

# CEPAL

## Review

*Executive Secretary*  
Norberto González

*Deputy Executive Secretary for  
Economic and Social Development*  
Gert Rosenthal

*Deputy Executive Secretary for  
Co-operation and Support Services*  
Robert T. Brown

*Technical Secretary*  
Adolfo Gurrieri



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# C E P A L

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# Long-range development planning

## Notes on its substance and methodology

*Lars Inge Istam\**

In its article the author reviews a number of the main problems posed by long-range development planning and outlines his own views concerning them. He starts out by discussing the political aspects of planning and stresses that planning is part of a power-based decision-making process, in which decision-makers' mental images play an important role. His examination of the relationship between planning and the market in mixed economies leads into a discussion of the "planning object" which, in the author's opinion, should be regarded as a "multi-organization" composed of enterprises, political bodies, social organizations and movements, etc. In exploring the concept of the planning object, he identifies various types of economies (élite, formal and total) and the problems posed by each.

In the concluding sections, some ethical and methodological questions are discussed. One of the ethical issues that is stressed is the responsibility of planners to future generations, who will be significantly affected by their decisions. The methodological aspects referred to include, *inter alia*, economic accounting, the construction of models, scenario-building and levels of analysis.

## The functions of planning

*"If planning is everything, maybe  
it's nothing" (Aaron Wildavsky)*

Planning is basically preparing for *decisions*. Decisions of any significance are based on *power*. Hence planning is part of the exercise of power in society. No methodology or philosophy of planning should be allowed to hide this fact. It is widely recognized in the social sciences that societal functions, such as planning, cannot stray far from what is acceptable to those holding power if it is to remain "relevant". Planning for desirable social change may well be important, but it is by necessity severely limited as an instrument of such change. Nonetheless, its range of action may yet be great enough to make the effort worthwhile!

*Long-range* planning is part of the exercise of *power over the future*. This has methodological implications, such as the use of systematic futures studies and the relativization of some economic variables (e.g., GNP growth). The longer time frame also has some ethical implications, apart from those pertaining to planning or decision-making in general. In addition, the normative element in planning becomes clear, and the question of desired social change comes to the forefront. If it is not taken seriously, the function of long-range planning may simply be to make "all that is wrong grow worse more consistently".

In planning, the *mental images* held by decision-makers and planners are more important than specific methodologies. They guide the formulation of plans, including forecasting and scenario-building. Such mental images are essentially of two kinds: mental *legacies* from past experience, and *images of the future*. In "unproblematic" times these images are mostly implicit; moreover, the picture of the future seems to conform nicely to past experiences. In times of crisis, the opposite holds true. History, as well as the future, appears controversial and, sometimes, threatening. At such times, an important function of long-range planning and futures studies is to make explicit these two sets of images and to challenge them by presenting alternative ways of structuring known facts, new

\*Professor of Technology and Social Change at the University of Linköping, Stockholm, Sweden.

facts and non-standard courses of action.

This does not mean that planning should have only a dialectical and critical function in regard to the political system (in the broadest possible sense). Any planning process, be it for a firm, a nation or a whole region, has to find out and define what kind of *issue it* really has to address. Experience shows that the most important function of planning, in retrospect, has almost always been the effort to sort out the "basic issues" from all other concerns.

The "longer" time frame involves an *intellectual challenge*. Focussing on the future raises more fundamental and strategic questions than are usually encountered in politics or administration. For the intellectual, this is a chance to bring in basic theoretical questions from the social sciences, history and philosophy and to set day-to-day events within a broader perspective. It also frees the researcher from the tediousness of empirical data, as well as from the need to adhere to strict disciplinary boundaries. For once, one is allowed to explore "the great paradigms which seek to explain the social dynamic". Experience shows that this, to a large extent, is a useful stimulus to the social sciences as well as to

serious political debate: "developing and applying knowledge and intelligence in our affairs" (Barnard).

On the other hand, it also entails a *political temptation*. It will always be difficult for considerations based on a longer time frame to have an impact on the day-to-day practice of politics. The limitations in handling capacity are felt everywhere. When "future" issues are taken up explicitly, however, the political apparatus may be tempted to regard these considerations as delegated to "planners", future studies organizations or the like, instead of integrating them at least to some extent into its own thinking.

I suggest the use of a *basic conceptual model* for the analysis of planning problems. It involves, first, the identification of three elements: a planning subject, which is the person or organization that plans; a planning object, which is what the planning is directed towards; and the environment, denoting everything that cannot be planned for but that has importance for the planning object and for the issues with which the planning is concerned. This model will be used to structure some of the reflections on development planning that follow.

## II

### Planning and the market

The superposition of the two terms "planning" and "market economy" (in particular if the latter is taken to mean that economic decisions are decentralized) seem at first glance to be logically *contradictory*. This is, of course, not quite so: all known contemporary economies are "mixed" to some extent and contain elements of (central) planning. Nonetheless, the question is indeed problematic and ideologically *controversial*. If one thinks of planning as primarily having to do with "public policies", the experience of advanced mixed economies leads one to identify *three types of interrelations* between planning and the market:

a) *Counter-market*: interventions directed mainly at redistribution, the cutting of profits, rules concerning emplacement, environmental

restrictions, increased employment, worker protection, etc.

b) *Pro-market*: interventions intended to restore a more ideal market, i.e., to wipe the slate clean and start afresh (anti-trust legislation would be one example). At times, a more advanced form of this is practiced which consists of giving added thrust to market forces, thus speeding them along in the direction they are supposed to go (e.g., government research subsidies).

c) Management of activities in the public sector, which are hence *outside the market* and in principle already under political control.

There is of course no way to neatly group various policies into one or the other category; in monetary policy, for instance, a) and b) tend to

appear in some sort of mixture, and in fiscal policy all three are present. Transportation subsidies can be either or both, and so on. Interventions of type a) are often legitimized by claiming that they are really b), pro-market, in the long run. It is also quite frequent for actors who support an ideal, free market "in principle" to argue for type a) interventionist policies in favour of special interests.

From a *methodological* point of view, however, the distinction is an important one. The most productive planning experiences in the public policy domain refer to type c) in sectors such as defence, education, social services, transportation, etc. There are two reasons for this. Firstly, in these fields there are considerable similarities with the private company, which is by far the kind of unit most "planned for" and one whose planning problems have been widely elaborated in the literature. Secondly, in spite of political uncertainties and forecasting problems, it is far easier to "decide in advance" in these areas than for the country or the economy at large. This has led to a situation in which many planning methodologies, sometimes without explicitly recognizing it, refer to such largely controllable planning objects.

The real question of planning for development is far more difficult, even methodologically. What is the *planning object*? Certainly not only the State or the public sector. The planning object might preferably be described as a *multi-organization* whose major components, apart from the political organs proper, are private companies (large and small), associations of firms, labour unions, popular movements, the bureaucracy and the intelligentsia. The strength

and importance of these actors vary, of course, from country to country. Conflicts, more or less fundamental, exist among them. The question of how to "plan" for a reasonable development of such multi-organizations has been solved in many different ways in mixed economies: they are reflected in such different schemes as *Le Plan* in France, the three-modal planning structure in the Netherlands and the indicative, mainly economic, planning in the author's own country, Sweden. In all three of these countries a need has also been felt to organize futures studies with a broader scope, but with correspondingly looser ties to real decision-making. In a mixed economy, intervention by the "management" has to be more limited than in a firm or an office. In many cases it is also politically sensitive. These facts cannot be separated from "methodologies" for planning, nor from what have been described above as the "issues".

In many countries (development) planning has come to be identified with the elaboration of *econometric models* of the economy and the projection of development some years (three, five or sometimes more) into the future. Many countries and international agencies which provide development assistance—beginning with the United States and the Marshall Plan for the reconstruction of Europe after 1945—require that the recipients establish this kind of planning model. The indicative value of such models is not denied. They evidently go some way towards solving the governmental dilemma outlined further on in this article. However, as a tool for *truly long-range development planning*, such models are very limited and to some extent also misleading.

### III

## Beyond "the economy"

The question "What is the planning object?" can also be answered: "the economy". However, it is not at all trivial to ask what one means by "economy" in a development perspective. In addition, the analysis should include *economic and social* factors. Even if one assumes that the economy is a basic determinant of social development, the

conceptualization of economic factors, in the long run, becomes crucial as regards the type of social issues that can be recognized and analysed.

Again, three levels of delimitation can be distinguished. I will call them, respectively, the *élite*, the *formal* and the *o/a/economies*. A leading value for most national economies for sev-

eral decades has been "export-led growth" (the Latin American countries have, since colonial times, been marked by a very clear, and at times excessive, export dependence). It is natural that this mental legacy still plays a very strong part in development thinking. Methodologically, this is reflected in a strong emphasis on the "élite", or "modern" part of the economy and its growth potential. Econometric models and formally-registered GNP growth tend to overestimate the overall importance of the élite economy.

Aside from modelling and statistics, there seems to be a critical assumption tied to the emphasis placed on the *élite economy*, namely that through some "trickle-down" process, healthy growth in the élite economy also will raise the economic standards for the *whole population* proportionally or nearly so. In the debates on growth in the countries of Northern Europe, proponents of this position have often retreated to the weaker statement that a higher standard for all is possible on a higher GNP level. In Latin America, even this hypothesis seems to be unsupported by facts. Hence no simple and direct linkage can be assumed between the performance of the élite economy and more general social and economic goals.

However, within the bounds of standard accounting and modelling procedures, the behaviour of the full *formal* (money-based) *economy* may in principle be taken into account. In the European economies, full accounting of the formal economy, as observed either from the side of expenditures or from production, is normal practice. It might be supposed that in some Latin American countries statistical reporting is not complete enough for a reliable account of, for example, small businesses, particularly in the countryside. It seems clear, however, that descriptions of the full formal economy, in model-based form or otherwise, can give important information on such variables as wage levels in the non-élite sectors and the cost of living.

An account of the economy that is complete enough to allow analysis of changes in living standards for the whole population must also

include the *informal* (unpaid) *economy*. This includes work done in households, subsistence farming, crafts, repairs and maintenance outside the market, and co-operative work (e.g., at the village level). If we add this to the formal economy we arrive at the *total economy*. Some developing countries exhibit a very sharp duality in their economies—essentially between the élite sector and the rest of the economy—and in these cases the importance of the informal sector is readily recognized. However, the informal part of the economy does not wither away as countries become more developed or the GNP rises. In the industrialized countries of Northern Europe, typically as much labour time is spent in informal work as in paid employment. This, however, holds on the aggregate level; the allocation of the total amount of work is an important indicator of the lifestyles and well-being of the population. (There is a tendency for a new duality to develop in some of the industrialized economies of Europe which is coupled with growing mass unemployment. Hence dualization may turn out to be a companion not only of underdevelopment but of overdevelopment as well.)

For obvious reasons, the statistical *reporting* from the informal sector is markedly inferior to that of the élite sector. Of course I am not suggesting that a full system of national statistics of, say, hours spent in various forms of informal work, should be set up. One reason for not doing so is that such a scheme would be impractical, and in large measure impossible. Another has to do with ethics and the rights of the State: the point of informal work and informal exchange is precisely their property of being informal, i.e., unregulated and unregistered. Reporting requirements would in many cases be unnatural and, in some cases, would actually destroy what they were supposed to measure.

However, a basic knowledge about the informal economy in broad terms is necessary for reasonable planning. This would have to be acquired through research on typical cases and important examples; some results could also be obtained by indirect means from known data.

## IV

## Ethical dilemmas

In long-range planning the time span involved frequently covers several generations. This poses the ethical question squarely: Who is responsible for what we leave—in terms of natural resources, environment, infrastructure, production capacity, etc.— to *coming generations!* The Swedish commission concerned with future studies, under Alva Myrdals chairmanship, formulated an answer: "In our democratic society, it is the task of the political bodies to represent the interests of coming generations". This may sound idealistic and/or unrealistic to some, What cannot be discounted, however, is the ethical challenge of the question. Using a purely economic methodology, some have claimed that an appropriate interest rate is the proper instrument to balance the (material, economic) claims of coming generations against those of us living today. This position does not stand up to a closer ethical analysis when applied to such problems as the depletion of natural resources or the permanent use of fertile land for other purposes. The dilemma remains, and some explicit ethical reflection should, in my view,

always accompany long-range planning which affects coming generations.

One might think that long-range planning and reflections about the future is something that one can choose to do—or not to do. This is of course so: there is no immediate need to plan ahead, and I know of no constitution that requires the government to take the more distant future into account. This does not mean, however, that long-range problems do not exist. A vast number of decisions, taken on all kinds of levels in the multi-organization which is modern society, serve to create the future. It is like a zipper that gradually closes. Small decisions, adjustments, legislation and habits create a legacy, and later—when the future does not look so bright any more, or when an initially promising course has led to an impasse—the nation finds itself zipped into something which feels rather like a straightjacket. There is, in my view, an ethical element even in this situation. Some organized thinking about the dilemmas that are created by the "terror of small decisions" should be the responsibility of every government.

## V

## Methodology: concluding remarks

*Economic accounting and model-building* will no doubt be the backbone of development planning even in the future. I have already voiced my concern that this may lead to an over-emphasis on the formal economy, and in particular the élite and export-oriented segments of it. One might go a step further and ask whether the exactness and the prestige of quantitative economic exercises may overstress the economic indicators of development, overshadowing other dimensions that are often more difficult to quantify and measure.

*Scenario-building* has become an important tool for exploring long-range issues in many countries. Through broad descriptions of "future

histories", i.e., a small number of qualitatively different alternatives, one can achieve an understanding which cuts across sectoral boundaries. Alternative courses of action (and not only those elaborated in the study) are then more likely to occur to decision-makers. The planning context, in general a multi-organization, makes it mandatory for planning to take the form of dialogue and negotiation. Scenarios have proved to play a clarifying and disciplining role in that process. Particularly those scenarios that contain a "hard core" of economic data or an economic model, but which also include a broader set of variables, have turned out to be useful in understanding development problems. (A famous example



from the modern literature is the Bariloche study *Catastrophe or New Society?* by A. Herrera *et al.*, 1977.)

A multitude of futures studies and long-range planning "methods" have been offered by consultancies, institutes and university groups. Taking the risk of sounding grossly unfair, I would like to issue a general warning against packaged, "over-the-counter" methodologies. The major reason for this lies in the hidden

assumptions about "the issues" that are always built into ready-made models. Until such time as the decision-maker and the planner are convinced that a specific methodology conforms reasonably well to the problems to be explored, they should not subscribe to a certain methodology. This position —*problem before method*— is a subjective and disputed one, but I argue for it based on my experience and the existing literature.

## VI

### The issues

When the problem is approached from the standpoint of planning methodologies, some critical factors having to do with the nature of the development process and its goals emerge with particular clarity. I will discuss three of them, very briefly.

All development processes have two sides: the creation/mobilization of resources, and their allocation/consumption/distribution. There are also (at least) two possible levels of analysis: macro and micro. If stress is laid on the macro level only, "growth" is seen as a rather mechanical phenomenon, and the more interesting aspects of *resource mobilization*, particularly that of human labour, tend to be overlooked. In economies that show tendencies towards duality, the micro aspects of mobilizing manpower, land and other resources should be given particular attention.

It is natural that *transition theories* of the kind that have been discussed in the United States and Europe should be taken into consideration; they are marked by terms such as "post-industrial society", "service society", "information society", "self-service society", and so on. In the first place, one should again be

warned against the mechanical application of observed statistical regularities. For certain groups of countries, the rise of GNP is accompanied by a very clear shift in labour, first away from agriculture into industry and then from industry into services. The driving forces may well not be the same in the Latin American economies, and the theoretical assumptions on which the future projections of such developments are based may not necessarily be fulfilled. For one thing, most theories of transition assume that wage levels across the whole economy are comparable and that they move essentially in parallel. If this is not the case, the whole picture will change.

It is logical to believe that, rather than describing a typical Latin American economy in terms of one transition (such as "industrial" to "service"), one should look at it as *at least three transitions* superimposed on one another: from agricultural to industrial, from industrial goods to industrialized information, and from goods to services, part of the latter being in the "self-service" mode. In this way, some of the major transition theories can be put to use without incurring their extreme and unrealistic simplifications.