

## **RETHINKING PLANNING IN THE LAND OF PLANS**

Hayek, who received the Nobel prize in Economics in 1974, was a strong opponent of planning. He launched a strident critique against planning at a time when socialism still had a huge following.

The heydays of socialism have long gone. China is far from socialist in the way it seeks to court capitalism and the market. The popular sentiment in India does not quite favour socialism these days, although the ideology still thrives in some states and among a diminishing number of academics. Cuba stands alone, holding a flickering reminder of a past that was once more vociferous.

Some of the values upheld by the Left have tremendous appeal. Values such as egalitarianism and justice, for instance, are worthwhile. Certainly, concern for the disadvantaged merits serious attention. On these issues the thinking of socialist economists cannot be disposed off without reflection.

Curiously, planning and the penchant to intervene in the market, activities so very reminiscent of the socialist intellectual tradition, continue to have an important place in Malaysian policy making. Here, Malaysian policy makers will find like-minded friends from the Indian sub-continent, where bureaucrats and academics rejoice in the formulation and analysis of Plans.

With the number of Plan documents that the government regularly publishes, it is perhaps necessary to offer a cautionary statement, very much in the nature of the health warning that adorns cigarette packets. In this respect, Hayek's insights are as relevant for us in Malaysia today, as they were when he enunciated them.

Hayek warned that planning proceeds on the basis of assumptions and imputed values, losing use of knowledge in the process. In Hayek's view, individuals possess

a large amount of knowledge that has been learnt in specific processes, under different circumstances, at various points in time.

He felt that knowledge by its very nature is unorganised and cannot be meaningfully aggregated. He also thought that there was a tendency to treat knowledge at the individual level with contempt, according theoretical or technical knowledge a position of superiority. These, indeed, are aspects that escape the most well-intentioned planning processes.

There is simply no way of capturing how the innumerable individuals that constitute a market will respond to the plans that have been thought out by bureaucrats and technical experts. It is not even certain if we can assess the behaviour of all the relevant agents that will be impacted.

Hayek correctly pointed out that the social sciences are embedded in complexity. By complexity Hayek meant that the social sciences are concerned with the study of the actions of many individuals and many circumstances which will determine the outcome of a process. These circumstances, he added, “will hardly ever be fully known or measurable.”

Economics, thus, stands in opposition to the physical sciences, which have to generally confront a few variables. In the physical sciences all the relevant variables can be identified and measured. This makes planning for the economic development of the nation a hugely complicated task, almost Promethian in dimensions.

One of the flaws that disrupts the planning process is the inclusion of that category called “national aspiration.” Let us illustrate this problem with an illustration. Technical estimates may, let us say, suggest that the Malaysian economy is likely to grow at a rate of five per cent per annum for the next three years.

Policy makers, in their wisdom, may feel that if the peoples in the nation aspire to achieve a higher rate of growth, then such a growth rate (say, eight per cent) is achievable. This is where the line between “what one sees” and “what one wants to see” starts to blur. If this blurring of distinctions is recorded in a Plan document and scenarios are based on the blurred margins, then the meaningfulness of the Plan comes into question.

Yet another problem with Plan documents is that they tend to get very ambitious. The Plans then become rhetorical statements of little use. For instance, the Second Industrial Master Plan lists some of the reasons why the Multimedia Super Corridor (MSC) can drive economic growth in Malaysia, and goes on to add that “The MSC will therefore hasten the emergence of the *Borderless World* and Malaysia will be a major initiator in its making.”

One wonders what this statement means. Does it mean that the MSC is a necessary catalyst for the *Borderless World*? Does it *really* mean that Malaysia’s contribution to globalisation is all that crucial? That the borderless world will be slower to occur without Malaysia’s contribution? What is at fault? Presumptuousness, or sentence construction?

Perhaps governments have a role to play in planning. But there are limits to this process and these limits must be respected, not compounded. As Malaysia progresses, policy makers must listen more carefully to the ‘voice’ of interested citizens and the signals that emanate from the market. Planning should come to play a facilitative role, to encourage the participation of the private sector and to ensure that the needs of the disadvantaged are not neglected.

Then, again, there are the questions of accountability and transparency. Plans are frequently accompanied by programmes and projects that need to be accomplished within specified time-frames. These projects involve the allocation of funds. One

wonders if it would be a good idea to display within the public domain audited statements detailing the allocation and use of funds.

To take another example, the thrust of the Second Industrial Master Plan (IMP2) was on the concept of cluster-based development. It would be instructive to know how much was spent during the IMP2 period on individual projects to foster cluster-based development and what the financial outcomes of these respective projects were.

For a country that produces Plans for financial reform, human resource development, industrial development, capital market reform, automobile industry development and knowledge development, besides, of course, the Outline Perspective Plan and the regular Five-Year Plans, it is time that we reflect on the planning process.

Having acknowledged that the planning process is itself fraught with pitfalls, some attempt must be made to address these shortcomings. Integrity and good governance, issues that are close to the Prime Minister's heart, are as much at stake in the planning process as they are in other areas of public life.

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