

# **BENGVDA1.- Management and planning for Development: International and National Dimensions (term1)**

## **Objective:**

1. To introduce basic notions of development management and planning, within a process of interaction between state, market, and civil society, with emphasis on the interaction between owners/managers of capital and bureaucracy, and the role of the NGO and social movements in the development process.
2. To describe, understand and explain national development in the context of the international division of labour as led by transnational corporations in partnership with developing countries power elites.
3. To introduce basic concepts relating ethics and development.

## **Learning outcomes:**

1. A solid working knowledge of key concepts from the planning and managing for development literature, and
2. A critical understanding of the economics and political variables having a role in the process of development

On invisible and visible hands:  
A quick look at Lewis, W. A. (1949), “Why Plan?”:

1. ...the controversy over the role of the state is as old as human society, so is its offshoot, the dispute about planning
2. ...production and distribution must be controlled to the service of social ends
3. ...the point at issue is simply how much of this control may be invisible, and how much must be visible
4. ...the invisible control extolled by laissez-faire protagonists, is that which the market exercises...
5. ...the visible control, favoured by the planners, is that which is organised by the state

( from Lewis, W. A. (1949), “**The principles of economic planning**”,1949)

When dealing with Management and Planning for Development we have to think in terms of a complex whole where

**Development and Economic Theories**

will inform the style of **Planning for Development**,

and this style will inform the main features of the **Public Administration** implementing the planning,

and last but not least,

**Public Administration** will inform the type of **Management** to be utilized by the civil servants.

**This complex whole will be affected by national and international variables..**

# **A complex systems formation**

**informed by**

✓ **Development and Economic theories**

**which will inform**

✓ **Planning for Development**

**which will inform**

✓ **Public Administration**

**which will inform**

✓ **Management**

We can look at the same problem as if it was within a feedback loop – (A)

**Development theories and hypotheses will create development models, techniques and empirical applications**

**The above will create data systems and measurement of performance**

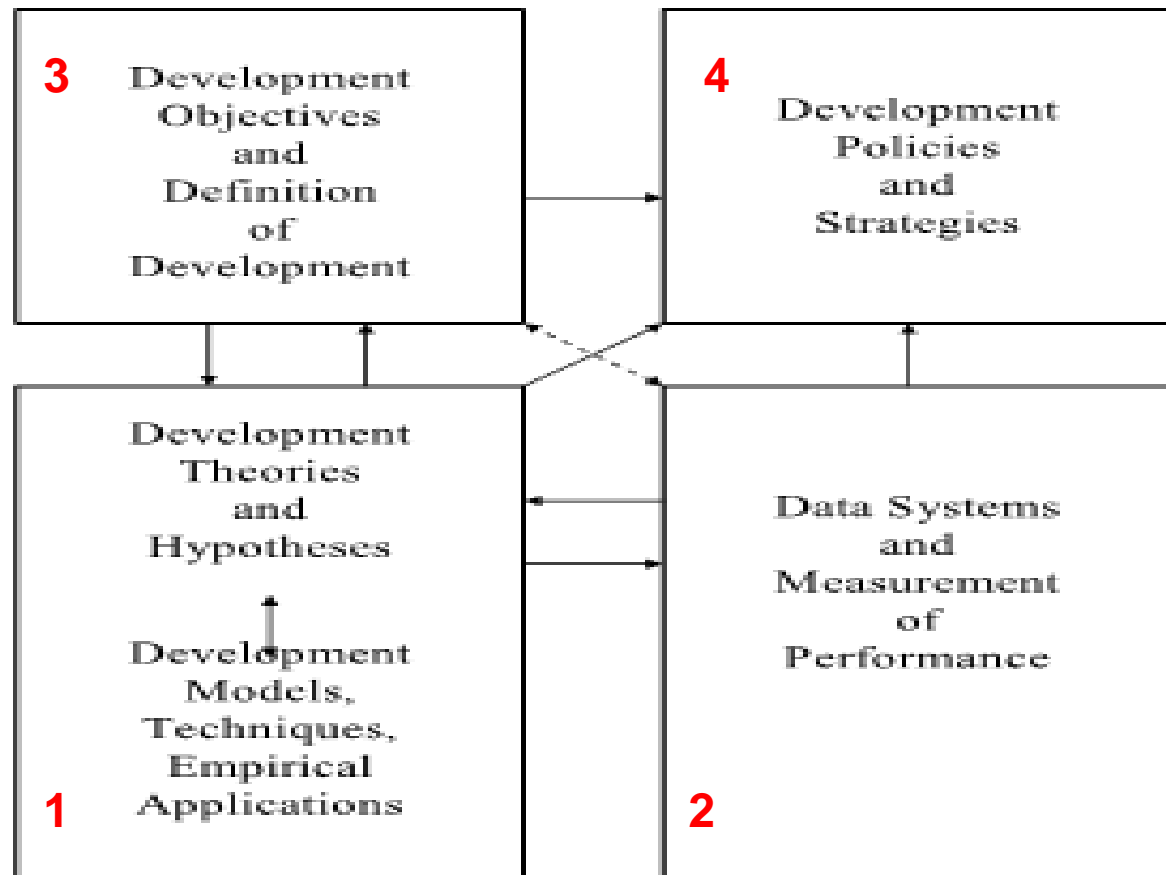
**Which will allow stating development objectives and even definitions of development**

**Leading towards development policies and strategies**

**If development policies fail, new development theories and hypotheses will appear**

We can look at the same problem as if it was within a feedback loop – (B)

Logical  
sequence:  
[1] → [4][3][2]  
↓  
[2] → [1][4]  
↓  
[3] → [1][2]  
↓  
[4]



From: E. Thorbecke, 2006, "The evolution of the development doctrine 1950-2005", UNU, 2006

# Development and Economic theories

- (1) Development as **economic growth**
- (2) Development as **economic growth** plus **human** and **social development**
- (3) Development as **economic growth** plus **human** and **social development** plus **environmental sustainability**

## **Economic theories** based on:

- a) unregulated capitalist markets
- b) regulated capitalis markets

## On public administration and management (1):

Broad definition:

**it is the planning, organizing, directing, coordinating, and controlling of government operations.**

Public administration is practised at the central, intermediate, and local levels. From the above it follows that a critical issue in public administration is the **relationship between the different levels of government.**

Every department participating in the government operations will have to be managed.

The style of management will be informed by the theories adopted by the political groups in the government, i.e., either **social management** or **business** management. One modern type of business management is New Public Management.



## On public administration and management (2):

On the last twenty years or so public administration has been conceptualised as governance by international bodies like the World Bank. Thus, the notion of “good governance” is equivalent to the notion of “good public administration”.

For the World Bank, the components of **governance (public administration)** are:

- **Citizen Participation**, which can be measured by “political freedom” and “political stability”;
- **Government Orientation**, which can be measured by “judicial efficiency”, “bureaucratic efficiency”, and “lack of corruption”;
- **Social Development**, which can be measured by “human development” and “egalitarian income”, and “distribution”;
- **Economic Management**, which can be measured by “outward orientation”, “central bank independence” and “Debt to GDP ratio”.

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(See J. Huther and A. Shah (2003), A simple measure of good governance, in “Measuring government performance in the delivery of public services”, Vol. 2 of “Handbook on Public Sector Performance Reviews”, Washington, D.C.: The World Bank)

## On Planning (1)

One working definition could be:

Planning is “**the rational application of human knowledge to the process of reaching decisions which are to serve as the basis of human action...The central core... remains the establishment of relationships between means and ends with the object of achieving the latter by the most efficient use of the former**”. (from Sociedad Interamericana de Planificación ( 1960 ), *Enseñanza de la Planificación en la América Latina* , San Juan, Puerto Rico (pp. 101-102)

--- Here “means” are related to what social group is going to do the planning, thus, the “means” could be welcomed by one sector of society and unwelcomed for another sector of society.

---The same applies for the “ends”

**From above it follows that in planning for development is necessary to know WHO are planning, for WHOM that planning will be POSITIVE/NEGATIVE and what the planning will do to the LOCAL and GLOBAL eco-systems.**

## On Planning (2)

... planning for development exists “all the way from the relatively limited planning of an essentially private or mixed enterprise economy to the comprehensive, all embracing planning of a totalitarian economic system...it could quite easily appear in many diverse situations, as, e.g., capitalistic planning, socialist planning, democratic planning, totalitarian planning, business planning, government planning, and so on”. (J. Elliot, “Economic Planning Reconsidered”, in Quarterly Journal of Economics, Cambridge, Mass., U.S.A., vol. LXXVI no. 1, February 1958)

We can work with the following definition ( from A. Waterson (1969), Development Planning. Lessons of Experiences, World Bank, p. 21 )

**“ a country was considered to be engaged in development planning if its government made a deliberate and continuing attempt to accelerate the rate of economic and social progress ( protecting local and global eco-systems from destructive outcomes derived from economic, social, cultural, religious and political activities. Added by R.R.) and to alter institutional arrangements which were considered to block the attainment of this goal”.**

### On planning (3)

Planning could be

#### subnational:

- a) planning for a city or a network of cities, state, metropolitan area or depressed part of a country;
- b) a series of regional plans covering an entire country as part of a process of preparing a national plan;
- c) the fittings of projects under a national a national plan to ensure the best possible location of industry and to reduce economic disparities among the regions in a country.

#### or multinational:

- a) planning for an economic region which extends beyond the boundaries of one country;
- b) planning for one or more economic sectors of two or more countries;
- c) the coordination of national plans or the settings of integrated targets for the entire economies of several countries which are members of an international regional organization.

## On Planning (4)

Today the ever expanding globalised economy puts planning for development within a framework which is both national and international. A tentative model could be as follows:

### 1) The **national environment**, composed of

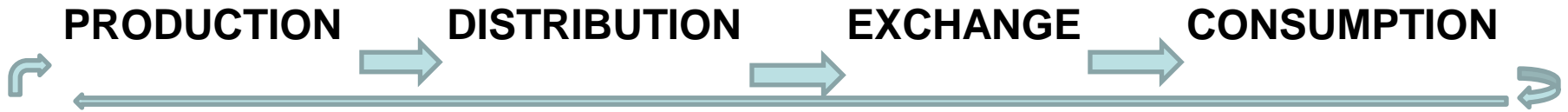
- 1.1.- ecological system;
- 1.2.- biological system (i.e., bio diversity);
- 1.3.- social systems, composed of cultural systems (i.e., religious, ethnic, etc.), social structure; economic system; and demographic system.

### 2) The **international environment**, composed of

- 2.1) dominant individual, regional and global political systems (i.e., United Nations, military agreements; economic agreements; and institutions such as World Bank, IMF, WTO, etc.
- 2.2) global and regional ecological systems;
- 2.3) global and regional economic systems ( i.e., integrated international chains of production owned by transnational corporations )

## On Planning (5)

The production and consumption of goods and services is embedded in the following sequence which also is a feedback loop:



**PRODUCTION** is determined by natural laws (technology, methods, etc) and socially by those who can decide WHAT, HOW and FOR WHOM to produce

**DISTRIBUTION** is determined by social accidents (for example: the way in which some individuals become owners of land and means of production, while other individuals are dispossessed of land and means of production becoming sellers of their own labour power) which create social structures. (for example labourers-owners managers of capital)

**EXCHANGE** is determined by costs of production and occur in the market place between sellers and buyers.

**CONSUMPTION** is divided in **productive consumption (when consumption create a good or service)** and **non-productive consumption**

**This sequence will create cycles mainly driven by asymmetric behaviour of production and consumption. Business cycles will appear.**

## On economic/business cycles

“the essential fact of capitalism is the process of creative destruction” ... “this process incessantly revolutionizes the economic structure from within, incessantly destroying the old one, and incessantly creating a new one” ...

(Joseph Schumpeter, “Capitalism, Socialism, and Democracy”, Third Edition, New York, Harper and Brothers, 1942)

**Individual capitalist will try to maximise surplus value producing as much as possible. The market will reach a point where overproduction will hit businesses and stock will accumulate. To reduce losses, individual capitalists will produce less and shed workers, until a crisis of underproduction will appear. Thus, the capitalist system will advance in cycles, with ups and downs, depending on stages of underproduction or overproduction.**

(Karl Marx, “Theories of Surplus Value”, chap II, 4d, Progress Publishers, Moscow, 1966)

## On economic/business cycles

Demand large than supply	Supply larger than demand
UNDERPRODUCTION	OVERPRODUCTION
a) sales increase	a) sales decrease
b) profits increase,	b) profits decrease, and even losses occur,
c) investments increase,	c) investments decrease, and even stop in some cases,
d) employment increase,	d) employment decrease (unemployment increase)
e) production increase,	e) production decrease,
	f) less profitable businesses disappear
UNTIL REACHING OVERPRODUCTION	UNTIL REACHING UNDERPRODUCTION



## On economic/business cycles

Marx stated that this ups and downs (he called them crises) are actually the DRIVING FORCE OF THE CAPITALIST SYSTEM. He said that capitalist crises are the most efficient manifestation of the capitalist market system because they IMPROVE THE TECHNICAL QUALITY OF CAPITAL, which leads to produce more with less labour and capital for unit of production (ibid.)

## On economic/business cycles

Economic cycles are normally a combination of under/overproduction processes (“creative destruction”) and financial crisis ( overuse of speculative capital)

The World Bank summarized the effects of past crises:

- 1) Equity prices fall 55% over 3.5 years.
- 2) Housing prices decline an average 35% over 6 years.
- 3) Unemployment raises 7 percentage points over 4 years.
- 4) Output falls by 9% over 2 years.
- 5) The growth trend pre-crisis is reached only after 10-12 years.

(World Development Indicators 2009, World Bank, “Worldview Introduction”, page 10)

## On economic/business cycles

UNCTAD identifies three main issues in the present crisis:

a) How the ideology of financial deregulation within and across nations allowed the build-up of pressures whose unwinding has damaged the credibility and functioning of the market-based models that have underpinned financial development throughout the world;

(UNCTAD, 2009, **“The global economic crisis. Systemic failures and multilateral remedies”**, chapter I, **“A crisis foretold”**, page 1)

## On economic/business cycles

UNCTAD identifies three main issues in the present crisis

b) How the growing role of large-scale financial investors on commodities futures markets has affected commodity price volatility and speculative bubbles;  
(particularly food and oil prices)

(UNCTAD, 2009, **“The global economic crisis. Systemic failures and multilateral remedies”**, chapter I, **“A crisis foretold”**, page 1)

## On economic/business cycles

UNCTAD identifies three main issues in the present crisis

and,

c) The role of widespread currency speculation in exacerbating global imbalances and fuelling the current crisis in the absence of a cooperative international system to manage exchange rate fluctuations to the benefit of all nations;

(UNCTAD, 2009, “**The global economic crisis. Systemic failures and multilateral remedies**”, chapter I, “**A crisis foretold**”, page 1)

## On economic/business cycles

**ILO Global Job Crisis Observatory** summarized in October 2009:

“What began as a crisis in finance markets has rapidly become a global jobs crisis. Unemployment is rising. The number of working poor is increasing. Businesses are going under. The ILOs' Decent Work Agenda provides the policy framework to confront the crisis. This website provides information on the employment and social impact of the crisis and policy responses”.

(International Labour Organization Website at

<http://www.ilo.org/pls/apex/f?p=jobcrisis:1:1234774464814665>)

