

# Planning Procedures in Pakistan

FRED C. SHORTER\*

Because economic plans are made by ministers, civil servants, and engineers, as well as by economists, it would be arrogant to expect planning procedures to conform strictly to the rules of economic analysis. Nevertheless, as professional men, we would like to know how much use is made of the economist's techniques and, where none are used, to consider what techniques could be recommended to the planners. A paper concerning this problem was recently prepared in the Institute of Development Economics by Professors Fei and Ranis<sup>1</sup>. The first part of this paper is a comment on their work.

The accumulation of knowledge requires criticism, but it also requires fresh hypotheses. In the second part, I have outlined the Pakistan Planning Commission's planning procedure as I have been able to infer it from Commission documents and conversations with individuals who participated in the preparation of the Second Plan. This report is preliminary, because I have not studied all the documents that could be made available, nor have I gone deeply into details of the procedure. My reasons for publishing such an analysis at this time are to draw attention to certain procedural problems whose treatment has important effects on the end result of the planning process and to offer my encouragement to anyone who would undertake the further study which this planning experience deserves.

## I. The Fei-Ranis Methodology

The authors say that they found "scant explicit evidence. . . of a clearly defined planning procedure" in the published documents of the Commission<sup>2</sup>. Their statement refers only to published material (apparently the *Second Plan Outline* alone), and they have not looked further into the experience of the Commission to discover whatever procedure might have existed. Fei and Ranis approach the problem from a theoretical point of view. They suggest that certain problems necessarily arise in the formula-

---

\*The author is Assistant Professor of Economics at Princeton University.

1. John C.H. Fei and Gustav Ranis, *A Study of Planning Methodology with Special Reference to Pakistan's Second Five-Year Plan*. Monographs in the Economics of Development, No. 1, June, 1960. Briefly noted in *Economic Digest*, III (3) Autumn, 1960, p. 9-10.

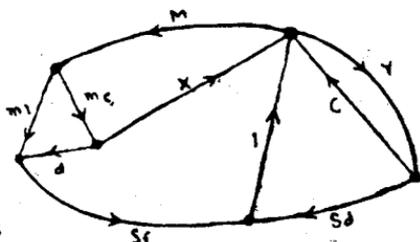
2. *Ibid.*, p. 1.

tion of plans. Then they recommend a procedure to handle them. Because they have not studied the Commission's actual planning processes in detail, they are uncertain regarding the extent to which their procedure was used by the Commission. They use the data of the Second Five-Year Plan Outline to illustrate, but not to infer, the technique.

Their first step is to specify a system of social accounts and they use the accounts of the Second Plan for this purpose. It is conducive to appreciating the interconnections of the economy to present the accounts visually in simple diagrams as Fei and Ranis have done, although the technique cannot be used below a certain level of aggregation without becoming too complex for visual comprehension. Their most highly aggregated case is reproduced below<sup>3</sup>:

### *The System of Social Accounts*

Y	=	Gross national product
C	=	Consumption
I	=	Investment
S <sub>d</sub>	=	Domestic savings
S <sub>f</sub>	=	Foreign savings
M	=	Imports
X	=	Exports
m <sub>i</sub>	=	Imports of capital goods
m <sub>c</sub>	=	Imports of current goods
d	=	Deficit on current account



The Fei-Ranis methodology is built around the system of identities connecting the various flows at each dot. First, they point out a characteristic of all systems of social accounts. If the magnitudes of a limited number of accounts are known, the rest can be calculated from the accounting identities. Consequently, they suggest, it is possible to simplify the planning problem by confining attention to a limited number of variables (accounts) when constructing the plan. The procedure is to fill in a "basic set", just sufficient in number to permit calculation of all the remaining accounts as well. An example of the technique is reproduced below:

### *Procedure for Constructing the Plan*

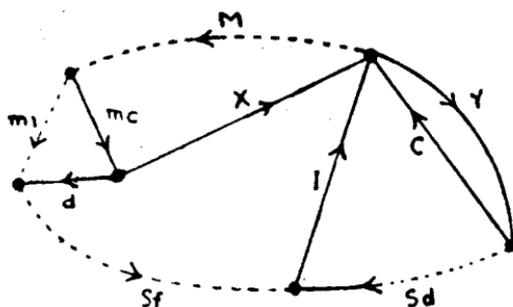
#### 1. Select five conditions:

Y	=	Y <sub>0</sub>	Fixed by political considerations
X	=	X <sub>0</sub>	Fixed by foreign demand
C	=	ø (Y)	} Three behavioral relations
I	=	k (Y)	
m <sub>c</sub>	=	f (Y)	

3. *Ibid.*, Diagram 2.

## 2. Complete the model:

Solid lines are given by the selected conditions. The remainder follow by arithmetic. For each dot there is a corresponding identity, so that the total of all money inflows equals the total of all money outflows.



The initial five conditions are selected from a large array of equations similar to those shown in the example. With a 10-variable system, there are 69 alternative sets that could be selected according to the authors. For example, one of the conditions used above,  $m_c = f(Y)$ , could be replaced by a different behavioral relation,  $m_i = g(I)$ , in the basic set. The important thing is *not* to take both relations into account when constructing the plan. If that error were made, the import component of investment would be determined in two ways: (1) From the behavioral relation; and (2) From the accounting identities after inserting the import component of current output,  $m_c$ . It would be sheer coincidence if the same answers for  $m_i$  were obtained both ways. The possibility of such logical inconsistency is avoided by ignoring all economic relationships beyond the basic number used to complete the accounts.

Fei and Ranis suggest that the Second Plan was actually constructed in this way. They also surmise that the Commission based its plan on the five conditions listed in the example given earlier<sup>4</sup>. The question of whether these suppositions about the Commission are correct can be approached in two ways. One is to make an independent survey of the Commission's procedures. This will be done in the second part. The other approach is to consider whether the Fei-Ranis methodology is capable of producing a plan of the type made in Pakistan<sup>5</sup>.

4. *Ibid.*, p. 10.

5. An answer to this question would be helpful, also, in evaluating Panchamukhi's analysis of India's Third Plan. He uses the same approach as Fei and Ranis. See: V. R. Panchamukhi, "On Planning Methodology of the Third Five-Year Plan" in *The Asian Economic Review*, February, 1961, p. 113-122.

Capability has to be judged in terms of what is to be done. In the Pakistan plans, the Commission has attempted to formulate an adequate, orderly, and consistent set of actions to achieve results which are expected to be, in some value sense, optimal<sup>6</sup>. In their broadest sense, the actions of the plans are strategies. In their details, they are such things as allocations of rupees of public investment to fertilizer factories or the imposition of a system of import surcharges. The instruments of the plan are government actions. And the expected results of these actions are such things as an improvement in the rate of growth of income. Both the actions and the expected performance of the economy over the plan period are presented in the plan document.

The part of the planning problem to which the Fei-Ranis procedure apparently applies is the formulation of the aggregate social account magnitudes. In the plan document, the corresponding figures are those which describe expected economic performance over the plan period. Whether the Fei-Ranis model can successfully describe a planned development outcome depends upon the equations used. In this case, the critical equations are the "selected conditions". Going back to the earlier example, Y is a politically determined variable. X is taken as determined by foreign demand<sup>7</sup>. Concerning the three behavioral relations, the authors say that each one "... must be the end-product. ... of some observed and empirically testable behavioristic relationship between economic variables. ..."<sup>8</sup>. They specify further that the first behavioral relation is "of the Keynesian variety" and the last two are "of the engineering variety"<sup>9</sup>. These definitions appear to mean that the three behavioral relations describe existing economic realities as the planners find them. In that case, they are comparable to forecasting equations when no fresh policy interventions are assumed to be imposed on the economy.

---

6. In order to judge independently whether the Commission succeeded in producing an optimum bundle of actions and expected results, the reader of the plan document would need to supply his own information concerning alternatives. He could also consider whether the planning procedure was capable of discovering an optimum. In the latter connection, the second part of this paper should be helpful.

7. The question of how much simplification is possible without destroying the usefulness of an otherwise appropriate model does not concern me at this point.

8. Fei and Ranis, *op. cit.*, p. 10. The entire paragraph says: "We can now afford to be a bit more precise about the nature of the independent conditions we are permitted to select in determining the values in our basic set. Such conditions must be the end-product either of some observed and empirically testable behavioristic relationship between economic variables or of an estimation based on information from outside the system. In other words we have a choice between behavioristic equations and exogenous variables."

9. *Ibid.*, p. 13.

When this set of equations, including the identities, is solved, a "plan" is produced, but only in a very restricted sense. Five magnitudes— $Y$ ,  $X$ ,  $C$ ,  $I$ , and  $m_c$ —are all accepted as given by forces beyond the influence of the planners. This restriction prohibits the planners from prescribing actions to alter, for example, the relationship between consumption and income. In other words, no new tax proposals! And  $Y$  cannot be disturbed either. This rules out any reconsideration of the political target after the costs of reaching that target are found out. Thus, the planning technique itself drastically limits the range of action instruments and target choices which can be considered. This methodological consequence is not inherent in the problem and is avoided by other procedures such as the one actually used by the Commission.

The next question is whether the model as a whole describes a reality that can be expected to materialize during the plan period. The problem in this respect is that the model includes an independent variable fixed by political considerations—*i.e.*  $Y$ . Thus,  $Y$  is *not* calculated as an expected consequence of some planned government actions plus the continuing behaviour of the economy, but is itself "independent". It would be a remarkable (and fortunate) coincidence if the target  $Y$  could be realized without fresh intervention in the economy. So long as the model makes no explicit provision for policy variables, it has no machinery for its own fulfilment. Consequently, it is of little use to planners whose principal task is the formulation of a programme of intervention rather than the passive acceptance or description of existing conditions and aspirations.

The most that can be said for the model is that it tells what size certain residually determined magnitudes would have to be to achieve the target  $Y$ . In the earlier example, a certain amount of foreign savings,  $S_f$ , would be required. And the import component of investment,  $m_i$ , would have to be kept at a certain figure. Policies could be devised to influence some of these figures, but it will usually be found that the policies also influence other figures, too, including the independent ones. For example, any effort to control the import component of investment will usually affect the productivity of investment and, consequently, alter the investment-income relationship. When models utilize a system of identities as this one does, a problem of cross effects frequently arises. The variables are not truly independent of each other and so cannot be handled analytically as separate entities connected only through the equations of the system.

The model advises the planner to control certain magnitudes, such as the  $m_i$  just discussed. But it does not tell him how to do so. In fact, the model is positively misleading. If action is taken to fix a variable at the required magnitude, achievement of the plan is not actually assured, because

it is almost certain that other magnitudes of the system will be upset by important cross effects of the type illustrated<sup>10</sup>. At this point my earlier question of whether the Fei-Ranis methodology is capable of producing a plan of the type made in Pakistan has to be answered in the negative.

## II. The Commission's Procedure

The procedure actually used to construct the Second Plan will now be outlined. Because this is a preliminary survey, it is not a sufficient basis for definite general conclusions concerning the technical quality of the Commission's work. Consequently, I will raise only a few tentative questions relating to limited parts of the Commission's procedure. The process will be described sequentially. It began in mid-1958 with an evaluation of the First Plan (1955-60) and ended two years later, in June, 1960, with the publication of the Second Plan (1960-65).

*Evaluation:* An evaluation of performance during the first plan period was needed to fix the base magnitudes and economic relationships upon which to build the second plan. Knowledge of the consequences of policy actions already taken was wanted as a basis for estimating the consequences of actions that might be continued or modified in the second plan. The evaluation also assisted in deciding a strategy for the second plan by revealing problem areas in the economy where larger investment allocations or other actions would be needed<sup>11</sup>. Findings on the last point were helpful, for example, in deciding that agricultural production, which responded so poorly during the first plan period, should receive relatively greater emphasis in the second plan period.

No system of continuous evaluation existed within the Commission, apparently because of an organizational shortcoming by which the Com-

---

10. Failure to recognize this problem leads the authors to some unacceptable suggestions. For example, in their discussion of the so-called Planning Commission case (the one I have used throughout for illustrative purposes), they say:

"Given an exogenous  $X$  and the fact that  $m_c$  is strictly determined, the amount of imports required for the development program,  $m_i$ , constitutes the only residual flexibility in the economy. In other words, if  $S_f$  proves insufficient, the only point of 'give' or adjustment in the system lies in the possibility of technological change reducing  $m_i$  by substituting domestic for imported components in the development program." (*Ibid.*, p. 17).

I would expect a foreign aid disappointment to affect such things as the amount of investment and the increase in income as well as the relative proportions of domestic and imported components. I am also puzzled by the reference to technological change, because that surely is not an action instrument available to the planners. I would expect the planners to affect the mix of imported and domestic components by such actions as administrative reallocations of resources among alternative investment projects. Or they could apply import surcharges and depend on the price system to accomplish a reallocation.

11. Planning Commission, *Preliminary Evaluation Report on the First Four Years of the First Plan* (Karachi), 1959.

mission was not given clear responsibility or administrative authority in this area. Nevertheless, it would have been impossible to construct a useful plan without firm empirical knowledge of the starting point and so a special evaluation was organized. Considering the absence of a well tested system for collecting and analysing information, it is not surprising that some conclusions of the evaluation have not stood up under subsequent scrutiny and that needed knowledge on some points simply could not be obtained<sup>12</sup>. Despite such problems, the procedure itself logically made evaluation the first step. Base estimates of many variables, such as the rate of output growth, annual rates of aid arrivals, and the volume of fertilizer distribution were obtained.

*Projection of the general rate of development:* The next step was to formulate a set of targets describing a development path over the second plan period. The targets referred to the rate of growth of national income, the incremental capital-output ratio, the domestic average savings rate, and the fraction of gross investment to be financed by foreign savings (net imports). Each target was fixed at a higher level than the experience of the first plan, except for the incremental capital-output ratio which was lowered. Thus, it was intended that each variable should change in a direction favourable to more rapid growth<sup>13</sup>. Some of these targets were expressed by the Commission as amounts of income and other flows to be generated over the second plan period. Conceptually, they could also be represented by flows using the notation of the previous section as follows:

$$Y + S_f = C + I = C + S_f + S_d$$

Each method of representing the targets brings out certain characteristics better than others, but no matter how expounded, they constitute a *target model*.

Each variable in such a target model expresses an initial judgement concerning what might become possible if planned government actions are undertaken. The detailed actions themselves are not yet specified, but are to be formulated during subsequent stages of the planning process. The targets are of the type which men of broad knowledge concerning the economy, the potentialities of government action, and the preferences of the

---

12. An example of the first is the public savings analysis which initially showed performance very close to the Plan, but now it is known to have been at a much lower level in real terms. As an example of the second point, estimates of private investment were not very satisfactory.

13. Based on growth rate projections in Planning Commission, *Revised Draft Frame of the Second Five-Year Plan* (June, 1959), p. 3. These targets may not have been the very first projections that were made, but they illustrate the technique.

community can establish as a starting point. If these initial judgements stand up well when the detailed planning is done, fewer successive revisions are necessary. For example, plans for expanding wage goods output (and imports) are based on projected population and income growth. If no revision has to be made in the target income growth, such as would be necessary if it were found impossible to raise sufficient domestic and foreign savings, then plans for wage goods production will stand as initially made and not have to be revised.

Two features of the target model distinguish it from models of the Fei-Ranis type. All the relations take for granted an element of additional, as yet unspecified intervention. Thus, the range of manipulation is not severely limited as it is in the Fei-Ranis model<sup>14</sup>. The technique for handling simultaneous relations among the variables also differs. Instead of treating certain variables as determined by independent conditions beyond the control of the planner and deriving the remainder by residual calculations, none of the variables is regarded as wholly independent. The system is constrained by the planner's judgement as to what manipulation of the economy is possible and acceptable in view of its results. Thus, if the domestic savings target appears too high to be realized by acceptable means, it is adjusted downward. Thereafter, the planner must consider whether foreign savings can be increased by some negotiating strategy or whether a lower income target will be necessary. In the latter case, further adjustment in the savings figure might also become necessary. The simultaneous nature of the relations is taken into account, but no variable is absolutely fixed by external conditions.

*The plan frame:* After an initial exploration of the possibilities for raising resources and the returns on allocating them among various sectors, a plan frame was prepared. The Commission's plan frame could be called a reconnaissance version of the ultimate plan because it differed only in the amount of policy and quantitative detail, the firmness of estimates, and the number of balance tests conducted. Therefore, instead of discussing the plan frame and the final plan separately, it will be convenient to discuss their common elements, one by one. Finally, I shall come to the process of successive approximation by which the Commission moved from plan frame to final plan.

*Objectives:* The theoretical reason for a statement of objectives is that it defines ends from which choice criteria can be derived. In this way, value judgements can be made by responsible leaders at the beginning of the

---

14. For earlier comments on this point, see above, p. 5.

planning operation and the remainder of the planning work can be turned into a purely technical process of deducing and applying criteria that select the set of actions which will best serve the stated objectives. If more than one objective is stated, it is necessary also to state the limits which each imposes on the others so that unambiguous criteria can be deduced. Logical separation of the activity of making value judgements from the activity of choosing particular courses of action, which is attained in economic theory by taking the preference function as given, was not attained in the actual planning procedure of the Commission. In the first place, the Commission was never able to present, much less was it able to expect agreement on, an unambiguous statement of objectives. The following quotation from the plan frame illustrates the difficulty:

“Maximum feasible increase in national income, a big push to the process of economic growth, increasing employment opportunities, accelerated development in the less developed areas, better distribution of income and wealth, rapid development of human capital, maximum increase in agricultural production, decisive steps to control the growth of population, improvement in the balance of payments and containment of inflation constitute the essential objectives of the Second Five-Year Plan.

“. . . The objectives listed above are not necessarily consistent with each other. Maximisation of national income and greater regional balance may not always go together . . . We are fully conscious of these likely conflicts. We are, however, of the view that the maximization of national income should be the over-riding objective. The other objectives, to the extent that these conflict with it, must be subordinated to it<sup>15</sup>.”

Although the last two sentences were an attempt to fulfil the theoretical requirement for an unambiguous objective, they gave no value judgement concerning alternatives involving equal contributions to income, but unequal contributions, for example, to employment and regional balance. Furthermore, the primacy of national income was frequently compromised in deference to other objectives when specific planning decisions were made. Although some of the compromises were imposed by decisions made outside the Commission and others were accidental owing to inadequate information at the time, deliberate decisions were sometimes made to promote, for example, a wider distribution of income between the regions at the expense of a slower growth in national income. In the final plan document it was no longer stated that one objective was paramount over all others, but simply that various results would be accomplished by the plan<sup>16</sup>.

---

15. Planning Commission, *Revised Draft Frame*, p. 4 and 6.

16. The Commission writes of “characteristics” rather than “objectives” of the plan. Planning Commission, *The Second Five-Year Plan, 1960-65* (Karachi, June, 1960), p. 4-6.

From the procedural point of view, it is desirable to anticipate the needs for value judgements before the pressures of special interest build up around particular plan proposals. However, to formulate unambiguous goals in the absence of long experience with planning and to do so in a society where no precise consensus of national purposes has yet developed, is not possible. Indeed, it is questionable whether any group of policy makers could ever be expected to take responsibility for value judgements having such extensive consequences before knowing a great deal more about the particular choices to be made than can be known at the beginning of the planning process. Until that unforeseen time when the planners can be given a single preference function to guide all decisions, the planning procedure must provide for the submission of choice alternatives to policy makers whenever the consensus concerning objectives is not clear and we may expect such references to be numerous.

In Pakistan's case, the Commission itself assumed responsibility for making some of the needed value judgements. It also employed a system of consultations with other branches of government concerned with policy in each sector area. Finally, there were references to the Economic Council and the Economic Committee of the Cabinet. I have not studied in detail the flow of references and decisions between the Commission and other organs of government and cannot, therefore, offer an appraisal of this aspect of Pakistan's planning procedure. I draw attention, however, to its importance, especially in a society which aspires to some form of democratic direction of its economic development policy.

*Resource and sector plans:* The purpose of detailed resource and sector plans is to state the specific course of action which can yield the target results. There are usually a number of alternative ways in which resources for development can be raised and spent to achieve targets. The alternatives differ in costs, likelihood of execution, and incidental consequences. The procedural problem for the Commission was how to discover an optimal set of policy actions.

So far as the mobilization of resources was concerned, an important consideration was the fact that the Commission was responsible for a development plan, but not for a comprehensive plan of all resource uses. The Commission needed to estimate the quantity of resources which would be available for development over the plan period, but it was not empowered to weigh the competing claims for resources of non-development uses such as defence, ordinary government services, and even private consumption. Nevertheless, some of the most important decisions affecting the rate of growth in Pakistan are those determining the levels of resource absorption into non-development uses. Critical decisions are made on such questions as the types of foreign assistance to seek—military or economic, the levels

and types of new taxes, the level of ordinary government spending, and, with respect to foreign exchange availabilities, the pattern of restriction on imports. With respect to these and many other decisions, the Commission's procedure was to make assumptions about their consequences on resource availabilities for development.

The particular set of resource assumptions made by the Commission was not the result of purely economic analysis. To be sure, it did take account of trends in availabilities upto the time the plan was constructed and it did analyse the effect on future resource availabilities of expected economic growth itself. To that extent there was a systematic economic basis for the assumptions. But many of the decisions that affect resource availabilities are not based wholly or even primarily on forces which economists can predict. Furthermore, such problems as how much defense expenditure or how much curbing of consumption by new taxes could only be settled by essentially political deliberations which it was not the prerogative of the Commission to prejudge. The Commission's procedure was to initiate discussion within the government of some of these choice problems and then, in the light of these discussions, to make its own best guesses of what maximum restraints on non-development uses of resources could be expected. In some policy areas, such as taxation, where the relevance of economic criteria was well understood, the Commission made specific tax proposals. But in others, such as defence, it maintained complete silence beyond naming an assumption of no change in defense expenditure over the plan period. No general statement of policy on the allocation of resources among development and other uses was obtained from the highest levels of government until the completed plan, which contained such a policy in its assumptions, was adopted by the Economic Council.

Concerning the allocation of resources among sectoral programs, Bell has analysed the experience of the First Plan<sup>17</sup>. He found that the usual principles of allocation theory were followed insofar as information on costs and returns was available (about one-third of all investments) and in the remainder of cases reasonable principles were evolved to identify marginal projects in each sector. Marginal projects were screened by making inter-sectoral judgements at the highest decision making level of the Commission.

My own investigation, which refers only to the Second Plan and is less comprehensive, suggests two possible qualifications. First, the type of information available as a basis for choice is itself a function of the planning procedure. In Pakistan's case, the questions which were asked of Depart-

---

17. David E. Bell, "Allocating Development Resources: Some Observations Based on Pakistan Experience" in *Public Policy*, IX (1959), p. 84-106.

ments in the project proposal forms did not reach all of the critical economic questions. If, for example, one compares the kind of cost and benefit information we take for granted in economic theory with the general, almost casual, estimates that appeared in many of the project proposals, and upon which decisions were frequently based, it is apparent that practice and theory were often far apart. To what extent the procedure could be improved is an empirical question on which I cannot comment.

Secondly, the analytical work did not follow the theory in at least a few important instances. For example, interest rates were not usually used for comparisons of long and short lived investments, and when they were used, the rates were far below the real cost of capital. Another instance is the computation of returns on agricultural investments. The contribution from each source (fertilizer, irrigation, seed, etc.) was estimated according to its particular return considered alone. The separate returns were summed to obtain the aggregate<sup>18</sup>. The fact that several changes in technique and inputs were to occur simultaneously on the same lands was not taken into account. This particular error, which was thought to understate the aggregate return was also thought to cancel approximately an opposite error due to making no explicit allowance for disappointments.

Many of the decisions to include or exclude resource measures (e.g. new taxes) or sectoral allocations (e.g., an amount for improved seed multiplication) depended greatly on judgements concerning the political and administrative feasibility of the alternatives. "Feasibility" has never been defined precisely by the Commission so far as I am aware, although it appears to mean the totality of all constraints on execution other than rupee and foreign exchange costs. Thus it includes restrictions arising out of the inability to mobilize resources in the necessary physical form (e.g., a shortage of trained technicians) or to apply them in particular cases (e.g., a lack of necessary institutions). Some physical budgeting was done (e.g., nurses in the case of medical care programs) in order to distribute the quality of "being feasible" to those projects considered of greatest value. However, most of the resource bottlenecks that determined feasibility related to resources which were not easily reallocated, such as administrative capacity, and so there was not much possibility of budgeting them. Feasibility is a useful notion even if rough in its conception, because it points to those problems which have to be dealt with if the capacity of the economy to absorb developmental investments is to be enlarged.

*Balance tests and the process of successive approximation:* Balanced growth was one of the Commission's objectives. In order to obtain balance,

---

18. Planning Commission, *Second Plan*, p. 142.

the Commission attempted to foresee all claims on resources and all availabilities and to make the expected claims and availabilities exactly equal. The procedure for obtaining balance, or internal consistency, as it is sometimes termed, was to apply balance equations to the various resource flows. The balance tests usually revealed inconsistencies, especially in the early stages of the planning. The inconsistencies were then removed by introducing planned actions that would curb or expand particular resource flows so that balance could be obtained. Because any action usually affected more than one flow, actions which improved one balance often upset others. A system of successive approximations was used, whereby each cycle of testing and introducing balancing actions was followed by another cycle to identify upsetting repercussions and to deal with them. There were a number of cycles of successive approximations, each moving closer and closer to a consistent plan.

A description of the entire system of balances in terms of a comprehensive inflow-outflow table or some other representation is unavailable. Nevertheless, it is apparent from the planning documents that the Commission has depended mainly upon financial balances, to which a smaller number of physical balances were added. Furthermore, the number of balances has increased as the planners have refined their technique.

An example of a financial balance was the matching of expected savings from all sources against the total of all planned development outlays. Another balance was to match the sum of all expected increments in domestic output expected as a consequence of investment and other events against the expected aggregate increase in consumption and investment minus that portion covered by additional net inflows of foreign resources. Another important financial balance was constructed for foreign exchange to match the aggregate of expected availabilities against the aggregate of expected requirements. Commodity balances were constructed for steel, cement, foodgrains, and a number of other items. The balances for transport and certain types of skilled manpower were service balances, expressed in physical terms just as the commodity balances were. So far as employment was concerned it could not be balanced. Some excess supply remained.

The balancing process just described refers entirely to obtaining consistency of expected results. When balance is achieved, planned actions will not come into conflict with each other during implementation and will not, therefore, generate unplanned pressures leading away from the expected results. But this was not enough. The Commission also wanted the expected results to add up to achievement of the targets set not in the initial growth projection. In the first rounds of checking, they did not. Then the problem arose of whether to revise the targets or to make further efforts to find actions

that could yield the target results. Both types of adjustments were made. If the target figures of the plan frame in June, 1959 are compared with those of the final plan in June, 1960, almost every one is different. In the frame, each represented a best guess as to what might be done, but until detailed actions were formulated and expected results compared, the frame was still only a set of targets. In the final plan, the targets had become expected results as well<sup>19</sup>.

Thus, there are two processes of successive approximations, one to obtain internal consistency of availabilities and claims, and the other to obtain agreement between expected results and targets. Ideally, the planners should not stop work until both are fully achieved. In practice, however, the Commission faced a deadline and had to leave some imbalances in the plan. These are left to be resolved by private adjustment mechanisms, such as the market, or by future government actions. This is not a criticism of the plan, because it is at the very best only an approximate proposal for future action as foreseen at a particular date. The identification of development problems and the prescription of actions to deal with them is, or should be, a continuous process. Five-Year plans might be better understood if regarded simply as periodic reports on that process.

---

19. Only the income target was not changed during the planning process, although there was no procedural reason why it could not have been revised just as the others were. Sticking to an initial figure has the purely technical advantage of not upsetting parts of the plan dependent on the income projection. On the other hand, the Commission could have compared income growth against the effort to obtain it as that effort became better understood late in the planning process, and then considered whether the balance was optimal.