifting play of forces. In this respect, planning—from the government angle—means exercising some form of control over this "net impact". Although the system of prices represents a decisive underlying factor of this play of forces in market economies, for the line of reasoning adopted in this document, "planning" does not represent the opposite of the "market". For the present purpose, planning rather represents the antithesis of negligence with regard to the future: if a national society is totally unconcerned as to its destiny, then it might as well simply forget about planning.

However, this overall "net impact" of government activity cannot be left as the responsibility of only one, or even several, of its institutional bodies. Consequently, "planning"—in the broad sense adopted above—would not be the exclusive concern of a single agency. A clear corollary of this is that

<sup>1</sup>This is the role traditionally followed in the Institute's official documents: NPB designates the top-level governmental agency principally responsible for planning, or for co-ordinating government economic and social policies, regardless of its official name (ministry, council, secretariat, office, etc.).

a new approach to planning involves rethinking the NPB and, above all, redefining its interrelations with the remaining social bodies, be they within or outside the governmental apparatus. In the region, it has been observed that planning also takes place outside the NPB, while the NPB occasionally undertakes activities which do not constitute planning in the strict sense.<sup>2</sup> If the broadest concept of planning is adopted (first paragraph; first premise), there are at least three major arguments to sustain the conviction that it is capable of playing a leading role in a modern State:

- One: each national society is entitled to be aware—in terms of its major characteristics— of the most likely future scenarios in which it may be called upon to live. Providing this information is a public function, both because the government is the highest representative of the public, and because governmental activity may change the set of probabilities, within the spectrum of possible scenarios.
- Two: there is a certain minimum amount of "necessary linkage" required within each country, in respect of the total sum of public decisions. Meeting everyday challenges tends to blur the exercise of government, depriving it of the keenness or peace of mind necessary to set the decisions it takes today within a medium- to long-term perspective. The continuity of a planning effort—with due regard to the particularities of each national case— may prove to be an adequate means of improving this decision-making process, directing it towards the main objectives of development.
- Three: neither the framework of the possible future scenarios nor the decision-making criteria are unchanging, however, so that in neither case are the responses given by a government to its society guaranteed automatic and unchallenged legitimacy. Consequently, a third argument overlaps the previous two: concertation among the social agents is an ongoing requirement in the design and implementation of public policies, for legitimizing them and ensuring greater stability for the exercise of government. A sustained process of planning may provide significant technical support to ensure the fluidity and efficacy of this irreplaceable social dialogue.

At the same time, returning to the second premise (see paragraph 1), there are sound reasons for arguing that, within the government, a specific body—be it of collegiate nature or not— must further the co-ordination of planning activities. This is vital because, as pointed out above, planning activities are generally shared with several other entities. In the same line of argument as above, this entity—wherein, in short, the NPB would be located— would have at least three responsibilities:

- Firstly, to specialize in helping to reduce uncertainty in respect of the future. This implies making a judicious use of the available theoretical bases for interpreting the present course of economic and social development; selectively identifying "axes" which it seems reasonable to follow for future development (since the uncertainty is not uniformly distributed); drawing up more complete hypothetical settings on the basis of these "axes"; formulating alternative strategies; and making innovations in respect of the relevant instruments with a view to bringing about an economic and social movement towards the preferred scenarios.
- Secondly, to go along with conjunctural fluctuations and to provide coherence for short-term policies as a whole and assess their cumulative impact, thus helping to improve government decision-making. Undoubtedly, the interdependence between the national and the external contexts means carrying out certain analogous tasks relating to the international setting.
- Thirdly, to provide a technical basis for social negotiations linked to the conception and implementation of development policies. This task would naturally be of a dual nature: on the one hand, it involves facilitating the search for compatibility between the government and the manifold social organizations surrounding it; on the other, it must aim to provide more specific bases to allow those sectors of the population which are unorganized or only slightly organized to exert more influence over the formulation of public policies.

<sup>2</sup> It is desirable to distinguish between "planning" (paragraphs 1 and 2 of this chapter) and the "product" of the overall activity of the NPB. Thus, ILPES considers that those governments which do not possess a clearly identified and institutionalized planning agency may also benefit from its experience in the field of planning. It is possible to consider the support which ILPES may provide to its member countries as having two facets: that of support to the government as a whole, when the broadest concept of planning is adopted, and that of support to the NPB in the case of co-operation to increase its internal level of productivity.

In order to meet these responsibilities, it would be necessary for the NPB to be consolidated as a stable and constantly up-dated "centre of excellence" within the nation's public administration. This is the background against which the new role of *ILPES* after 1987 must be set, precisely now that it has completed 25 years of experience in serving Latin America and the Caribbean. In the same line of argument, the Institute is capable of helping Latin America and the Caribbean to:

- Rethink its view of the future
- Improve the immediate decision-making process, and
- Expand social consensus on development policies.

## II

### The need for new perceptions

A new economic and social dynamic is already under way, particularly in the vital nerve centres of the international system. Only an excess of technical virtuosity which brings about a specious reduction in the real complexity of the development process —approaching it by means of a simplistic choreography made up of a very limited number of macroeconomic or macrofinancial financial indicators— can give grounds for insisting in the region that "its fundamental problems remain the same". The Institute has constantly avoided taking part in the showy juggling of comparative statics, which leads to the drawing of parallels between the present crisis and one or more previous crises. If attempting to correct specific indicators —which are in themselves similar to those of previous negative cycles— now requires different solutions from those then adopted, it is because the problems have changed. From this angle, each major economic problem will only be easier to handle when it has been appreciated, together with its main linkages, within the framework of this fresh dynamic; this is particularly so in respect of attaining a better insertion of Latin America and the Caribbean within the world economy.

As far as planning is concerned, these concepts demand major changes of perception, methodology and design of instruments. The great challenge facing planning has already changed: between the 1950s and 1970s, it could perhaps be summed up as helping the region to speed up its growth in order to approach the patterns of living of the developed world; nowadays, in a new phase of accelerated change in History, the challenge is rather to sound out the nucleus of the economic dynamics of the immediate future and help the region to live through it, without falling into a new situation of still greater relative backwardness and increased dependence.

The responsibilities to which consideration has been given in respect of the planning activities of governments, of NPBs and of *ILPES* may be condensed as follows: forecasting and strategy, improvement of decision-making, and social co-ordination. This trilogy is a mere outline of a far broader and more complex range of tasks; however, it will remain valid for the following remarks, which stress the vital need for a change of perceptions and procedures in order to attain a fresh form of planning.

It is essential to adopt a far more discriminating perception of "time". In respect of problems of forecasting and strategy, it is necessary to distinguish "how far" the heritage of the past will condition phenomena in the years to come and "how much" differentiation they will undergo as a consequence of the structural changes in the development process, either at the present time or in the future. In order to improve decision-making it is essential to acknowledge that there has been a certain breakdown in the conventional frontiers between the short, medium and long terms; in many conjunctural phenomena it is possible to observe cumulative effects in respect of which such a separation may prove artificial and inappropriate. As far as the issue of concertation is concerned—in addition to the differences of pace between technical and economic development and social and

political development— it is necessary to grasp that the manifold social agents possess their own different perceptions of time.

Understanding that projections of the past are of diminishing significance in determining the future' implies distinguishing —within the sum of scientific and technological knowledge— between that part which is the result of a slowly deposited build-up, and that part which is made up of sudden innovations. As the links between this body of knowledge and the world's productive apparatus tighten, innovations more rapidly make the leap from the test bench of science to the wheels of technology. Consequently, the flood of new products and processes has already submerged many opportunities for development which were available to the region until very recently. A new approach to planning, directed towards the long term, would need to direct its attention to increasing the amount of development (growth), but above all to improving its quality (progress), in order to prepare the region for the new millennium.

Similarly, we must be wary of confusing any spurious modernization with real progress. In other words, the meagre resources available for making changes in the regional productive apparatus should be devoted to structural rather than cosmetic ends. A long-term orientation of the allocation of these resources requires a new rationale for planning. In a few cases, this rationale emerges exclusively, or almost exclusively, from the government; but in the vast majority, it will involve liberating the country's entrepreneurial potential. Improved access to technological development, increased resources for remodelling the productive apparatus and higher levels of productivity will undoubtedly constitute three major objectives in both rationalization efforts: that undertaken by the government and that indicated by the market.

In no case, however, will the market suffice on its own to share out technological progress among the different productive branches so as to ensure: i) the achievement of a satisfactory level of employment; ii) sufficiently high and homogenous levels of labour productivity in each branch; and iii) a consequent tendency for the incomes of the population employed in each branch to move towards an equitable distribution. The above-mentioned rationale of resource allocation would need to be complemented with a judicious "management" of structural heterogeneity. On account of the productivity differentials observed between the region and the most developed countries and even within the region itself, this further challenge facing planning possesses features which are extremely different from those of recent decades.<sup>4</sup>

This issue goes to the very heart of the societal problem: technological backwardness and heterogeneity produce a plethora of marginal and excluded individuals; critical poverty programmes provide only sparing attention to their needs. Moreover, it is impossible to sustain conventional social welfare policies in the framework of the financial austerity which will remain in force in the region. Social development depends much less upon a government's philanthropic orientation than on the introduction, throughout the productive apparatus, of nuclei of innovation in tune with the pace of technological progress set by the central countries. Only a genuine entrepreneurial force (both private and public) is capable of leading the way in the changes needed to modernize the region's productive apparatus; only a true statesman, with his long-term vision, is capable of distinguishing the risks involved in technological dependence and reducing them by a development policy legitimized by society. A new approach to planning must take the association of these two elements —the nation's entrepreneurs and its government— as a subtle challenge to its task of social concertation which in this case can only be programmed within an intertemporal horizon.

Moreover, the phenomena of technological innovation and technology transfer must be viewed from a dual angle: the formation of productive capital and the training of labour.<sup>5</sup> From the first

<sup>3</sup>Which also requires the adaption of the techniques, methods and models available for forecasts. In this respect, see the papers presented at the "International Colloquium on New Directions for Development Planning in Market Economies", Santiago, Chile, August 25-27, 1986 and reproduced in this issue of the *Review*.

<sup>4</sup>Mention should also be made of the heterogeneity among regions (at the subnational level) which is to be observed in many countries in Latin America and the Caribbean. (The Institute has produced a considerable amount of literature in this respect.)

<sup>5</sup>In both of these, the role of worker and trade union organizations is not to be ignored. In the first, they play an indirect role in promoting reinvestment capacity (on account of the significant differentials between productivity and wage rates), while in the second they are important because they represent a directly concerned social group.

standpoint, it is obvious that little or no progress will take place as long as real interest rates remain high and the region continues to export domestic savings to service its debt. From this angle, economic and social progress now depends upon the solutions provided to the problem of external indebtedness. From the other angle, it may be argued that a skilled and productive labour force can hardly emerge from an illiterate population which is unprepared for the modern world. In this respect, economic and social progress requires an immediate rethinking of formal education, at every level. In some cases, when both angles coincide, it is worth stressing that the present crisis has led to the loss of a whole decade, if recent regional History is measured in terms of income per capita; when it is measured in terms of human knowledge, in many cases a whole century has been lost. From whatever angle, regional progress depends upon technically viable and socially legitimized national projects: in short, the role of a new approach to planning is to provide support for the conception and implementation of such projects. At the present time, this requires something more than the elaboration of a meticulously detailed copybook plan: this final perception is both necessary and timely.