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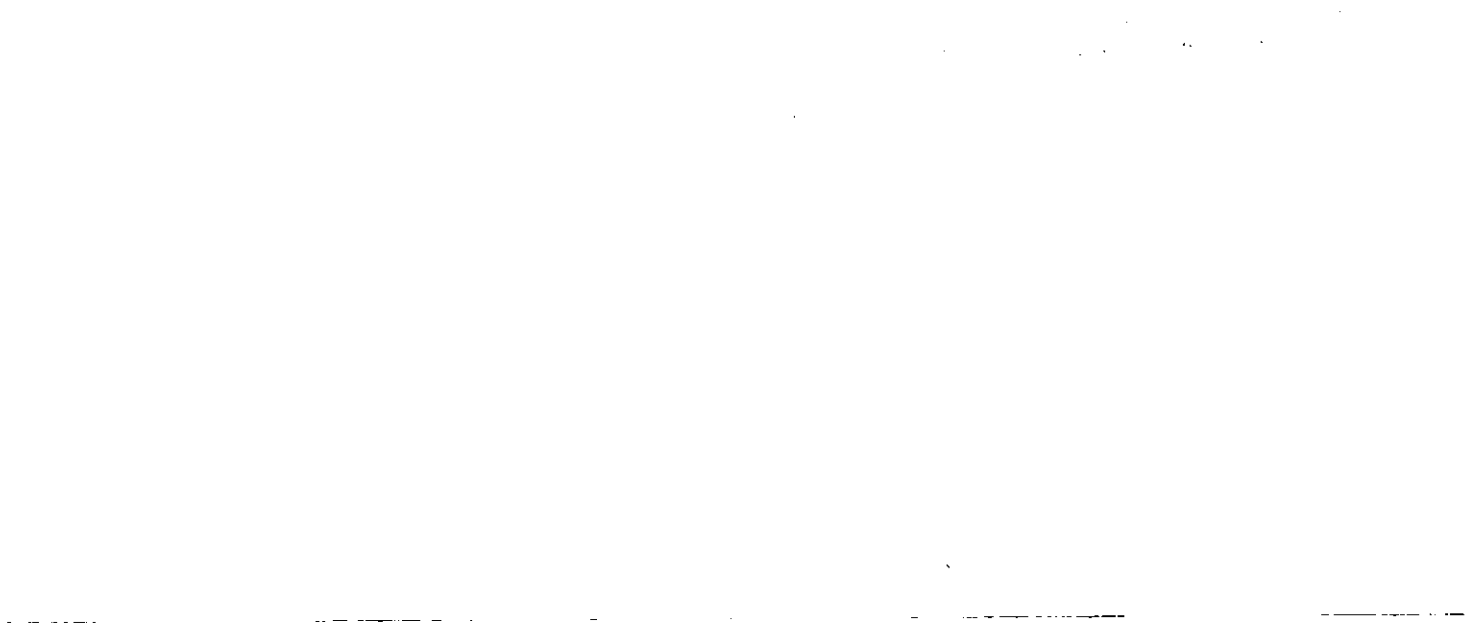
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**LONG-RANGE DEVELOPMENT PLANNING  
NOTES ON ESSENCE AND METHODOLOGY**

**Lars Ingelstam**



LONG-RANGE DEVELOPMENT PLANNING - NOTES ON  
ESSENCE AND METHODOLOGY

Lars Ingelstam \*/

Introduction

This paper is written on the invitation of the organizers of the International Colloquium on New Directions for Development Planning in [Mixed] Market Economies, and relates to the second session (5.b) "The main methodological challenges of planning". I have not yet seen other papers to the Colloquium. Since my knowledge about Latin America and the Caribbean is rather unspecific, I have based this discussion paper mainly on experience gathered in a different setting, namely some years of research into planning theory and then a decade as head of the Swedish Secretariat for Future Studies. I hope that at least some of the points may be useful to our discussions in Santiago in August.

The functions of planning

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

1. Planning is basically preparing for decision. 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, can not stray far off what is acceptable to those holding power, if it should remain "relevant". Planning for desirable social change may well be important, but is by necessity severely limited as a tool for such change. But the margin might still be wide enough to make the effort worth while!

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\*/ The views expressed in this work are the sole responsibility of the author and do not necessarily coincide with those of the Organization.

2. Long-range planning is part of the exercise of power over the future. This has methodological implications, e. g. as the use of systematic futures studies and the relativization of some economic variables, such as GNP growth. The longer time frame also has some ethical implications, separate from those pertaining to planning or decision-making in general. Also, the normative element in planning becomes clear, and the question of willed 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 what is wrong, more consistently wrong".

3. In planning mental images held by decision-makers and planners are more important than specific methodologies. They guide the process of working out plans, including prognostication and scenario building. Such mental images are essentially of two kinds: mental heritages from past experience, and images of the future. In "unproblematic" times those images are mostly implicit, and moreover the picture of the future seems to conform nicely to the experiences from the past. In terms of crisis the opposite holds. History as well as future appears as controversial and sometimes threatening. In such times in particular it becomes an important function of long-range planning and futures studies to make explicit those two sets of images, and challenge them by presenting alternative structuring of known facts, new facts and non-standard courses of action.

4. This should not be taken to mean that planning should only have 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 problematique it really has to address. Experience shows that the most important function of planning in retrospect has often been the effort to sort out the "basic issues" from all other preoccupations.

5. The "longer" time frame implies an intellectual challenge. By focussing on the future one is lead to face more fundamental and strategic questions than is common 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 put the day-to-day events into a broader perspective. It also relieves the researcher from the tediousness of empirical data, as well as from adherence 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 degree, is a useful stimulus to social science as well as to the serious political debate: "developing and applying knowledge and intelligence in our affairs" (Barnard).

6. On the other hand, it will also contain a political temptation. Considerations built on the longer time frame will always have difficulty making an impact in the day-to-day practice of politics. The limitations in handling capacity are felt everywhere. But when "future" issues are taken up explicitly, the political apparatus may be tempted to regard those considerations as delegated to "planners", future studies organizations or the like, instead of integrating them at least to some extent into its own thinking.

7. I suggest the use of a basic conceptual model for the discussion of planning problems. It contains 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 at, and then the **environment**, denoting everything that can not be planned for but has importance for the planning object and for the problematique with which the planning concerns itself. It will be used to structure some of the reflections on development planning that follow.

#### Planning and market

8. 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. But the question is indeed problematic and ideologically controversial, as I am sure the Colloquium will recognize in its discussions. If one think of planning as primarily having to do with "public policies" the experience from advanced mixed economies leads one to identify three types of interrelations between planning and the market:

A. Counter-market; mainly interventions directed at redistribution, cutting of profits, rules for localization, environmental restrictions, increased employment, worker's protection etc.

B. Pro-market; interventions intended to restore a more ideal market: so to say clean the table for a fair game (example: anti-trust legislation). At times one practices a more advanced form of this, namely to speed up the process of the market forces in the direction they are supposed to lead us (example government research subsidies).

C. Management of activities in the public sector, 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 mixture, and in fiscal policy all three. 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 longer run. On the other hand it is quite frequent that actors who support "in principle" an ideal, free market argue for A-interventionist policies in favor of special interests.

9. From a methodological point of view, however, the distinction is an important one. The richest experience of planning in the public policy domain refers to type C: "sectors" like defence, education, social services, transportation, etc. This has two reasons. Firstly, in these fields the similarities are considerable with the private company, which by a long shot is the kind of unit most "planned for" and whose planning problems have been widely elaborated in the literature. Secondly, in spite of political uncertainties and prognostication problems, it is far easier to "decide in advance" in those areas than it is for the country or the economy at large. This has led to a situation where many planning methodologies, sometimes without explicitly recognizing it, refer to such mainly controllable planning objects.

10. 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 could preferably be described as a multiorganization, whose major components in addition to 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 various actors vary of course from country to country. Conflicts, more or less fundamental, exist between them. The question of how to "plan" for a reasonable development of such a multiorganization has been solved in many different ways in mixed economies: 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 my own country, Sweden. In all three mentioned, one has also felt the need to organize futures studies with a broader scope, but with correspondingly looser ties with real decision-making. In a mixed economy intervention from the "management" has to be more limited than in a firm or an office. In many cases it is also politically sensitive. These facts can not be separated from "methodologies" for planning, nor from what I described as the "problematique" above.

11. In many countries (development) planning has come to be identified with the elaboration of econometric models of the economy, and projecting the development some years (3, 5, sometimes more) into the future. Many providers of development assistance --beginning with the US and the Marshall Plan for the reconstruction of Europe after 1945-- require that the recipients establish this kind of planning models. The indicative value of such models shall not be denied. They evidently go some way towards solving the dilemma of the government outlined in p.10. However, as a tool for truly long-range, development planning, such models are very limited and to some extent also misleading (see pp. 13-16,20).

### Beyond "the economy"

12. The question "what is the planning object?" can also be answered: the economy. However, it is not at all trivial what one should mean 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 highly critical for the type of social issues that can be recognized and analyzed.

13. Again, three levels of delimitation can be distinguished. I will call them respectively the elite, the formal and the total economies. A leading value for most national economies has for several decades been "export-led growth" (The Latin American countries have historically, since colonial times, been marked by a very clear export dependence, at certain times far too pronounced). It is natural that this mental heritage still plays a very strong part in thinking about development. Methodologically this is reflected in strong emphasis on the "elite", or "modern" part of the economy and its growth potential. Econometric models and formally registered GNP growth tends to over-estimate the over-all importance of the elite economy.

14. Aside from the modeling and the statistics there seems to be a critical assumption tied to the emphasis on the elite economy, namely that through some "trickle-down" process a healthy growth in the elite economy also proportionally or somewhere near will raise the economic standards for the whole population. In the North-European debates on growth, 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 could be assumed between the performance of the elite economy and more general social and economic goals.

15. However, inside the standard accounting and modelling procedures, the behavior of the full formal (=money-based) economy could in principle be taken into account. In European economies full accounting of the formal economy, observed either from the side of expenditures or from production, is normal practice. I can imagine that in some Latin American countries statistical reporting is not complete enough for a reliable account of e.g. 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 e.g. wage levels in the non-elite sectors and about the cost of living.

16. An account of the economy, rich enough to allow analysis of changes in living standards for the whole population, must also include the informal (=unpaid) economy. It includes work done in households, subsistence farming, crafts, repairs and maintenance outside the market, and cooperative 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 elite sector and the rest of the economy-- and in those 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 indus-~~ industrialized countries of Northern Europe, typically as much labor 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 life-styles and well-being of the population. (There is a tendency for a new duality to develop in some of the industrialized economies in Europe, coupled to growing mass unemployment. Hence dualization may turn out to be a companion not only to underdevelopment but to overdevelopment as well).

17. For obvious reasons, the statistical reporting from the informal sector is widely inferior to that of the elite sector. Of course I am not suggesting that a full system of national statistics of, say, hours spent in various forms of informal work, be set up. One reason against 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 exactly their property of being informal: unregulated and unregistered. Reporting requirements would in many cases be unnatural and in some actually destroy what they were supposed to measure. However, a basic knowledge about the informal economy in broader terms is necessary for reasonable planning. It has to be acquired through research on typical cases and important examples; some results can also be obtained by indirect means from known data.



### Ethical dilemmas

18. In long-range planning the time span frequently covers several generations. This puts 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 futures commission, under Alva Myrdal's chairmanship formulated an answer: "In our democratic society it is a task for the political bodies to represent the interests of coming generations". This may sound idealistic and/or unrealistic to some. What could not be avoided, however, is the ethical challenge of the question. Using a purely economic methodology, some have claimed that a proper interest rate is the instrument to balance the (material, economic) claims of coming generations against those of us living to-day. This position does not stand for closer ethical analysis, when applied to such problems as depletion of natural resources or permanently using fertile land for other purposes. The dilemma remains, and some explicit ethical reflexion should in my view always accompany long range planning that affects coming generations.

19. One might think that long range planning and reflexions 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 also know of no constitution that requires the government to take the more distant future into account. But that does not mean that long-range problems do not exist. A mass of decisions, taken on all kinds of levels in the multiorganization that is the modern society, serve to create the future. It is like a zipper that gradually closes. Small decisions, adjustments, legislation and habits create and heritage so that later --when the standard future does not look so good any more, or when the initially promising course has led into an impasse-- the nations finds itself zipped into something that feels more like a straight-jacket. There is, in my view, an ethical element even in this. Some organized thinking about the dilemmas that are created by the "terror of small decisions" should be the responsibility of every government.

### Methodology: concluding remarks

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

21. Scenario-building has become an important tool for exploring long-range issues in many countries. Through broad descriptions of "future histories": a small number of qualitatively different alternatives, one can achieve an understanding that cuts across sectoral boundaries. Alternative course of action (and not only those elaborated in the study) can more easily come into the minds of decision-makers. The planning context, in general a multiorganization (see p.10), makes it mandatory that planning takes the form of dialogue and negotiation. Scenarios have proved to play a clarifying and disciplining role in that process. Particularly such scenarios that contain a "hard core" of economic data or an economic model, but also include a broader set of variables, have turned out to be useful for understanding development problems. (A famous example from the modern literature is the Bariloche study **Catastrophe or New Society?** by A Herrera & al, 1977).

22. There exists a multitude of future studies and long-range planning "methods", 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 problematique" that are always built into ready-made models. Not until he is convinced that a specific methodology conforms reasonably well with the problems he would like to see explored, a decision-maker and his planner should subscribe to a certain methodology. This position --problem before method-- is a subjective and disputed one, but I can argue for it from experience and from the open literature.

#### On the problematique

23. Approaching the problem, as we do here, from the side 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 take up three of them, very briefly.

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

24. It is natural that transition theories of the kind that have been discussed in the US and Europe during the last decade should be taken into consideration; they are marked by terms like post-industrial society, service society, information society, self-service society and so on. In the first place one should again warn against mechanical application of observed statistical regularities. For certain groups of countries the rise of GNP is accompanied by a very clear shift of labor: 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 are not necessarily fulfilled. For one thing most theories of transition assume that wage levels across the whole economy are comparable and move essentially in parallel. If this is not the case the whole picture will change.

25. It is natural 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: from agricultural to industrial, from industrial goods to industrialized information and from goods to services, part of the latter in the "self-service" mode. In that way some of the important transition theories can be brought to use, without submitting to their extreme and unrealistic simplifications.





