

# THE IMPLEMENTATION OF DEVELOPMENT PLANS: ORGANIZATION AND POLICIES

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## I. THE PROBLEM

**I**N THE PAST major contributions to development planning theory concentrated more or less on the design and improvement of programing techniques.<sup>1</sup> The main reason for this was probably the fact that macroeconomic planning was primarily regarded as a logical procedure with the aim of calculating a consistent set of targets and instruments. This concept was formalized and operationalized within the framework of the quantitative theory of economic policy (Frisch, Tinbergen, Theil) and then added to the stock in trade of the development planner [80, p. 4], with the result, inter alia, that many developing countries were more or less inundated with an excessive supply of econometric model building, but it became increasingly difficult to specifically orient these programing techniques to the actual needs of the administrations in the developing countries.

Only recently has there been gradual realization that the hard core of real planning and decision-making processes is characterized by problems of goal definition, the political and administrative organizational setup, and the mechanisms of implementation [43, p. 40], i.e., elements which up to now were considered not to be part of the discipline and were therefore excluded from the formal calculations with the aid of the *ceteris paribus* formula. Evidently, planning is not only the efficient determination of optimal target-instrument relations, but essentially a "politico-economic process that draws together the techniques of economic analysis and the forces of consensus-building, decision-making and action-taking . . ." [16, p. 203].

In order to show the relevance of these elements it is necessary to have both a broad empirical base and a demonstration of real planning and decision-making processes. This is done by drawing on the medium-term development plans of Taiwan, South Korea, and Indonesia [18] [19] [48] [41], which the author has studied in depth and which he supplemented by his experience of Japanese planning [72] [74] [70] [73] [71].

<sup>1</sup> For example, see [1] [12] [31].

## II. THE CENTRAL ROLE OF THE PLANNING MACHINERY

### A. *Political Leadership Commitment*

Taiwan had a specific position in the politico-strategic constellation of the great powers and its role was clearly defined until its expulsion from the United Nations in July 1971. After that the country entered a period of uncertainty which continues to prevail as its position and functions have not yet been clearly defined in the new power configuration which is gradually taking shape in East and Southeast Asia. These political framework conditions resulting from the diverging interests of the countries concerned—primarily the People's Republic of China, Japan, and the United States—have had a vital influence on the formulation of Taiwan's foreign and security policy and on the decisions taken by the planning machinery with regard to national economic and social development. Since the middle of the 1950s at the latest, Taiwan leadership has shown itself to be highly development-minded—mainly because of pressure from outside, but also in order to prove itself in the domestic field; a further reaction to the external isolation which has set in since 1971 will probably be increased development commitment on the part of political leaders, organizational streamlining of the complex planning machinery, specific orientation of the development plans towards further diversification and expansion of international trade relations, and internal consolidation and progressive economic development of the country. "It is our conviction that we can, with concerted effort and in a self-reliant spirit, further our agricultural, industrial and commercial build-up on the existing groundwork, carry through what is required to achieve the goals of our development plans, and maintain a rapid growth of our economy. . . ."<sup>2</sup>

At this point two conclusions may already be drawn: (1) The unrealistic assumptions—already criticized by Kade [43, p. 37]—underlying conventional "planning theory" of a passive environment and planning instruments which can be freely manipulated by one sole decision-making body, have been refuted by the planning process in Taiwan which has clearly proved to be a "process of correction and adjustment to the influences of an active environment" and which "depends on the structure of the system on which the planning process is based" [43, p. 36]. (2) There is a clear link between politico-strategic framework conditions, the political objectives of a country, the importance given to development planning by political leadership, and the latter's commitment and identification with them; this is a conclusion which is consistent with the results of our studies in South Korea,<sup>3</sup> Afghanistan, and Zambia,<sup>4</sup> and which is also confirmed

<sup>2</sup> Prime Minister Chiang Ching-kuo in an address to CIECD, quoted in K. T. Li, "To Provide for the Future Through Self-reliance," *Industry of Free China* (Taipei), Vol. 39, No. 1 (1973), P. 2.

<sup>3</sup> During Syngman Rhee's period of government, several planning approaches failed mainly for political reasons, because the reunification of the country was given definite priority over economic development. This situation when the power structure was altered by the

by Adelman and Morris [2, pp. 78–81] on the representative basis of a seventy-four-country sample: “. . . it was found that, once the major socio-structural bottlenecks to development have been overcome, the only important noneconomic determinant of an economy’s rate of progress towards self-sustained growth is the extent of leadership commitment to development” [3, p. 272].<sup>5</sup>

### B. *The Priority of Implementation*

The strong development commitment (Adelman and Morris) of Taiwan leadership was given institutional shape through the construction of a planning machinery—with the Council for International Economic Cooperation and Development and the Joint Commission on Rural Reconstruction at its center—which was turned into an effective decision-making instrument through its high political status, its special budgetary rights, its well-qualified staff and its comprehensive administrative competences and functions. Political leadership commitment and the desire to achieve directly applicable results rapidly led to the establishment of a primarily implementation-oriented planning machinery in which administra-

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cup in 1961. Park Chung Hee’s military government set up the Economic Planning Board (EPB) in the same year and commissioned it to draw up a clearly articulated development plan as the basis of a future economic policy which from then on was given highest priority. After a rather uncertain initiation period, the EPB gained decisive political influence after 1964 when it commenced the preliminary work for the Second Five-Year Plan (1967–71). Within a year, planning became an integral part of the political decision-making processes in terms of both institutions and personnel. This development was possible because a clear analytical plan was given strong political support and the whole government machinery was made to participate actively in the formulation and implementation of the plan. In the meanwhile the EPB has become one of the most influential ministries in South Korea. It combines the responsibility for economic planning, the budget, and the administration of external aid. The EPB minister is by virtue of his office the deputy prime minister and the chairman of the Economic Cabinet. In those fields where the administrative competences are not already concentrated in the EPB, it has been charged with coordinating and supervisory functions, both in the formulation and the implementation of the plans, starting from the lowest purely technical level right up to the political decision-making level. See [74, pp. 4, 44, 45, 46] and also [62, p. 60]; H. B. Lee, *Korea: Time, Change, and Administration* (Honolulu, 1968) Chap. 2; [36, p. 21] [17] [16, pp. 218–19].

<sup>4</sup> Quite the opposite in Zambia and above all Afghanistan, where less leadership commitment to development have led to a correspondingly weaker and less influential planning machinery. See [38] [75].

<sup>5</sup> Also Waterston: “Experience shows that where a government is administratively backward, corrupt or politically unstable, where its leaders are not genuinely committed to planning or where ministries, departments and agencies have considerable autonomy, a central planning agency has little chance to operate effectively” [80, pp. 381–82]. Also Hanson against the background of his experience in India: “. . . in a developing country the effectiveness of planning will partly depend on the prestige and authority enjoyed by the Board, Commission, Ministry or other agency to which the planning job has been entrusted . . .” (Commentary by Hanson on the essay by A. K. Sharma, “The Planning Commission in India: A Case for Reorganization,” *Journal of Administration Overseas*, Vol. 9, No. 1 [January 1970], p. 11); see also what in our opinion is the most comprehensive book on Indian planning [33].

tors and politicians took the lead. Emphasis was laid on planning at the product and subsectoral level, and the macro-planners and model builders—by the institutionalized procedures be confronted with the arguments of the lower levels—were compelled to correct their tendency—often observed and rightly criticized by Seers—to place greater weight on “elegance than on relevance” [67, p. 25] by favoring economically feasible and politically acceptable solutions. It is possible to measure the scope of the development commitment of a political leadership by its will and its ability to set up a planning machinery which puts plan implementation first. “Planning is not writing plans” [67, p. 32]—an activity which foreign economic consultant teams<sup>6</sup> have dealt with—nor is it “a source of employment for some of the intelligentsia, and therefore a way of silencing them” [67, p. 24]. Rather, it is a blueprint for a “central strategy with priorities for the longer term, and seeing that it is carried into effect in tactical day-to-day decisions” [67, p. 32].<sup>7</sup> In those cases where political leadership demonstrates development commitment without simultaneously orienting its planning machinery specifically towards plan implementation, this has no significance to real planning—beyond noncommittal, verbal, and perhaps opportune lip service to planning and is a sure indication of its political irrelevance [37, p. 75].

Furthermore, from the numerous factors which characterize the implementation-oriented nature of planning in Taiwan, three which are of general significance should be emphasized: (1) The active participation of nonministerial and “grass-root” groups in the planning process. (2) The existence of well-functioning administrative subsystems below the central government at the provincial, district, and village levels. (3) The establishment of institutionalized conflict-solving and coordinating mechanisms at the major decision-making levels of the planning machinery.

(1) Taiwan’s economic order (mixed economy) does not in general permit direct intervention by the government in the autonomy of private enterprise and thus encourages decentralization of decision-making. In such systems the success and workability of economic planning depends essentially on the extent to which nonministerial groups, and above all the “grassroot” groups, participate in plan formulation (especially in the goal definition phase), plan implementation, and plan evaluation; i.e., it is necessary to have the participation of the farmers, entrepreneurs, workers, consumers, etc., who in the last resort are the persons affected by planning and whose motivation can only be positively stimulated—if at all—when their great majority is induced to participate in the planning process and finally feels that the development plan is an expression of their own wishes and is therefore also prepared to accept the efforts and sacrifices associated with

<sup>6</sup> On the question of foreign advisory teams see [64, p. 7] [65, p. 173]. A critical evaluation is given by Curle [20, p. 50].

<sup>7</sup> Also Hujer says, “Planning implies conscious, target-oriented *action*; planning is therefore the design of practical strategies” (translation from German) [39, p. 246]. Kade too: “Planning in this sense means a constant revision of the selection of alternative strategies on the basis of results which in turn have been influenced by one or more environmental variables” (translation from German) [43, p. 39].

it [47, p. 19]. Because such groups have a better knowledge of field conditions, such participation brings plan targets closer to reality and enables the envisaged instruments to be more precisely adjusted to the actual conditions.

(2) In order to enable such "grassroot" groups to make their contribution to the planning process, it is necessary to have an institutional frame in which they can give clear expression to their views, and administrative mechanisms which can pass on information from "bottom to top" or from "top to bottom" via formal or informal channels. Thus, for instance, the plan formulation process for sectoral planning starts in the form of an intensive bargaining between the "grassroot" groups, the administration, and the farmers' associations which act as transformers of information at village level, and continues in analogous repetition via the district and provincial levels to the central government level. In order to do this, it is necessary to transform the sectoral plans into departmental plans and carefully interconnect the different decision levels so that there is an uninterrupted transition from product planning, subsectoral planning to macro planning.<sup>8</sup> This was not the case in Indonesia's Five-Year Plan (1969-74), where a relatively detailed macro plan and different unconnected project plans existed side by side [71, Part 1, p. 2].

In principle, Taiwan's planning process runs from "bottom to top"; it thus favors a realistic formulation of goals and stimulates the motivation of the persons participating in it; on the other hand, subsectoral planning for different agricultural commodities shows that in certain situations and in order to attain specific objectives, preference is given to a "top to bottom" planning procedure—even if it creates certain political obstacles. The instruments required for this "top to bottom" planning are available, e.g., the short-term establishment of special organizational units which are given extraordinary competencies and a supervision from "top to bottom" through the central government, an uninterrupted control system and the application of sanction mechanisms.

(3) Decentralized systems require institutionalized mechanisms for coordination and conflict-solving at every decision level adequate to the planning problem. In the case of Taiwan three basic conflicting interests may be identified; they do not appear to be reconciliable in principle—unless by sheer exercise of power—and therefore have to be eased and attenuated by means of regularly recurring negotiations within the framework of institutionalized clearing units with the aim of finding short-term compromises: (a) Bargaining on contrasting goals

<sup>8</sup> In the last few years the Development Research Center of the World Bank has carried out extensive research work on these problems which was presented by Goreux at the Belgrade meeting of the bank and the OECD (August 28-30, 1972) [30]. Also see [31]; these works are empirical case studies on the general method of multi-level planning developed by Kornai and Liptak [50, p. 141] [49, App. H]. Multi-level planning in socialist economies from the viewpoint of automat theory is dealt with by Bierman who—under the premise that every national economy can be considered as a determined automat—arrives at what we feel is a premature conclusion that with the aid of this method one can derive not only the optimal organizational structure but also the optimal adjustment policy to be designed by it [7, pp. 113-14].

between politicians and technocrats/administrators with respect to basic macro alternatives (alternative plan strategies, alternative GNP growth rates, etc.). (b) Bargaining on the conflict between overall economic balance and specific sectoral interests (for example, departmental egoism of agriculture). (c) Bargaining between the central government and the village/district administration on different views arising from a distinctive regional or ethnological background.

However, this clearing system of reducing conflicts and balancing interests can only function if the different proponents of conflicting interests are *personally* present in the respective clearing units or are adequately represented; it cannot function if there are no means of articulating diverging interests because basically different interests are represented by one and the same person and therefore, by definition, a true confrontation of interests can no longer take place. Such a constellation occurred during the Taiwan Fourth Plan period in the agricultural planning machinery as the following central functions were carried out by one single person: chairman of the Agricultural Production Committee (political interests), head of the Office of Planning and Programming (technical/technocratic interests), head of the Agricultural Technology Consulting Office (administrative plan implementation interests). It is obvious that such intermeshing of competencies and the combination of functions in one person can often make the course of planning smoother; on the other hand, it must be pointed out that this also makes it increasingly difficult to carry out meaningful performance control and leads to the danger of unilateral articulation of interests and concentration of power.

Summarizing, it is evident that the planning machinery occupies a prominent position in the plan formulation and implementation process. In his later publications Frisch [28, p. 1] [27, p. 20]<sup>9</sup>—certainly inspired by his own experience as advisor in Egypt's Ministry of Planning [26, p. 5] [25, p. 29]—attempts to give more weight to the implementation aspects—neglected by him in the past—in the form of a multidecisional administrative model. But because of his methodological prefixation on the formalism of the models he used earlier to solve the allocation problem, he leaves the crucial questions unanswered and concentrates on the feasibility and optimality of a series of game runs under a given administrative structure [28, p. 11]. As clearly shown, a planning machinery in reality is composed of a number of complex organizational and decision structures whose construction and functions, including their distribution of competencies and decentralized subsystems, are not compatible with the notion contained in Frisch's planning concept of a single abstract decision-making body.

These organizational superstructures function by virtue of their communication and information networks, and their effectiveness in turn essentially depends on the motivation of the persons participating in the planning process, i.e., the extent to which the "grassroot" level is involved in goal formulation and plan implementation, how effectively the built-in conflict and coordination mechanisms

<sup>9</sup> A comprehensive survey of the Frisch planning models are given by E. M. Kloc, Jr. [46, p. 437].

function, the degree of commitment of the administration connected with the incentives offered, and the extent to which politicians see their interests being realized. Planning processes, therefore, unfold in social interaction networks whose communication systems function only if the desire for representative status and differentiated role behavior of the individuals involved is sufficiently satisfied.<sup>10</sup> This situation is truly described by Lindblom as "fragmentation of policy making" [53, p. 307] [21, p. 294] [11, Part 2], and it is apparently characterized by a mutual influencing of information and motivation and a dynamic linkage between information and organization [39, p. 238]. Thus, Neuberger's statement [61, p. 132] that any system of economic organization can be meaningfully described through the categories of organization, information, and motivation, is true; through this contribution he has released from its deadlock the decade-long debate on "centralized vs. decentralized decision making"<sup>11</sup> and the sterile antithesis of market vs. plan [43, p. 40]. The analysis of the decision-making process within the framework of plan formulation and implementation can—on the basis of a list of activities—clarify the connection between decision maker, decision levels and decision results; it identifies those steps in the decision-making process which are particularly important in terms of potential conflicts, problems of coordination, the start of plan disaggregation, etc. Such a collection and representation method—even if it is rudimentary—responds to the need to make the increasingly complex and intricate decision-making process of the planning machinery more transparent.

If one starts to make *ex ante* use of such dynamic procedures, i.e., systematically including activities and events in a network, fixing the maximum or minimum time budget for their execution and determining the critical path required for the execution of the project, one arrives at the CPM and PERT methods which have been used so successfully in project planning.<sup>12</sup> At present, some thought is being given to the possibility of applying these methods in macro and sectoral economic planning, too.<sup>13</sup> Up to now the Taiwan planners have not used these methods in the preparation of their development plans, in contrast to the EPB which introduced a slightly varied version—altogether 205 activities were listed—in the formulation of Korea's Third Five-Year Plan (1972–76)<sup>14</sup> after two test runs were successfully carried out in the Ministry of Communication (MOC) (planning of the export processing zone in Masan) and in the EPB

<sup>10</sup> On this, Wiles has developed a catalogue of questions which is a good introduction to this problem [84]. Compare also the twenty-four criteria which Knall suggests in order to test whether development planning of a country may be considered to be realistic or not [47, pp. 11-25].

<sup>11</sup> Of the extensive literature on this subject only a few of the most important works will be mentioned: [6] [51] [52] [58] [40] [83] [14] [86].

<sup>12</sup> Of the extensive literature only three works which are directly related to developing countries will be mentioned: [23] [45] [35, Chap. 15].

<sup>13</sup> See [22], in particular Chapter 5 and the literature mentioned there; and also [63].

<sup>14</sup> Internal document of the EPB, Seoul, 1971 (in Korean) and personal interviews in EPB, Seoul, February 1972.

budget formulation and control); the EPB also used this method as a welcome political weapon "to defend its budgetary decision vis-à-vis the requesting agencies to draw the designs of projects first and then request the budgets to the EPB. The practice in the past was in the reverse direction" [15, p. 204].

The advantages offered by these planning and control instruments are that their application necessarily uncovers complex decision structures and also gives the possibility of pre-planning a useful decision-making procedure under explicit consideration of staff, time, and cost constraints.

Questions on the optimality of the organizational structure of planning machineries or even on that of an overall economic system, should be deliberately omitted, because empirical experience shows that realistic planning has to take into account that planners necessarily have a fragmentary and distorted picture of reality and that the object to be planned has to be viewed as an open system for which an optimal organizational structure cannot be designed a priori [44, p. 41].<sup>15</sup> The examination of system characteristics such as instability, adaptive capacity and centrality, and the possibility of adequately describing these characteristics by means of cybernetic and graph theory criteria—as attempted by Kade, Zubrod, and Hujer [44] in their description of the planning and information systems of the Soviet Union and the German Democratic Republic—is difficult for the following reasons: (1) The impossibility of giving a formalized picture of organizations adequately reflecting the complex organizational reality and the difficulty of conducting the surveys necessary for including the important informal aspects of organizations. The diagrams used to describe the organizational networks leave out essential elements of the informal communication relationships which are only comprehensible against the background of history and culture. (2) The question is, unanswered up to now, whether graph theory criteria such as centrality and dispersion do not lead to an early bias in the observation of the institutional reality and prevent the application of a pragmatic and problem-oriented approach.<sup>16</sup> (3) There is a gradually emerging understanding that it is not possible to naively extend the application of cybernetics [32] [77] from their original field of technological processes [59] to the analysis of complex social and organizational problems [85].

### III. THE RESIDUAL NATURE OF TARGET-INSTRUMENT RELATIONSHIPS

The political-strategic framework conditions have not only had a decisive influence on the extent of the development commitment of political leadership

<sup>15</sup> For a criticism of the optimality principle see also [54, p. 76] [55, p. 279].

<sup>16</sup> This holds true even if these criteria are viewed by their authors to be only oriented towards the description of the topological characteristics of communication networks or similar structures and offer no formula which would permit optimality criteria to be the explicit point of departure and would on this basis, derive by graph theory methods conclusive construction rules for communication networks with corresponding characteristics. See [10, p. 74].



with its resulting impact on the structural and functional characteristics of the planning machinery, but have also—after consideration of internal constraints in Taiwan such as “reserves of natural resources” and “absorptive capacity of the domestic market”—influenced the selection of the development strategy and the economic measures used for its implementation. A purely growth-oriented outward-looking strategy with the regional focus on the United States and Japan was selected and this proved to be the best way of adjusting the internal constraints to external framework conditions. Similar adjustment of interests and decision patterns may be observed in the choice of comparable development strategies in South Korea [70, pp. 295–97] and—to some extent—in Indonesia [66, pp. 1–5];<sup>17</sup> for both countries consultative groups<sup>18</sup> were created in which the development plans together with their partial external financing were critically discussed with the major Western donors including the World Bank.

In Taiwan, as in South Korea, implementation of the outward-looking strategy led to a concentration of economic activities in foreign trade and investment and to intensive promotion of domestic and foreign savings. As a rule, the key variables of such a policy are the respective export, import, investment, and savings rates; their absolute size, internal composition, and relative weighting to one another characterize the economic policy [70, pp. 308–309]. In Taiwan the result of this strategy has been an unusually—even by international standards—high 10.5 per cent average growth rate of the real GNP; the negative side-effects which often result from such a policy of forced growth—and have been amply evident in South Korea and Indonesia—such as insufficient productivity and increasing income disparity in agriculture, relatively low growth of employment because of the preference given to capital-intensive production techniques, strong accumulation of foreign indebtedness,<sup>19</sup> and a growing imbalance in income distribution, only appeared in Taiwan to a limited extent and therefore did not necessitate a basic change of the development strategy in the Fifth Plan (1969–72). This positive result is confirmed by the studies conducted by Balassa [5, p. 74] and—against the background of a more comprehensive statistical basis for the empirical verification of the two gap models developed at the beginning of the 1960s—by Chenery and Carter [13, p. 18]. There is a remarkably close interconnection between political-strategic framework conditions, planning machinery, goal formulation, plan evaluation, and the feedback linked to this; with sufficient flexibility and efficient organizational mechanisms this can result in systematic and even timely goal revisions.<sup>20</sup> The formulation and revision of the

<sup>17</sup> Interviews in the Indonesian Planning Agency, Bappenas, Jakarta, September 1971.

<sup>18</sup> “Consultative Group for Korea” and “Intergovernmental Group on Indonesia (IGGI).”

<sup>19</sup> Thus, for instance, the Korean debt service ratio rose from about 5.6 per cent at the beginning of the Second Plan (1967) to about 21 per cent at the beginning of the Third Plan (1972); the Taiwan ratio, on the other hand, amounted to 4 per cent at the end of the Fourth Plan period (1968) and has not increased noticeably in the Fifth Plan period (personal interviews in EPB and CIECD, Seoul and Taipei, February 1972).

<sup>20</sup> Particularly in Korea where the annual plan (overall resources budget) and the government budget are drawn up more or less jointly each year; see [74, p. 52], also [68, pp. 61–67].

respective goals is inconceivable without an organizational apparatus and a planning machinery which permanently strikes a balance between problem-oriented program design and power-oriented maximization of political support [9, pp. 43-46]. As a result of the decision in favor of a certain development strategy and the operationalization of the objectives, the target figures and consequently, the framework for later evaluations, are already pre-set.<sup>21</sup> Taiwan's development strategy during the Fourth Plan period was growth-oriented and outward-looking, and it would therefore be inconsistent to evaluate the performance of this plan period by applying criteria for a more distribution-oriented inward-looking strategy [4]; thus, plan evaluations of this type tend to be justificatory in nature [60, p. 150], because the plan result (achieved targets) is assessed only in terms of its contribution to the achievement of self-set goals. However, the planning machinery will not be able to avoid acknowledging the negative side-effects inherent in the implementation of any strategy. This can lead to the selection of alternative development strategies in the following plan periods, if certain limits are exceeded and the existing political-strategic framework conditions including the internal power structure permit it.

Planning instruments are by no means as strictly related to planning targets as suggested by the policy models of Frisch, Theil, and Tinbergen. The empirical attempts at relating instruments to goal achievement could usually not be determined. The reason for this appears to be that in the course of implementation, instruments have to be disaggregated, regionalized, sectorally specified whereas goals usually are formulated in broader categories. The instruments thus become increasingly complex and more technocratic. This makes their correlation to the field of normally less precisely specified goals almost irrelevant. The theoretical target-instrument relationship<sup>22</sup> which is presented in the policy models is rational and trivial at the same time; it is not adequate for the analysis of even relatively simple economic situations.

#### IV. OUTLOOK

The increasing number of persons participating in the planning process and the group interests represented by them has led to a strong development of the goal aspect, so that from this side, too, the close link between goals and instruments is being further loosened. The growing complexity of the political and administrative planning and decision processes is increasingly finding its adequate expression in the formulation of goal functions which Weiss characterizes as "multi-dimensional, conflicting, non-articulated and subject to change over time" [82, p. 6]; such a goal function is "multidimensional in keeping with the multiple interests of the different groups who influence decision-making, and it thus con-

<sup>21</sup> "Report of the Expert Group on Criteria, Machinery and a Detailed Scheme for Periodic Performance Evaluation during the Second Development Decade," *Economic Bulletin for Asia and the Far East*, Vol. 22, Nos. 1-2 (1971), pp. 1-11.

<sup>22</sup> A comprehensive survey of the classical position is given by [24]; see also [69, pp. 3-9]; also [78, pp. 58-60].

tains unreconciled and—in the existing configuration of political interests—often unreconcilable goal conflicts. It is non-articulated because political bodies avoid the precise definition of goals in order to mobilize maximum political support under vague, broad categories; precise definition of goals and priorities generally means the unveiling of conflicts. It is subject to change over time in keeping with the constantly changing values of a society and the gradually changing consensus of various groups who exert an influence on the formulation of social goals” [82, pp.6–7].

Against such a background political decision makers apparently behave rationally when they tend to give preference to the maintenance-of-power aspect rather than the aspect of program implementation. The result is that decisions with long-term effects are sometimes postponed or totally abandoned in favor of measures with a shorter-term impact which better satisfy the constantly changing group interests. Instruments oriented to longer-term perspectives as often necessitated by technology and administrative processes are confronted with goals characterized by short-term influences and politics. This is a gap which tends to broaden and will considerably reduce the planability of economic systems and in particular, the successful implementation of longer-term development plans.<sup>23</sup>

The decreasing planability brought about by internal factors is aggravated by exogenous factors which operate in the same direction; the over-dimensional rising share of Taiwan’s external trade in the GNP and the growing commodity, financial and monetary linkages with the rest of the world lead to an increase in the number of variables whose evaluation can only be partially foreseen by the planners in Taiwan and which cannot be controlled any longer.<sup>24</sup>

The outcome of these developments will probably be that comprehensive, consistent, and optimality-based macro planning will be less implementable due to increasing complexities and uncertainties, and will be cut down in favor of a “partial” planning which concentrates on sub-areas which can more easily be identified and controlled. Here, evidently, project and subsectoral planning will receive priority so that the “project gap” (Waterston) can be filled.<sup>25</sup> Nevertheless, there remain sub-areas at sectoral and macro levels which continue to be manageable via planning procedures, e.g., the volume and allocation of government investment in agriculture, the development of the domestic textile industry against the background of a new World Textile Arrangement [76] or foreign debt management.

Taking the Japanese example, which anticipated many aspects of Taiwan’s development—and to some extent in South Korea—with a time advance of about fifteen to twenty years, it will be seen that comprehensive planning—with an

<sup>23</sup> This is the main reason for the dominance of annual planning increasingly observed during the last years.

<sup>24</sup> “Among the troubled exogenous variables, it may be hard to give a proper forecast about world trade in the present stage of econometric research” [79, p. 39].

<sup>25</sup> “After all, it is the microeconomic factors which largely determine a country’s macroeconomic performance” [81, p. 103].

excellent standard of econometric research in Japan<sup>26</sup>—was indicative in the 1950s and merely decorative when the growth boom commenced in the early sixties. Today, “due to the nature of the national planning, the credibility gap with respect to the national plans and also to the planning body may have become greater, although this may not imply an immediate abolition of national planning in Japan” [79, p. 48]. The main reason for this development was the fact that, in the pursuit of a growth-oriented outward-looking strategy, highly intensive linkages developed between the Japanese economy and the rest of the world [8] and this drastically reduced the number of controllable variables as a basis for medium-term planning and—as a reaction to the usual world market fluctuations—led to the absolute priority of a short-term stabilization policy of the Ministry of Finance and the Central Bank of Japan [79, p. 45].<sup>27</sup> The result was that adjustment and distribution policies were neglected for many years with the institutional consequence that the Japanese Economic Planning Agency (EPA) “has been one of the weakest agencies with regard to its power configuration within the government” [79, p. 43].

As the negative side-effects of this extreme growth policy have become intricate and confusing [34], an intensive discussion has started since some time<sup>28</sup> on which type of national planning—with due consideration of the world-wide economic linkages—will help to conceive and bring about a balanced relationship between growth, adjustment, and distribution policies. A preliminary indication whether Japan is really searching for a solution in this changing situation will consist of its ability to set up a new, strong, and implementation-oriented policy-making machinery and not leave the design of macroeconomic development to the traditional Economic Planning Agency. The rationality which can be derived from any economic theory may not be able to retain its true nature without a properly established power configuration, especially in the field of economic power [79, p. 50] [29].

Due to increasing internal complexity and foreign trade linkages, the planability of the Taiwan system is also showing a tendency to decline; the question which arises therefore is whether Taiwan will learn from the Japanese experience and shift the planning machinery to conceive a type of planning adapted to the new conditions which should prevent major negative side-effects within the outward-looking strategy which has to be pursued in the coming years.

<sup>26</sup> A survey of econometric model building in connection with the Japanese development plans is given by Lörcher [56]; see also [42].

<sup>27</sup> A description of an early warning system in the Japanese economy is given by Lörcher [57].

<sup>28</sup> Interviews in the EPA and in the Ministry of Finance, Tokyo, February 1972.

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