

CEPAL

Review

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New directions in planning: an interpretative balance

*Eduardo García d'Acuña**

The Colloquium whose documents are presented in this issue of the *Review* provided an excellent opportunity to look at and discuss some of the aspects of planning theory and practice in mixed market economies, in search of new directions which could lead to more effective planning action to deal with the serious problems of the region brought on by the international crisis. The debate was not easy, however, because the presenters adopted different systems of analysis: some took a general theoretical view, whereas others were more concerned with the specific contents of their proposals.

The intention of this article is to make an interpretative recapitulation of some of the papers presented, and then to extract guidelines for ILPES's research programme on planning.

The author has arranged his comments according to the agenda adopted by the Colloquium. Thus, in the first section he deals with several theoretical aspects relating to the overall conceptual framework of planning and to the interpretative paradigms of the development process on which the praxis of planning or the guidance of development are based. The second section reviews the contributions in terms of methodology and instruments, which, although necessarily based on a particular theoretical concept, have specific features and therefore warrant separate treatment. Finally, the third section examines the proposals made in respect of the institutional and political management of planning both in terms of the capability of the public authority to regulate such a process and the extent of the social actors' participation in it.

*Director of Economic Programming of ILPES. The opinions expressed are his sole responsibility and do not necessarily coincide with those of the Organization. The authors of the papers examined, which are all published in the current issue of *CRPAL Review*, are Dror, Dubois, Holland, Ingclstam, Kogane, Linstone, Van Arlcadie, Villarreal and Wolfe. Other participants also made very useful verbal and written contributions to the Colloquium, but space does not permit them all to be reviewed here.

The conceptual framework and the interpretative paradigms

1. *The overall conceptual framework of planning*

During the Colloquium, criticism was naturally made of the concept of planning which has been in vogue since the war in both the industrialized and the less developed countries.

Harold Linstone calls this approach the *traditional* or *technical* (T) perspective, adding that it is based purely on science and technology, as revealed by the following characteristics: a) a well-defined or structured "problem"; b) the capacity to find optimal solutions; c) the ability to formulate verifiable quantitative models; d) reliance on empirical data; e) the possibility of making forecasts as to the future; f) the objectivity of the planner; and g) objective linear time.

In contrast to this approach, Linstone proposes two others which he terms *organizational societal* (O) and *personal/individual* (P) and asserts that any complex system can be considered from these three perspectives, which are not alternatives or options since "each perspective yields insights not provided by the others".

Thus, perspective O is based on a view of the world in which a knowledge of the social infrastructure, its agents and institutions and its moral values are essential to an understanding of the processes of stability and social change; where the planning "goals" are identified with forms of that process rather than with quantitative variables; where research should incline more to dialectic interaction among actors than to the use of performance models; where time is "social" rather than technological, etc.

Perspective P, for its part, is bound up with a personal view of the world based on the intuition, experience and learning process of the individual; where the "goals" consist of achieving or improving situations of power, prestige or influence, and where time is subjective and not chronological, etc.

The three perspectives are important for decision-makers. Thus, whereas perspective T

plays the predominant role in the consideration of alternative directions, perspectives O and P are crucial to effective implementation.

The scheme presented by Linstone is very useful for understanding the situation with regard to planning in the region, its successes and failures, because it is obvious that here in Latin America at least two of these perspectives have coexisted. On the one hand, there is the technical approach, which is usually adopted by planning agencies for use in the preparation of formal development plans and by decision-making bodies within a hierarchical and chronological order. The personal perspective, for its part, which is usually associated with the goals set and the decisions taken by the Head of State and by the political and administrative superstructure, does not always square with the technical perspective of the planning agency.¹

The question that remains is how to combine these two perspectives, plus the societal perspective—which could be associated with the forms of participation of organized civil society—into a single process of deliberation, analysis and decision-making which is effective in terms of the development goals, because it has not yet been demonstrated that such effectiveness is necessarily achieved. It is common in Latin America for technically sound and sensible plans to be discarded because they are socially and politically unrealistic. Similarly, there are political plans which have been formulated to gain or consolidate positions of power, but have failed because they were economically, technically and even societally unsound. The different populist experiments or proposals for social change that have failed were unsuccessful chiefly because, in their conception, they underestimated the capacity of the emerging forces to gain power and organize themselves, often at the expense of the basic principles of conventional economic planning.

The systematic study of the great gulf that has existed between the different perspectives is a most important matter for a research-oriented body such as ILPES. Such an analysis could reveal the cause of this often unbridgeable gulf between the albeit imperfect technical process of the plan and the actual decision-making process. This is not an easy subject on which to do research,

¹This dichotomy was already pointed out by Carlos de Mattos in his criticism of the traditional model. See de Mattos (1979).

especially involving processes which are actually underway, since it involves delving into and assessing sensitive areas of public administration. Even so, a systematic analysis of past experience, with the participation of the actors involved, would be both feasible and desirable for objectively clarifying this problem.

2. The interpretative paradigms of development and planning

According to René Villarreal, the problems encountered in planning are threefold: technical, political and ideological.

Although these problems arise from a series of factors which the author describes in detail, in the final analysis the crisis of planning implementation is attributable to a deeper theoretical and ideological crisis: that of the interpretative paradigms of the development process which have formed the basis of the strategies applied in the region, whether of the neoclassical/neo-Keynesian type or of those based on ECLAC structuralism or on neoliberal monetarism. Villarreal therefore maintains that the reasons for shortcomings in planning should not be sought in methodological weaknesses but rather in the fundamental theories underlying the real functioning of the region's economies. The new approach to planning should therefore begin by developing a new paradigm on the basis of the contributions of neostructuralism, post-Keynesianism and the political economy approaches in respect of the role of the economic agents and the State. While this new approach primarily involves work by economists, it should also tend to increase joint work with other specialists.

Brian Van Arkadie also bases his criticisms and innovative planning proposals on considerations of the crisis of monetarist and Keynesian economic policy systems and the need to develop a new theory of government action and to reappraise the fundamental strategic problems to be tackled by development policy, in this respect, he makes a useful distinction between routine and strategic planning: the first would involve the institutionalized adoption of better techniques for public sector resource use, while the second would entail facing three key issues of development policy: short-term macroeconomic management under conditions of external

constraint; the encouragement of an effective medium-term production and trade structure, and an income distribution policy.

Villarreal's and Van Arkadie's proposals raise an unusually large number of issues to be dealt with by the research agencies.

In the first place, the formulation of a new interpretative paradigm would require a major reformulation of theory, particularly in the field of macroeconomics, because such a paradigm must break the old mould of traditional monetarism, of the so-called neoclassical/Keynesian synthesis, and resist the present attempts to reconstruct or destroy that synthesis on the basis of disequilibria models or hypotheses of rational expectations. As I see it, this kind of reconstruction of the theory would imply refashioning the macroeconomic models originally formulated in order to understand the dynamics of capitalism, particularly the contributions made by Kalecki, and incorporating once again the contributions by ECLAC structuralism and other thinkers, particularly as regards structural inflation, the dynamic insufficiency of growth and the external bottleneck. In this respect, it has now become fashionable to say that Latin America's present problems are different from those of the 1950s, so that the theoretical interpretations of that time and their policy recipes are therefore obsolete. However, an impartial observer could not fail to see that in the majority of the countries the problems are the same, worsened perhaps by the debt burden, by the heightened internal conflicts and by the fiscal and trade policies of the industrialized countries. It is in the light of these new restrictions that Latin America must proceed urgently to formulate a relevant macroeconomic policy which will make it possible to develop adjustment policies on the one hand, on the other hand, programmes for reactivating lasting self-sustained productivity, and finally, redistributive policies that cannot be turned back.

Bound up with this theoretical work are the three tasks which Van Arkadie has set as priorities for strategic planning. These priorities are also the same for research programmes undertaken at the national or regional level.

Hence, drawing on recent regional experience, macroeconomic management systems must be devised to define and establish the role of the short-term economic policy instruments, so as to find means of adjustment which will both regulate external and internal disequilibria and avoid unnecessary declines in production and employment, while ensuring a fair distribution of the costs incurred.

In the second place, there is no denying that reactivation and medium-term growth programmes must be based on an even balance between expansion of the domestic market and exploitation of the opportunities offered by the external markets. This subject brings us back to the task of seeking, identifying and exploiting the dynamic comparative advantages which a country may have in the international economy, in order to establish an effective long-term import substitution and export promotion policy. In order to do this, it will be necessary to establish not only an adequate framework of market incentives, which is the approach preferred by the World Bank, but also an effective promotional system to be applied by the State agencies. All this will call for a series of studies which carefully examine the long-term advantages of different activities for the country as a whole: that is to say, the principles underlying proper planning.

Finally, the subject of income redistribution and the satisfaction of basic needs should be a third priority task in research into planning. There are two approaches here which are necessarily complementary. On the one hand, specific policies should be studied and proposed in respect of the targeted social sectors and groups, based on the actual experience of the countries. In the second place, there should be a short-term and long-term macroeconomic assessment of these policies in respect of both their real and financial impact. Once again, this will call for the formulation of more complex models than purely economic ones, in order to assess the interaction and the external effects of better-trained human resources, an improved living standard, and the performance of the demographic variables.

II

Methodological and instrumental aspects

Paul Dubois has given a full and convincing explanation of macroeconomic planning methodology, of the use of quantitative models, and of the way uncertainty is handled. All of this was done with reference to recent French experience, which has entered a phase of such careful analysis and acuteness of logic in its procedures that we could well call it Cartesian planning. It should be noted, however, that this is a very special practice which could hardly be termed planning in the traditional sense. In fact, the French themselves refer to their model as one of *economic forecasting*, meaning an iterative procedure for shaping short-term economic policy within a conceptual framework which includes in its calculation the interaction between the external determining factors, the performance of internal agents, and the actual aims and instruments of government policy. This, then, is a flexible, adaptable and ongoing system of macroeconomic management, which establishes a sensible compromise between what ought to be and the range of possibilities. It must be added that the preoccupation with what ought to be in the medium and long term is aroused every six or eight years when the Planning Bureau calls together the technocrats and the private sector to think about the future and devise a more or less traditional "book plan". It would seem that this plan meets a very similar fate to that of its Latin American counterparts, since it is far from clear how important the medium-term guidelines are in directing short-term action.

At all events, the really interesting feature of French planning is the practical economic forecasting carried out at its nerve centre, namely the Forecasting Department of the Ministry of Finance, with the assistance of the Institute of Statistics and Economic Studies (INSEE), which provides all the modelling software, and in permanent dialogue with the political class, the private sector and independent academics. There is no doubt that the French scheme is far and away the most complete and coherent method of macroeconomic management in the OECD countries.

In addition to outlining the institutional procedure, Paul Dubois highlights the merits of quantitative models and points out the limitations of econometric estimates. Finally, he refers to the pragmatic way —programming by scenarios— which has been adopted to deal with uncertainty.

Despite the structural differences between France and the Latin American countries, there is obviously much that can be learnt from the French model. In the first place, this model has managed conclusively to resolve the old institutional conflict between the Planning Bureau and the Ministry of Finance as to who should direct short-term planning: a conflict which has greatly detracted from the efficiency of united and effective management in Latin America. However, it should be noted that in his presentation Kogane warns that this is the most intrinsic and difficult problem to resolve at the institutional level, because "when the planning sector is subordinated to the executing sector, the way of thinking about long-term or structural problems is often distorted by short-term considerations". "When the roles are reversed and the executing sector is subordinated to the planning sector, the development of the State could be injured by the adherence to unrealistic coherence of policy objectives. When they are equal and independent from each other, the executing sector would try to carry out its task autonomously, while the role of the planning sector would become 'decorative' since it is kept away from the actual decision-making process".

From the foregoing it can be deduced that the French system, like any other, will be effective to the extent that it succeeds in satisfactorily dovetailing the short and medium term, and this is an aspect which Dubois points to as a real source of concern.

Lars Ingelstam does the same in a series of methodological assessments relevant to Latin American practice. In the region it has been repeated time and time again that planning and the market are not opposed but rather complementary concepts, and this consideration has

become a virtual ideological basis for planning in mixed economies. Ingelstam, however, points to the very stark fact that although *pro-market* relations might exist in planning, such as those interventions intended to improve its functioning or others aimed at speeding up the adjustment process (that is to say, through subsidies), there are also *anti-market* relations which are characteristically a set of rules that impose a social logic on the logic of maximization of profits, while there are also relations *outside the market*: in other words, the administrative allocation of resources undertaken by the political authority. This distinction is relevant to the proper choice of instruments for dealing with each "planning target".

The second useful point to which Ingelstam refers is the actual coverage of areas subject to planning action. In this connection he makes a distinction between three levels in ascending order: the élite, the formal and the total economies. This is a classification related to the categories of formality and informality and of heterogeneity of the productive structure which prevail in Latin America. In particular, when constructing analytical models and formulating programmes, if consideration is given only to the élite sector, serious errors of interpretation and policy may be made. This raises important points with regard to the priorities that should be established in statistical recording and national accounting so as to ensure real coverage of the underground or underestimated economy.

Finally, he issues two important methodological warnings. The first is that emphasis should not be laid exclusively on the macroeconomic planning level, because it is easy to make purely mechanical explanations of the development process which overlook the microeconomic performance of the agents, who are an integral part of every resource mobilization process. Secondly, he warns against the "transition theories" that have arisen from the observation of inter-time and inter-space trends, especially in developed countries, to determine what course should be taken by the countries which are becoming industrialized. The application of these trends will only be useful if the real transformation process taking place in those countries is observed.

To sum up, the above-mentioned authors have put forward a valuable set of methodological suggestions. ILPES, with UNDP support, is in the process of carrying out a project on new planning techniques and instruments which covers various lines of research, including the establishment of information systems to make possible observation of the conjunctural behaviour of the economy and the forecasting of short-term trends; the development of short-term and medium-term macroeconomic management schemes, with support from the relevant analytical models; and the formulation of methodologies for multi-year programming of the public sector budget, including the decentralized agencies and State enterprises. These studies will undoubtedly benefit from the foregoing methodological comments.

III

The political and institutional management of planning

It is now widely accepted that development planning does not end either with diagnostic studies or with exercises to simulate the future. In a mixed market economy, planning involves decision-making by a host of public and private agents, and the decisions taken are not merely individual decisions on resource allocation and accumulation in connection with market tran-

sactions but also individual or group decisions on the institutional and policy framework within which the market operates. The demarkation line between public and private property, the role of foreign investment, the level and extent of tariff protection, the weight and distribution of the tax burden and the real scope of redistributive policies, etc., are questions which all define

the institutional framework or the actual political arena in which the development process takes place, with or without a plan.

Thus, there are at least three questions which are relevant for the planner. Firstly, who are the participating agents. Secondly, what are their motivations and behaviour. Thirdly, what possibility is there, in a democracy, of achieving a basic consensus which will enable a national development project to be carried out.

Marshall Wolfe makes a notable effort to classify the heterogeneous world of agents which operate in the Latin American societies and which can hardly be placed in the traditional sociological categories. He points out the problems that stand in the way of the adoption of coherent policies and which stem from the agents' deep-seated distrust of the ambitious development plans proclaimed by governments, because of the questionable results that such plans have yielded, the agents' confidence that they will be able to manipulate or sabotage public policies, and the loss of confidence in the development models formulated by technocrats, such an attitude being aggravated by the effects of the crisis. Despite the fact that there is no easy way out of this gloomy predicament, Wolfe is confident that the national majorities, faced with an urgent need to emerge from the crisis, will reach some degree of mutual understanding on viable policies and their own participation in them, as some recent proposals for national agreements and concerted planning would appear to suggest.

Stuart Holland makes a searching criticism of the French indicative planning system, and on the basis of this tries to outline the characteristics of a new democratic planning model which goes beyond mere State intervention to save entrepreneurial groups which have gone bankrupt or to stem unemployment, inflation or the public deficit without the proper means to do so.

He believes that it is possible and desirable to reach a consensus among the actors involved, provided this is based on a process of social negotiation for new purposes, which necessarily involves trade-offs among the different groups and social classes. Consequently, the new framework assumes that there will be a return to pluralism and democracy in the market with the elimination of the domination by small but powerful interest groups which usually band

together with the State in the "managed markets" model. This involves the creation of new types of public and co-operative enterprises in which the public undertakes in different ways what the private enterprises cannot or will not do and it also calls for the participation of the trade unions, which are often reluctant to enter into negotiations outside of the question of wages, and of consumers, in order to give a real social role to the market.

The fundamental decisions on production and investment in the scheme call for agreements and planning contracts between the government and the large public and private enterprises, rather like those made by the labour governments in Great Britain, France, Italy, Belgium and other countries.² The involvement of the trade unions in these agreements is needed in order to ensure their viability. Furthermore, seeing that the macroeconomy is dominated by only a small number of enterprises in both the European and Latin American countries, the production and investment contracts mentioned above would be an effective complement to the overall macroeconomic policies, because they would strengthen the latter's objectives in respect of employment, stability and growth.

To sum up, according to Holland the planning model with negotiation opens up the possibility of incorporating the three main objectives of democratic planning: a) a better balance of power between big business, the workers and the government, b) reconciliation of the interests of big business and the rest of the producers and consumers, and c) avoidance of both dirigisme and Statism and of the inefficiency of indicative planning.

Finally, Dror sums up his proposals regarding governability, participation and the social aspects of planning in eighteen proposals. The main thrust of his proposals is upgrading the "Central Mind of Government" and the political élites, and to this end he proposes that National Policy Colleges should be established to train nuclei of planners who would constitute veritable "islands of excellence". These nuclei could dispassionately plan the difficult decisions which the government must take, particularly during times of crisis. This would make it possible to

²Tor a proposal on planning by enterprises in Latin America, see Núñez del Prado (1982).

improve the governing capacity of the political authority, which could be complemented with a "quasi enterprise" approach integrating the main social and economic actors into the political plan. With respect to community participation it is proposed that the detailed planning and its execution should be delegated to regional and local bureaus. With regard to markets, the government should pursue a firm policy, free of external pressures to allow excessive freedom or exercise control, to ensure its stability and predictability. Finally, "mass involvement", an enlightened public, visionary leadership and the containment of social violence are all necessary ingredients for ensuring the governability of the social process.

What lessons can be drawn from the foregoing proposals?

First of all, those of Wolfe highlight the need to have a better knowledge of who are the real social actors in the heterogeneous Latin American societies, what their ideology is in respect of development, and their real and potential performance. This is a task in which the contribution of political and economic sociology is essential. Without having a frame of reference for these agents, it will be difficult to formulate a valid plan or action strategy, and even less so a scheme or proposal for agreement.

Secondly, Holland's proposals show us how necessary it is to discuss the possible ways of

reaching social agreement in Latin America and how this discussion must go beyond the governments themselves to include the organizations of civil society. For an agency like ILPES, this means extending and intensifying the methods of work with non-governmental agencies which have already been started in the area of training for planning. This work must necessarily be complemented by basic research into the systems that have already been tried or are now being implemented, so as to determine which factors led to their success or failure.

Finally, it would be difficult to find fault with Dror's proposals aimed at strengthening the political and technical training of planners and of the governing political élites. However, it should be pointed out that it is not enough to strengthen the governing capacity of those in authority: at the same time it is necessary to improve the skills of the civil society so that it can have a decisive influence in the formulation of development plans and policies. In this connection, it is worth recalling that authoritarian governments in South America have failed although they had maximum political power and the support of an enlightened group of technocrats. Clearly, planning know-how rests more on a social mechanism which allows mistakes to be corrected in time than on the mere strengthening of the governing capacity of the central authority.

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