

ALTERNATIVE APPROACHES TO ECONOMIC PLANNING

By the same authors

Martin Cave, *Computers and Economic Planning: the Soviet Experience*, Cambridge, Cambridge University Press, 1980.

Paul Hare, Hugo Radice and Nigel Swain (eds), *Hungary: a Decade of Economic Reform*, London, Allen & Unwin, forthcoming.

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MARTIN CAVE and PAUL HARE

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Softcover reprint of the hardcover 1st edition 1981

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First published 1981 by
THE MACMILLAN PRESS LTD
London and Basingstoke
Associated companies in Delhi Dublin
Hong Kong Johannesburg Lagos Melbourne
New York Singapore and Tokyo

ISBN 978-0-333-26690-8 ISBN 978-1-349-16523-0 (eBook)
DOI 10.1007/978-1-349-16523-0

Typeset in 10/12 IBM Press Roman by
STYLESET LIMITED
Salisbury · Wiltshire

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PREFACE

The aim of this book is to try to relate the experience of economies with varying types of planning systems to recent theoretical or analytical work on economic planning. We have both been concerned for a number of years with research into the operation of centrally planned economies and have become aware of the gulf separating the predominantly descriptive and institutional literature on planned economies and the theoretical literature on economic planning. We have sought to bridge that gap in this book by identifying and analysing certain major aspects of any planning system, the study of which helps to illustrate the actual behaviour of particular planned economies. We do not delude ourselves that we have wholly succeeded in this aim, but we believe that we have gone some way towards bringing the two elements – experience and theory – closer together.

The introductory chapter of the book sets out the major problems encountered in any planned economy, and briefly discusses the principal ways of dealing with them. The next three chapters comprising Part I give an account of planning in practice in a traditional centrally planned socialist economy, in a reformed socialist economy and in France, the major Western country using an indicative planning system.

As we have chosen to illustrate our discussion of planning with three particular economies, it is worth outlining the reasons for our choice. Amongst the socialist economies of Europe, the U.S.S.R. and Hungary stand at opposite poles in terms of the nature of their planning system. In the U.S.S.R. the traditional planning system which grew up in the 1930s has survived virtually intact, whereas in Hungary a serious and well-conceived economic reform was implemented in 1968 and its main features have survived to this day. The reform provides for greatly enhanced enterprise independence and the much greater use of markets to allocate resources. The planners rely heavily (but by no means entirely) on the conventional instruments of macroeconomic policy and upon the guiding role of the projections they prepare for the economy as a whole and for its individual sectors. In this respect, of course, their role is closer to that of the French planning commission, and one might expect some convergence between the methods of planning used in the two countries. Thus in a sense the Hungarian case stands between the traditional centrally planned economy and a system of indicative planning in a private ownership economy. One of our aims is to evaluate the experience of the three countries in this light.

Part II deals with the theory of economic planning. An introductory chapter sets out some of the basic issues, and this is followed by successive chapters dealing with informationally decentralised planning procedures, the theory of indicative planning, methods of plan implementation and the problem of incentives.

The two concluding chapters return to the practical experience of planned economies. The first discusses the use of mathematical models for planning, and the impact which these models have had in the U.S.S.R., Hungary and France, while the final chapter summarises our views about the appropriate ways of analysing planned economies and the prospects for economic planning.

Our previous work on economic planning has been principally concerned with the Soviet Union and Hungary. However, we have considered it worth while to extend the coverage of this book to the theory of indicative planning and to France's experience of planning, in order to bring out the similarities and differences which exist between the methods and role of economic planning in countries with different ownership systems and different degrees of centralisation of decision-taking. This may have led us into areas where our knowledge and understanding is incomplete, but we hope none the less that our decision is justified by the wider experience of planning on which we have been able to draw.

As is apparent from the concluding chapter, both of us agree upon the desirability in principle of economic planning, and we also agree on the scope for improving, if not for perfecting, planning systems. We hope therefore that our book may encourage some readers to think about some of the many unsolved problems of planning and perhaps contribute their own solutions.

We are grateful to Sue Robertson and Philip Hanson for reading several chapters and providing helpful comments, and express our thanks to Mrs A. Cowie, Mrs C. McIntosh, Mrs C. Newnham and Mrs W. Sharp for efficient and accurate typing.

M. C.
P. H.