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THE POSSIBILITIES OF DEVELOPMENT PLANNING

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ABSTRACT

The starting point of this paper is a belief that development planning in practice has achieved few of the benefits that its advocates expected from it. Most reasons given for this poor performance do not get to the source of the problem, which is the naivety of the implicit model of governmental decision-making incorporated in the planning literature. More realistic views of politics and decision-making, familiar in other social sciences and even other branches of economics but largely ignored in development economics, pose the questions whether planning, as it has come to be understood, is feasible at all, and, even if feasible, whether it could be an efficient instrument of economic policy. Suggestions are made on what could be rescued from the debris.

The nature of development planning

Although planning occurs in many types of decision-making units and is often defined to cover any attempt to select the best means to achieve desired ends,¹ this paper focuses more narrowly on 'comprehensive development planning.' The chief concern, then, is with planning as practiced in low-income countries (although the discussion is also relevant to the 'special case' of industrial countries), which typically has the following characteristics:²

- (a) Starting from the political views and goals of the government, it attempts to define policy objectives, especially as they relate the future development of the economy;
- (b) It sets out a strategy by means of which it is intended to achieve the objectives, which are normally translated into specific targets;
- (c) It presents a centrally co-ordinated, internally consistent set of principles and policies, chosen as the optimal means of implementing the strategy and achieving the targets, and intended to be used as a framework to guide subsequent day-to-day decisions;
- (d) It comprehends the whole economy (hence it is 'comprehensive' as against 'colonial' or 'public sector' planning);
- (e) In order to secure optimality and consistency, it employs a more-or-less formalised macro-economic model (which, however, will often remain unpublished), and this is employed to project the intended future performance of the economy;
- (f) It typically covers a period of, say, five years and finds physical expression as a medium-term plan document, which may, however, incorporate a longer-term perspective plan and be supplemented by annual plans.

Most of the time, most governments of low-income countries employ development planning of the type outlined; we are thus examining a highly significant aspect of applied economics and the characteristics listed are chosen to identify what is common to comprehensive development planning rather than to draw attention to any special features or eccentricities.

The economic case for development planning, while sometimes taken as axiomatic,³ is generally made out in terms of the failings of an unregulated market economy.⁴ Perhaps the chief of the arguments views planning as a superior means of arriving at investment and other decisions affecting the future, with the market seen as supplying information which is a poor guide for such decisions, leading to avoidable uncertainties and myopia.⁵ Thus, Scitovsky and others drew attention to the interdependence of investment decisions and alleged that aggregate investment made up of atomistic decisions would be less than that which would result from "centralised investment planning" providing more realistic signals of present plans and future conditions.⁶ In other ways, too, planning is seen as a means for correcting discrepancies between private and social valuations, for example the market's tendency to over-value unskilled labour. Under the influence of the 'big push' school of thought, planning was also seen as the only way to mobilise resources on the scale necessary for a successful development effort, and as the only practical means of binding the various strands of economic policy into a consistent whole.⁷

The crisis in planning: explanations: solutions

There would probably be little disagreement today that the practice of planning has failed to bring many of the benefits expected from it. Waterston's study of the lessons of experience concluded that "there have been many more failures than successes in the implementation of development plans"⁸; Seer's key-note paper for a 1969 conference on 'The Crisis in Planning' was entitled

'The Prevalence of Pseudo-planning'⁹; and Healey is surely accurate in claiming that the results "have been sadly disillusioning for those who believed that planning was the only way."¹⁰

The disillusionment seems to apply in most parts of the third world. Myrdal's 1968 Asian study stated that "planning can be considered a going concern only in India and Pakistan..."¹¹ and events since then have been the disintegration of Pakistan as it then was and the publication in India of a new plan widely thought to be quite unrealistic.¹² The Organisation of American States has reported that it was "repeatedly discovered that long-term plans were either not put into effect, or they were implemented officially for only a fraction of their time, or they were simply ignored at the moment of governmental decisions."¹³ In similar vein, the U.N. Economic Commission for Africa has stated that development plans "had little, if any, impact on the overall development of [West African] countries, and can at best be taken as an expression of the desires of governments or the hopes of small groups of experts."¹⁴ Helleiner has written of a disillusionment in Africa with the potentialities of planning,¹⁵ and I know of no African state which is currently engaged in a serious planning effort, in the sense of using its plan as guide to day-to-day policy decisions and the preparation of its budgets.¹⁶

None of this, of course, is to deny some genuine benefits. The creation of planning agencies and preparation of plan documents has surely had an educational effect among politicians and administrators, helping to define, and raise the understanding of, major policy issues. Planners do not spend all their time dressing windows and have certainly helped to raise the standard of policy decisions on matters such as project selection. Nevertheless, there has been a nearly perfect vacuum between the theoretical benefits and practical results of development planning. It is doubtful whether plans have generated more useful signals for the future than

would otherwise have been forthcoming;¹⁷ governments have rarely, in practice, reconciled private and social valuations except in a piecemeal manner; because they have seldom been operational documents, plans have probably had only limited impact in mobilising resources¹⁸ and in co-ordinating economic policies.

The profession cannot be criticised for being unresponsive on this situation. Much thought has been given to the sources of poor plan performance, with the following among the most commonly mentioned causes:¹⁹

- (a) Deficiencies in the plans: they tend to be over-ambitious, to be based upon inappropriately specified macro-models, to be insufficiently specific about policies and projects, to overlook important non-economic considerations, to fail to incorporate adequate administrative provision for their own implementation.
- (b) Insufficient and unreliable data; inadequate supplies of economists and other planning personnel.
- (c) Unanticipated dislocations to domestic economic activity, often due to external factors, such as adverse movements in the terms of trade or irregular flows of development aid.
- (d) Various institutional weaknesses: failures to locate the planning agency appropriately in the machinery of government; failure of communication between planners, administrators, and their political masters; the importation of institutional arrangements unsuited to local circumstances.
- (e) Various failings on the part of the administrative civil service: cumbersome bureaucratic procedures; excessive caution and resistance to innovations; personal and departmental rivalries; lack of concern with economic considerations (Finance Ministries are

a particularly frequent target, often said to undermine the planning agency by resisting the co-ordination of plans and budgets).

There is certainly ample evidence that each of these tendencies has contributed to the planning crisis, the precise combination varying over time and from country to country. But there seems to be a growing consensus among economists that yet another set of factors is the most important explanation: that "lack of government support for the plans is the prime reason why most are never carried out successfully,"²⁰ Seers, while also finding fault with administrators and economists, argues that "political forces encourage the production of pseudo-plans;"²¹ Tinbergen sees as one of the difficulties "that among politicians, probably as a consequence of our educational system, a preference exists for thinking in qualitative terms only;"²² and Myrdal refers to "rivalries between parties or ministers" as one of the major problems.²³

In the face, presumably, of the futility of advocating reformed political systems, most proposals intended to improve planning performance tend to be administrative or organisational. Myrdal perhaps come closest to advocating a political solution in arguing for "democratic", or decentralised, planning.²⁴ Helleiner also tries to grasp the political nettle, with the prescription that "those engaged in planning activities must be sufficiently close to the seat of political power to be relevant to the actual process of political decision making..." but sees the practical application of this largely in terms of "new institutions and personnel".²⁵ Consistent with his views on the baneful influence of traditional education, a U.N. committee headed by Tinbergen advocates "Intensified training of many persons involved;"²⁶ and Waterston's proposal for an "operational approach" to planning emphasises the use of annual plans tied into budgetary procedures and supplemented by "multi-annual sector programmes."²⁷

But despite economists' attempts to respond to the crisis, the large questions which have gone unasked suggest that the diagnoses and prescriptions just summarised have not been radical enough. If we think of planning as a way of raising the standard of government policies, how is it that politicians are generally seen as spoilers, for would it not be in their own interests to give development planning their full support?²⁸ Or might it be that the concept of development planning is one that could not, with the best will in the world, be built into the process of government because 'politics isn't like that'? Might it even be that a government really committed to the full execution of a plan could end up making worse decisions rather than better?

It might similarly be asked of those advocating administrative-type reforms to raise plan effectiveness, what makes them think these solutions to be feasible of attainment through precisely those political processes which are blamed for past failings? Are not deficient institutions and procedures an expression of the political system itself, not to be remedied without first or simultaneously instituting political changes? For example, the respective roles of the planning agency and the finance ministry reflect, in substantial part, a distribution of political power; is it useful, then, to make proposals for raising the relative influence of the planning agency while remaining silent on the distribution of power?

Economists have generally failed to ask such questions and, significantly, it was a political scientist who, on reviewing explanations for plan failures similar to the list given above, was led to observe that it "rather plainly add up to the conclusion that planning is more or less bound to fail, given the probability that many of these factors will be present in any situation of underdevelopment," and to urge that "Any useful conceptualisation of the planning process must start from a model of politics."²⁹ The record of past performance certainly does not suggest that we can ignore the possibility that effective planning may not be

feasible, so the next step is to take up Leys' point and examine the model of politics upon which the notion of development planning appears to have been built.

A planner's model of politics

This task, however, is one of combing the literature for hints and inferences, because the main characteristic of writings on development planning is the virtual absence of systematic discussion of the implications of planning for political systems, or vice versa, even though authors often insist that a plan is essentially a political document. Writers such as Lewis do have pithy things to say about politics but only at the level of shrewd common sense.³⁰ Virtually no attempt is made to use the analytical tools of the political scientist. Economists seem to find it more comfortable to get rid of this problem by treating politics as creating "boundary conditions" constraining the variation of targets and policy instruments.³¹ The result is a largely unarticulated view of political processes, which appears to owe the greatest intellectual debt not to the study of government but to economists' own theories of the behaviour of individuals and firms.³²

The starting point is an implicit assumption that governments normally seek to act in the national interest. This follows from a theory which establishes the case for planning largely to correct for the social defects of the market mechanism. The problem of social choice, as Arrow has pointed out, is that it needs public officials whose "one aim in life is to implement the values of other citizens as given by some rule of collective decision-making."³³ If ministers individually and collectively pursue personal or sectional, rather than national, interests they will merely be replacing the private valuations of the market by their own imposed private valuations, for we surely would not want to define as social any government valuation. So if plans are to reconcile private and social interests and if the objectives they incorporate are to provide a plausible proxy for a social welfare function then these objectives "must always have been considered as some version of 'the

general interest.³⁴

The analogy with a social welfare function draws attention to further assumptions we must make about governments and the men that form them. It is a standard formulation that a government must hand to its planners a set of objectives between which it will have priorities in situations of goal conflicts and trade-offs.³⁵ Note the implications: that governments collectively are clear about their economic objectives and are willing to have these articulated in a public document. We might also note that, while usually taking a properly positivist view that the formulation of objectives is a task for governments not planners, the idea of development planning rests upon the unstated presumption that 'development' will rank very high among the goals of economic policy. If development were to be subordinated to, say, price stability or the short-run maximisation of consumption there may remain a case for some sort of planning but not planning which takes development, as the first-order goal.

It follows from what has already been said that economists, if not explicitly, see ministers as role-oriented, as looking for the solution of problems through acts of policy. One of the merits often claimed for planning is that it enables problems to be anticipated and defined, and assists the selection of the most appropriate policy solutions.³⁶ So a rather high-minded view is taken: of politicians in power because of the good they can do, unafraid of problems, anxious to use their time and powers to solve them. The view is also taken that circumstances will be such that the government will be willing and able to undertake the large 'bunching' of decisions that is implicit in the conscientious adoption of a medium-term plan.

The influence of our models of economic man and the profit-maximising firm are fairly evident in our (usually tacit) assumption of governments as optimisers, seeking the best possible policy response to a given set of problems, wishing always to be consistent (if A is preferred to B and B

is preferred to C then ...), at least in the medium term. This is indicated by the heavy emphasis in the literature on macro-modelling, input-output, mathematical programming, and other optimising techniques.³⁷ Even more tacit, perhaps, is a belief that the politicians will see problems essentially as economists see them (if a problem were perceived in some radically different way there is clearly little likelihood that the policy response recommended by the economist would meet the needs of the politician), of which an assumption that politicians' time-horizons are distant enough for perspective and medium-term planning to be appropriate is a case in point. Another influence here is Tinbergen's work on the theory of economic policy: his sharp distinction between policy objectives and instruments is generally carried into the planning literature, with its implication that choices between alternative policy weapons are relatively value-neutral.

Economists' expectations that a government will have a clearly defined set of policy objectives in the medium-term also suggests the inference that governments will maintain a relatively high degree of internal unity. Without it there would be little chance of formulating a consistent, relatively settled and operational set of objectives, or of imposing the discipline of the plan on subsequent decisions. In the absence of harmony the prime task of political leadership would be to maintain an essential minimum of unity by continuous compromises, playing one group off against another, fudging contentious issues, re-shuffling the cabinet, and so on. The dynamics of such a situation would reduce the utility of medium-term planning; political time-horizons would not be long enough. It is unsurprising, therefore, that lack of government agreement on objectives and lack of unity within cabinets are among the reasons given for plan failures.³⁸

This line of reasoning can be taken a little further to point out the obvious, but generally unstated, fact that the notion of medium-term planning presupposes the absence of chronic political instability or, at least, a clear national consensus on what the objectives of economic policy ought to be, so that governments may differ in personnel but not in intent. If these conditions are not satisfied a

political document like a plan will survive only as long as the regime that spawned it. While essential to medium-term planning, the assumption of political stability or consensus is a strong one, rarely articulated in the literature.

The literature also has implications for the locus of power in society. The emphasis on the use of plans to produce a co-ordinated system of economic policies implies a relatively high degree of centralisation. If planning functions are delegated over a number of separate agencies the practical task of co-ordination becomes much more difficult, and inconsistencies and conflicts between these agencies become virtually inevitable.³⁹ It is true that writers on development planning have had a good deal to say in favour of regional planning but without being very clear about how to reconcile it with central co-ordination. In practice, as Waterston found, "regional planning has proceeded independently of national planning, with the result that a series of unintegrated regional plans has sometimes been produced, based on regional aspirations rather than available resources."⁴⁰ The underlying philosophy is for central planning, which is why Myrdal's proposals for "democratic" planning would represent a departure from the conventional type. The advocacy of central planning presupposes the existence of enough power at the centre to override regional and other sectional interests.

The same conclusion can be arrived at from another direction. If we take government objectives to have been considered "as some version of the general interest" we are by the same token assuming adequate powers at the centre to ensure that the general interest prevails over special interests. Or perhaps we are making the even stronger assumption that special interest groups will not pursue their own objectives when these are shown to be inconsistent with the general interest? Thus, Tinbergen advocates "distributive meetings" between planners and others⁴¹

"where the distribution of something - say, the building volume - over a number of interested groups - say the Ministries - is discussed and maybe even decided upon. This meeting tries to solve a

number of equations - e.g. those representing the condition of equal marginal utility of various uses made of one product...a comparison of the marginal utilities of different groups is involved - the central problem the structure of the social welfare or utility function..."

This description is remarkably different from any inter-Ministrial meetings I have ever attended; note the assumed subordination of the particular to the national interest, allowing utilities to be equalised at the margin.

The type of society that appears to be the most amenable to development planning, then, is a monistic one, as compared with a pluralistic society in which government policies respond to and seek to adjudicate between competing group pressures. As Leys puts it, if the central planners were given the powers needed to implement the plans, "the problem of political pluralism would have virtually disappeared."⁴² It is therefore no coincidence to find many of the weaknesses of Indian planning blamed upon competition between the rival pressure groups which are, however, but an expression of that country's parliamentary democracy.⁴³

The implicit assumption of monism has another facet, in its implication of relatively simple control relationships, with the centre issuing commands (laws) and the periphery passively implementing them. A centralised structure of authority would help plan implementation but would contradict a view of political leadership which sees a plurality of roles and a much more subtle interplay of responses between the leaders and the led.

This latter point and much that precedes it reveals a tendency in the literature to tacitly assume the state to be a highly efficacious agent of change and control. In fact, the derivation of a theory of planning from an analysis of market defects and failures rests upon the unstated presumption that when markets fail the state will do better. There is much talk of market failures; little, at least until recently, of government failures.⁴⁴

Some adversaries of planning, of whom this writer is not one, oppose it on the grounds that they distrust the motives and efficacy of central governments.⁴⁵ But it is not necessary to take this view in order to have serious doubts about the presumption of state efficacy, because it is a presumption that seems to require some extraordinarily strong assumptions about information flows and uncertainties. It requires governments and their administrators to have a sufficient understanding of the behaviour of the economy to be able to make accurate diagnoses of its weaknesses and to know with reasonable accuracy how it will respond to given policy measures. There would seem to be little case for medium-term planning except on the grounds that governments are faced with manageable degrees of uncertainty and can be reasonably confident of the consequences of their policy actions (including the absence of major unwanted second-order effects). This further implies a rather ample stock and flow of information and rather advanced capacity to process and interpret it.⁴⁶ It takes for granted (by failing to consider the opposite) that the costs of obtaining and processing the information would be exceeded by the benefits derived therefrom.

To sum up, it appears that the planner's model of politics would have us see governments as composed of public-spirited, knowledgeable and role-oriented politicians; clear and united in their objectives; choosing those policies which will achieve optimal results for the national interest; willing and able to go beyond a short-term point of view. Governments are stable in relatively monistic, undifferentiated societies; wielding a centralised concentration of power and a relatively unquestioned authority; generally capable of achieving the results they desire from a given policy decision. They are supported by public administrations with ready access to a very large volume of relevant information which they can process with efficiency. It is not clear how political scientists might classify such governments. Parliamentary democracy is most probably ruled out; so are the more repressive forms of dictatorship.

This view of politics raises major doubts about its realism and, therefore, its relevance. The next step, then, is to contrast the planner's model with the conclusions of political scientists, sociologists and others who have studied governments and their decision processes. It would, however, be contradictory to suggest a single behavioural model of government to cover the extreme diversity to be found among developing countries. The intention rather is to offer a few generalisations which can plausibly be regarded as having fairly widespread application to these countries.

Behavioural views of politics and decisions

The first generalisation is that, far from being monistic, society is often marked by considerable differentiation and severe social tensions, caused by differences of religion, caste, tribe, language, regional origin, education, and rather extreme inequalities of income and wealth.⁴⁷ Although pressure groups may not yet have achieved a high level of organisation, politics will, in varying degrees, reflect the competing interests within society and the art of government becomes essentially one of conflict-management. Due, however, to limited institutional and other capacities to resolve these conflicts peaceably, there is a more frequent tendency than in industrial nations for social conflict to result in violence and other extra-legal actions, and thus for greater political instability. Politics is likely to be competitive, although the competition often will not occur within a legal framework of electoral choice between opposed political parties.⁴⁸ The pluralistic nature of society will tend to result in a diffusion of power, geographically and among institutions,⁴⁹ and the first concern of a government and its civil service is likely to be the maintenance of its authority.⁵⁰

Non-industrial modernising societies... lack the powerful integrating thrust found in industrial societies. Social organisations are more chaotic and confused. Politics becomes the mechanism of integration, and authority is the critical problem confronting the leaders.

The 'arm of the law' is unlikely to stretch throughout society and there are likely to be rather large differences between laws and other commands issued from the centre and the actual conduct of civil affairs. In other words, there will probably be rather severe limitations on governments' ability to achieve what they want.

The next generalisation, one that scarcely needs elaboration, is that the planner's view of politicians as role-oriented and relatively disinterested is unlikely to be generally valid. If we view society as fragmented and its politics as an arena for competition between rival interests, it follows that many of its participants will seek to promote a particular rather than the general interest. Apart from promoting particular interests, they may not, moreover, see politics as a means of achieving specific policy goals.⁵¹

Partly members have as their chief motivation the desire to obtain the intrinsic rewards of holding office; therefore they formulate policies as means of holding office rather than seeking office in order to carry out preconceived policies.

Some would go further, viewing politics as aggrandizement, in which the chief concerns of those in power are "first, the enrichment of the government itself (i.e. of the ruler, of Ministers, of party leaders, of top civil servants, and possibly of numerous subordinate ranks of public officers and party workers), and secondly the buying of political support which will enable the government to maintain itself in power."⁵² My point is not to advocate a cynical view but rather to point out the un wisdom of taking an exclusively high-minded view of politicians. They may be at least as often concerned to evade issues as to confront them, and will often prefer to react to problems rather than anticipate them.

What is more, they may often be right in deferring action, in the real world of imperfect knowledge and large uncertainties. Thus, Rawls has proposed a 'principle of postponement' which holds that, "other things being equal, rational plans try to keep our hands free until we have a clear view of the relevant facts."⁵³ Certainly,

one generalisation which can be offered with confidence is that knowledge will be very incomplete, the more so the further ahead the decision-maker is trying to look. The existing stock of knowledge, the current flow of information, the capacity to absorb and interpret information - all these leave much to be desired in developing or, indeed, any other countries. Economists are well aware of this but have failed to recognise its uncomfortable implications for development planning. In a hit-or-miss world where there is only the most approximate grasp of how an the economy will respond to a given policy action and when that action will almost certainly generate unexpected second-order effects, it is by no means obvious that medium-term planning is helpful or fitting.⁵⁴ The standard answer would be that the remedy is to improve our knowledge rather than abandon planning, but are we entitled to assume that the benefits from acquiring the necessary additional knowledge (even if that were feasible) would exceed the costs of doing so? The recent growth of interest in the economics of information has not yet had much impact on the planning literature; and there is no treatment in it of the often acute time constraints within which government decision-makers normally operate and the large costs, therefore, of decision procedures which fail to economise on time. What is clear is that the often acute state of uncertainty in which policy has to be formulated will tend to shorten time horizons in a manner inimical to medium-term planning.

Acceptance as the general case of a society which is fragmented, in which the role-orientation of politicians cannot be taken for granted, and in which most policy decisions have to be made in the presence of large uncertainties, has a number of far-reaching implications for the way in which we ought reasonably to view governmental processes. The first is that the notion of a national interest (and a social welfare function) becomes fuzzy to the point of uselessness. Pluralism implies the fragmentation of influence and decision making over numerous agencies, each with its own way of perceiving problems, its own preferences and priorities. This inevitably gives rise to multiple and conflicting objectives. In consequence,

governments normally stick to a high and non-operational level of generality when stating their objectives and are most reluctant to specify with any precision what priorities they attach to each of these.⁵⁵ Indeed, one of their objectives may be to conceal what their true objectives are.⁵⁶ Moreover, the interplay of interest groups, agencies and personalities will result in a constantly-shifting balance of preferences,⁵⁷ giving the ideal of a long-term or even medium-term policy perspective a rather utopian quality - a tendency made all the stronger because the working-out of past policies will provide an input into the further definition of problems and goals. The existence of multiple objectives will also tend to undermine the rather sharp distinction that economists generally make between goals and policy instruments, for what is regarded simply as an instrument by some may be regarded by others as having at least some of the qualities of a goal (e.g. policies relating to parastatal organisations, incomes and the exchange rate).⁵⁸ This further obscures the concept of the social welfare function and complicates yet more the formulation of policy.

It is for reasons such as these that concepts like the national interest and the social welfare function quite fail to provide either an operational or a philosophical basis for the normative economics of planning. In this respect political philosophers, who have generally abandoned the use of such abstractions, are in advance of welfare economists, still stuck with them. Quite apart from the problem of inter-personal comparisons, the problems of identifying interests, somehow converting these into a national interest, and then translating this into policy actions are insuperable. The answer is not to be found in the interests of the majority, for:⁵⁹

We often think it right, for example, to tax the majority to relieve a needy minority; and we should condemn majority action if it took no account of suffering inflicted on the few, merely because they were a few.

It is equally invalid to argue that a party elected into office has a mandate to execute the programme on which it fought:⁶⁰

The electors' will is limited to the single question decided at the poll: Who shall govern? Nothing can be inferred beyond that. To say that a party programme has been endorsed by the electorate - or even by a majority of the electors - is highly misleading, for no-one can say how many voted for the party despite any given item, or even despite the entire programme. The mandate theory is capable of a negative application at best: one can say of any given proposal of a victorious party only that it was not so unpopular that it cost the party the election. That is scarcely an electoral authority to proceed.

How much more intransigent these problems become in the political systems of most developing countries, commonly lacking meaningful elections and institutional arrangements that "encourage consultation, negotiation, the exploration of alternatives, and the search for mutually beneficial solutions."⁶¹

All this means the end of optimisation, for that ideal presumes the existence of agreed criteria by which an act of policy may be assessed, and also at least a large probability that an act will have the consequences it is anticipated to have. Decision-making in the face of major social divisions becomes a balancing act rather than a search for optima; a process of conflict-resolution in which social tranquility is a basic concern rather than the maximisation of the rate of growth or some such. Indeed, one of the further implications of the foregoing is that economic objectives, including 'development', are likely to come lower on the pecking order of government concerns than the case for development planning implicitly assumes. The maintenance of government authority and social peace will tend to be the dominant themes, and acceptance of a 'development' objective is likely to be conditional on the extent to which it furthers these higher-priority, 'non-economic' concerns. Yet another implication is that consistency is not necessarily to be taken as a norm of the rationality of government policies, for the maintenance of authority

and the balancing of competing groups may well force governments to twist this way and that, simultaneously pursuing apparently contradictory policies.⁶²

To the dynamic tensions of conflict-resolution and the pervasive facts of ignorance and uncertainty, we might add the further consideration, familiar in other branches of economics, that man (and therefore man-managed institutions) quite lacks the intellectual equipment to pursue the kind of optimising rationality that is often assumed of him in economics (and of governments in development planning).⁶³ The reality is what Simon has called the 'principle of bounded rationality':⁶⁴

The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behaviour in the real world- or even for a reasonable approximation to such objective rationality. Man (including politicians and public servants) responds by simplifying, by narrowing the range of alternatives considered, by economising on information and its costs - in a word, by abandoning optimisation:⁶⁵

There is every evidence that in complex policy situations, so-called decision makers do not strive to optimise some value nor is the notion of optimisation a useful way of ordering and analysing their behaviour regardless of their intentions.

To borrow from the modern theory of the firm, we have to view governments as 'satisficers' - as pursuing solutions that are 'good enough', as being satisfied with any of a range of possible outcomes, as placing a premium on risk-avoidance and flexibility - a point well conveyed by the cliché that politics is the art of the possible. Satisficing offers this flexibility by being defined in terms of aspiration levels which are constantly adjusted in the light of past attainments and changing perceptions of future possibilities. It probably biasses decisions in favour of incremental rather than structural change, for major transformations create new uncertainties and conflicts which are often difficult to anticipate.⁶⁶

All in all, then, it seems that a realistic view of politics and decision-making in developing countries conflicts at almost every point with the, largely implicit, model of politics adopted by proponents of development planning, summarised at the end of the previous section. Governments will not have clear and stable objectives, but the resolution and avoidance of social conflicts and the maintenance of their own authority are likely to be among their main preoccupations, with a consequential demotion of the development objective. The fragmentation of power and the large uncertainties surrounding many decisions make the notion of optimisation rather useless; the uncertainties and the fact of political instability also make for shorter time horizons than would be compatible with medium-term planning. A view of policy formation as a process of continuous adaptation also subverts the idea of planning for the medium-term. The role-orientation of politicians cannot be taken for granted; nor are we entitled to assume that planning is, or could be, used to assert social values, or the national interest, over market imperfections. The intention here is not to assert a monolithic model of politics in low-income countries in direct opposition to the planner's model; merely to suggest that the points made in this section are aspects of the scene of which we ought to take note.

If we do so, the 'the prevalence of pseudo-planning' is no longer much of a mystery. It is suggested that economists' conceptions of development planning are based on a view of politics so far removed from the realities as to vastly reduce the operational utility of the concept. For the most part, governments do not and could not function in the manner implied in the literature, and so that type of activity which has come to be called planning is inevitably rather unrelated to actual day-to-day decision making.

But besides questioning the practicability of development planning as it was described early in this article, it is also worth asking whether, if planning were feasible, it would promise to be an efficient instrument of government policy. The analysis has emphasised decision-making as

a continuous and interactive process, in which decisions are phases of an ongoing controversy rather than analytically discrete entities. Today's decisions will often impinge upon our freedom to act in the future,⁶⁷ and the consequences of today's decisions will likely throw up new problems which in their turn call for a policy response. Similarly, we must expect a situation in which ends are adjusted to means, as a result of reappraisals in the light of past experiences with policies, just as means are tailored to ends;⁶⁸ and we require a decision system flexible enough to accommodate many uncertainties and a situation in which, for lack of information, it is often rational to postpone decisions until uncertainties are reduced.⁶⁹ Although it is a paradoxical criticism of something that has been described as injecting the time factor into policy analysis,⁷⁰ it seems that medium-term development planning, as it has come to be understood, is not well equipped to efficiently accommodate the dynamics of decision-making.⁷¹

Instead we might borrow from the ideas of cybernetics and think in terms of a system which is continuously adjusted in the light of feedback information on the consequences of past actions, where by feedback we mean "a communications network that produces action in response to an input of information, and includes the results of its own actions in the new information by which it modifies its subsequent behaviour."⁷² Indeed, it has been suggested, in a different context, that a modern 'cybernetics approach' to planning would not be very different, in its sensitivity to feedback, from muddling through.⁷³

Conclusions

Aside from the last two paragraphs, the argument developed here has been directed to the practicability of planning and has left much of the theoretical case for it substantially unscathed. There remains an obvious need for taking an overall view of economic policy, for studying the inter-actions between policy instruments and, where it is politically feasible, for co-ordinating them. There is still

a need to try to anticipate problems and thus de-fuse them; and to understand the future implications of present actions, within the limits of our knowledge. Above all, there remains a need for a vehicle, albeit a Trojan Horse, that will permit 'the economic point of view' to be represented in the councils of government, and planning may be such a vehicle. The issue, then, is not whether planning is desirable but what can be rescued from medium-term development planning that is also feasible.

What the argument suggests is that it would be more fruitful to think of planning as a continuous input into official decision-making processes, rather than as a discontinuous, once-every-five-years, output of the system. One of its chief functions would be to reduce the uncertainties surrounding major economic problems and thus widen the scope for improved, more 'rational', decisions, when there are reasonable grounds for thinking that the benefits of this action would exceed the costs. Another would be to focus on advising the government on the best first move in any situation,⁷⁴ on improving the flow of feedback information, on monitoring progress, and on advising what adjustments the feedback indicates to be desirable.

There is no question, on the other hand, but that this type of change would provoke strong intellectual resistances. Economists will surely resist the conclusion presented here that optimisation has little practical meaning and, therefore, that sophisticated optimising techniques, while they may be valuable for purposes of academic analysis, are largely useless as devices for influencing the future. Yet, the attention bias induced by economists' preoccupation with the use of macro-models and input-output analysis - and with the elegance and internal consistency which they offer - has surely harmed the cause of planning by contributing to the neglect of political realities and the mundane specifics of everyday policy formation. Of course, these techniques will retain a place in the equipment of the economic adviser, but it is a place that deserves to be more modest than it has been in the past.

A further implication of the argument has been to throw a large doubt over the practical usefulness of the notion of a long-term development strategy.⁷⁵ In principle this remains a most attractive idea, from which real benefits could be achieved, but in the fluxing kaleidoscope of social tensions, conflicting interests and - probably - changing governments (to say nothing of the unpredictability of the outside world), can it be given any practical meaning? Only, it would seem, if there is a broad consensus about the desired long-term nature of society, but reasons have been given for believing that such a consensus rarely exists. Perhaps the most that can be hoped for is that it will be possible to devise strategies for particular aspects of socio-economic policy whose nature virtually demands a long-term perspective, as in the case of population, manpower and educational planning.

Planning, then, is seen partly as a way of insinuating (or maintaining) a corps of economic advisers into day-to-day governmental decision-making, and this corps as one of a number of groups competing for influence within the system. But, as Leys point out,⁷⁶ economists in government often fail as a group because they lack discrimination - "pursuing very ambitious goals in all sectors at all times" - because they are often poorly located within the system, and because of an attention bias which predisposes them to neglect political realism in the search for technically optimal solutions.

Greater effectiveness would probably result if economic advisers attended more to the resources which they as a group could deploy within the decision-making system and to identifying the key leverage points in the system upon which they should concentrate. Their resources might include possession of expertise and information valued by governments and their civil services; their ability to produce certain kinds of outputs (briefings on the state of the economy, submissions to the World Bank and I.M.F.) beyond the competence of the administrative civil service; a superior ability to marshal persuasive arguments on questions of economic policy; and power to provide, or withhold, legitimisation for certain

types of expenditure (e.g. as a result of project appraisals). In plain words, economists have to earn their influence by proving their practical value to governments - in a way that they often fail to do through preoccupation with the preparation of plans.

The profession, it is true, has given thought to the question of leverage points, and there has been extensive discussion on the best status and location of planning agencies.⁷⁷ But this conceptual framework is not well suited to a recognition that there are likely to be a number of important leverage points where it would be valuable to have economic expertise, and that there are likely to be many circumstances in which to concentrate such expertise in a planning agency would not be the most effective deployment. One of the costs of development planning has been precisely that it has tied economists to a relatively unproductive agency when they could have been far better employed in budget bureaus, commerce ministries, finance corporations and so on. In fact, the finance ministry offers itself as a natural leverage point for economists. Budgets are of critical importance politically and for economic policy, both macro and micro, and many of the resources of government are devoted to its implementation. It is thoroughly built into the decision process and provides obvious opportunities for economists to deploy the resources at their command.

Should planners still produce plans? The trend of the argument runs against preparing plan documents, but probably the most general answer is that it all depends on how badly governments feel that they need a plan. If governments want a plan badly enough then ability to produce it becomes one of the economist's resources in seeking to influence policies. In such situations the general principles should be to keep the plans as flexible as possible (which favours annual plans⁷⁸), and to avoid devoting such a concentration of expertise to their preparation that other leverage points become seriously neglected.

Lastly, it is tempting to see a more general lesson for economists in the analysis of this paper. The planner's model of politics presented earlier had three major characteristics: (1) it was largely unarticulated, being derived mostly by inferences from the literature; (2) it was nevertheless rather obviously a normative rather than a descriptive view;⁷⁵ and (3) it incorporated a very high degree of abstraction from observed behaviour. The reason for these, it is suggested, was the convenience of the profession. Our model of politics was left inexplicit because if we had to articulate it and still be taken seriously as policy advisers we would surely have had to narrow the gap between the model and observed behaviour. But reducing the level of abstraction in that way would bring us face to face with the substantial irrelevance of much of the planning literature and many of the techniques with which it is replete. As Loasby put it in relation to theories of the firm, behavioural theory⁸⁰

has no use for traditional basic concepts: optimisation has no usable meaning; economists' heavy investment in calculus becomes redundant; equilibrium is not defined; and there are no general analytical solutions.

Thus, one might see the case of development planning as an illustration of a paradigm crisis that confronts economics on a much wider front, in which the returns from our 'investment in calculus' are dependent on a level of abstraction from the real world, and a disciplinary specialisation, which threatens to undermine the social usefulness of our profession and our claims to serious attention as policy advisers. I would urge that it is fundamentally irresponsible to offer policy advice while abstracting in such high degree from political realities; that we would benefit from being more explicit when making assumptions about political processes; that we should narrow the gap between our prescriptive view of politics and the real world; and that in doing so we should consider the possibility that other social sciences might have useful things to say. Hopefully, this article has given some support to the latter proposition.

FOOTNOTES

1. Waterston, 1966, p. 8, for example, defines planning as "an organised, intelligent attempt to select the best available alternatives to achieve specific goals."
2. For examples of this type of formulation see Tinbergen, 1964 pp. 42-3; Waterston, 1972 pp. 83-6; and Lewis, 1966 passim.
3. P.T. Bauer, 1971 chapt. 2A.
4. The earliest and most recent writings on this subject start from this basis. For examples see Lewis, 1951 chapter 1, and Griffin and Enos, 1970 chapter 2.
5. Meade, 1970, provides a sophisticated theory of planning along these lines, in which planning becomes a mimicry of comprehensive forward markets, although he is not specifically writing about low-income countries.
6. Scitovsky, 1954 pp. 305-6. See also Rosenstein-Rodan, 1943 p. 248, and Dobb, 1960 chapter 1.
7. Tinbergen, 1955 p. 68 and passim, is among those who emphasise the importance of seeing economic policies as a co-ordinated system.
8. Waterston, 1966 p. 293.
9. Seers, 1972
10. Healey, 1972 p. 761.
11. Myrdal, 1968 p. 732. Not all would agree about the effectiveness of planning even in these cases, for Hanson's 1966 study of Indian planning drew attention to numerous failings and Gadgil complained at about the same time of a "total absence of a policy frame" in Indian planning (quoted by Minnas, 1972 p. 23).
12. For evidence of a decline in the seriousness of Indian planning after 1964 see the report by Lipton, 1972.
13. From a report to a ministerial meeting of the Inter-American Economic and Social Council of May, 1969; quoted and translated by Powelson, 1972 pp. 196-7.
14. U.N. Economic Commission for Africa, 1966 p. 73 (author's emphasis).
15. Helleiner, 1972 p. 333.
16. For an examination of the planning experience in Ghana see Killick, 1975 chapter 6. This arrives at preponderantly negative conclusions about plan effectiveness...
17. In ibid I argue that Ghana's Seven-year Plan gave such misleading signals about the future as to induce substantial over-investment in manufacturing, with consequentially adverse effects on capacity utilisation.

18. Except to the extent that the existence of plan documents has induced aid donors to be more generous - a factor which has been significant but is becoming less so.
19. To avoid a wearisome number of detailed references, the reader is referred for examples of the following points to Waterston, 1966 chapter VI to IX, and Faber and Seers (eds), 1972 passim. See also Powelson, 1972; Tinbergen, 1964; and Myrdal, 1968 chapter 15.
20. Waterston, 1966 p. 340.
21. Seers, 1972 p. 24.
22. Tinbergen, 1964 p. 43
23. Myrdal, 1968 p. 732.
24. Myrdal, 1968 chapter 18 passim.
25. Helleiner, 1972 pp. 354 and 347.
26. Tinbergen, 1972 p. 160.
27. Waterston, 1972 passim.
28. For one politician who thinks so, see Williams, 1972 p. 40.
29. Leys, 1972 pp. 56 and 60. The discussion of his paper, summarised in the same volume, certainly seems to justify Leys' complaint about how difficult other social scientists find it to communicate with economists (p. 79).
30. See especially Lewis, 1965.
31. For example, in Tinbergen, 1967 (A) p. 59.
32. Simon, 1957 p. 241, represents economic man as being assumed to have "knowledge of the relevant aspects of his environment which, if not completely absolute, is at least impressively clear and voluminous. He is assumed also to have a well-organised and stable system of preferences, and a skill in computation that enables him to calculate, for the alternative courses of action that are available to him, which of these will permit him to reach the highest attainable point on his preference scale." The reader will recognise many similarities between this account and the following description of a planner's model of government. Simon goes on to note a complete lack of evidence that individuals has the capacities economists assume them to have.
33. Arrow, 1963 p. 107, quoting Bergson with approval.
34. Tinbergen, 1952 p. 69.
35. See, for example, Griffin and Lnos, 1970 p. 31ff.
36. See Tinbergen, 1964 p. 42-3 for an illustration.

37. See especially Chenery (ed.), 1971, and Todaro, 1971. Also Lewis, 1966 Part III, and Tinbergen, 1967 (B) chapters 5-9.
38. See Waterston, 1966 p. 318, for example. The same writer's study of planning in Morocco concluded that the besetting problem was "the lack of basic agreement about what the national interest requires and the consequent absence of a consistent development policy." (Waterston, 1962 p. 49). Chai, 1972 p. 130, relates a deterioration in plan implementation in Kenya to "a weakening of the political unity, and factional bickering in the ruling party."
39. For reasons of this type, the successful use of programme budgeting has been associated with increased centralisation of decision-making powers (McNamara's tenure in the U.S. Department of Defence being the most celebrated illustration) - and has been attacked on the same grounds: see Burkhead and Miner, 1971 chapter 6.
40. Waterston, 1966 p. 407.
41. Tinbergen, 1964 p. 99
42. Leys, 1972 p. 71.
43. See Hanson, 1966 pp. 526-7 and passim; also Prasad, 1972 pp. 82-6
44. Not in writings specifically on planning, that is. Elsewhere, there is growing realisation of the limited efficiency of governments in many low-income countries, of which Little et al, 1970, and its companion volumes, is a well known example.
45. P.T. Bauer, for example, opposes planning because it tends to add to the power of the state - see P.T. Bauer, 1971 pp. 69-95.
46. Imagine, for example, the vast informational requirements of Tinbergen's scheme for the determination of an "optimum policy":
 - " (i) the fixation of a collective preference indicator;
 - (ii) the deduction, from this indicator, of the targets of economic policy generally;
 - (iii) the choice of 'adequate' instruments, qualitative and quantitative;
 - (iv) the determination of the quantitative values of the instrument variables, as far as such instruments are chosen and
 - (v) the formulation of the connections between (a) the relation between targets and quantitative values of instrument variables on the one hand and (b) the structure of the economy studied on the other hand."

(Tinbergen, 1955 p. 4).

47. In support of the propositions in this paragraph see Dahl, 1970 chapter 6 and sources quoted there.
48. Leys, 1972 p. 60.
49. Although less than in industrial societies such as the United States, where it has been estimated that there are more than 100,000 governmental units (Lindblom, 1959 p. 175).
50. Apter, 1965 p. 42.
51. Downs, 1957 p. 296.
52. Rimmer, 1969 p. 201.
53. Rawls, 1971 p. 420.
54. Even in industrial countries, where conditions are much more favourable to accuracy, there are often large discrepancies between planned, or forecast changes and actual events. On this see Theil, 1961, especially chapter 3. His Table 3.13, for example, shows very large discrepancies between predicted and actual changes in macro-economic variables in the Dutch economy. In relation to the U.S. Federal government, Wildavsky, 1964 pp. 47-8, observes that "budget officials soon discover that... possible consequences of a single policy are too numerous to describe, and that knowledge of the chain of consequences for other policies is but dimly perceived for most conceivable alternatives."
55. Thus, Tinbergen summarised governmental responses to questionnaires that virtually all governments have as their economic goals "to increase national income, to improve the employment situation, to achieve and maintain balance of payments equilibrium, to achieve and maintain price stability, to obtain a more equal distribution of income among individuals, and to obtain a balance regional economic development." (Tinbergen, 1964 p. 36 and Table 7). All were on the side of the angels but, needless to say, no indication was given of the relative weights that would be attached to these goals in face of the manifest certainty that they would come into conflict with each other.
56. This is not necessarily to take a cynical view, for the use of stealth can be a legitimate weapon of politics. Consider, for example, the manner in which General de Gaulle was brought to power and his subsequent actions in Algeria.
57. To quote Wildavsky's study of the American Federal budget system again (1964, p. 47), "budget officials soon discover that ends are rarely agreed upon and that they keep changing..."
58. See Streeten, 1972 chapter 4, for a critical discussion of the goals - instruments distinction.

59. Benn and Peters, 1959 p. 273.
60. ibid p. 345.
61. Dahl, 1970 p. 62. That circumstances such as these create particularly acute difficulties for the definition of the general interest may be inferred from Arrow's argument, 1963 p. 91, that "we may expect that social welfare judgements can usually be made when there is both a widespread agreement on the decision process and a widespread agreement on the desirability of everyday decisions."
62. "To the extent that fragmentation achieves an aggregating of values, it does so by processes involving widespread conflict among various decision-making centres. The conflict often takes the form of conflicting or inconsistent government policies. It is therefore not appropriate to postulate as a norm that public policy be consistent, or to take inconsistency in public policy as symptomatic of irrationality... what is often called irrationality in government is sometimes to be desired." (Lindblom, 1959 p. 179). See also Cyert and March, 1963 p. 116, who argue that organisations achieve 'quasi resolutions' of conflicts among goals by attending to different goals at different times, solving one problem at a time.
63. "A comparative examination of the models of adaptive behaviour employed in psychology (e.g. learning theories), and of the models of rational behaviour employed in economics, shows that in almost all respects the latter postulate a much greater complexity in the choice mechanisms, and a much larger capacity in the organism for obtaining information and performing computations, than do the former." (Simon, 1957 p. 261).
64. Ibid, p. 198.
65. R. Bauer, 1968 p. 2
66. I particularly have in mind the 'strategy of decision' propounded in opposition to economists' optimisation models by Lindblom, which he calls the 'strategy of disjointed incrementalism', although this is less applicable to developing countries than to the American case, by which it is strongly influenced. See especially Braybrooke and Lindblom, 1963 chapter 5.
67. "Cabinet papers may apparently crystallise an apparent moment of choice, yet that choice may in a sense only register a minor option in an outcome which was broadly determined by 'increments' of decision at other points in the system at earlier stages." (Leys, 1972 p. 60).
68. Popper, 1945 pp. 138-44, urges this point of view.
69. A point entirely missed by Waterston (1972, p. 89) when he regrets the "preference of many political leaders for maintaining investment options in their own hands and for improvisation..."

70. Elliott, 1958 p. 67, for example, talks of economic planning as injecting "the time factor and the problem of process into the centre of economic analysis."
71. Thus, in an analysis of rural development projects in Kenya, Holmquist, 1970 p. 228, point out that "There is a popular conception of planning which sees the acceptance of a plan as the 'big' decision which in turn determines the policy outcome. But this...ignores the fact that fundamental policy decisions are made during, as well as prior to, implementation."
72. Deutsch, 1966 p. 88 (*italics omitted*).
73. R. Bauer, 1966 pp. 7-8
74. I have borrowed this idea from Cohen and Cyert, 1965 p. 313
75. Seers, 1972 p. 32, however, disagrees, arguing that the term planning should be used "for drawing up a central strategy with priorities for the longer term, and seeing that it is carried into effect..."
76. Leys, 1972 pp. 61-2.
77. For example, see Waterston, 1966 chapter XIII.
78. Economists have generally argued against reliance on annual plans and it is interesting that its main advocates include an economic administrator (Waterston, 1972 *passim*) and a political scientist (Leys, 1972 p. 66 ff.).
79. Thus, Tinbergen, 1955 pp. 74-6, takes a strongly moralistic view of "Personal hobbies or aversions; animosities between various offices, directorates, ministries or countries" as among the influences that "intervene wrongly" in the formation of policy. Recall also his assertion that government objectives "must always have been considered as some version of 'the general interest.'" Griffin and Enos, 1970 p. 185, provide a more recent example of the normative nature of economists' writings on politics, prefacing their discussion of plan implementation and organisation with the statements that "Government must assume a positive role in development. It cannot be content merely to 'hold the ring' while others fight...if Government is to contribute to progress rather than retard it it must be properly organised."
80. Loasby, 1971 p. 882.

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