

INTERNATIONAL WORKSHOP, INALCO, PARIS, APRIL 6TH, 2018

**Long Term Perspective, Planning and Structural Policies in
Economics.
Past Experiences, Current Issues and Prospects**

Program and Abstracts

Venue :



Les Salons, Maison de la Recherche de l'INALCO.
2, Rue de Lille, 75007 Paris, France. Métro : Line 4 - Saint Germain des Près

PROGRAM

9h00. Welcome

9h15. Pierre-Yves Cossé (Past French Commissaire au Plan, France): *Opening allocution*

9h30-11h Planning in Retrospect and its Relevancy for today's Structural Issues.

Chair: Aleksandr Buzgalin

Pr. Bernard Chavance (Paris-Diderot University, France): *The historical experience of centralized planning in the socialist economies: an assessment*

Dr. Elsa Lafaye de Micheaux (Rennes University, France): *Planning the Malaysian Development: Continuity, Success and Current Issues*

Pr. Andrey Kolganov (Moscow State University, Russia): *Structural changes of the Russian Economy and the need for national planning*

Discussion.

11h Coffee Break

11h15-12h30: Planning in a fast-changing world

Chair: Jean-Louis Truel

Dr. Julien Vercueil (INALCO, France): *What are the current frontiers of economic planning?*

Pr. Serguey Bodrunov (Russian Free Economic Society, Russia): *Planning in Russia: memory about the future*

Discussion

12h30-14h Lunch pause

14h-15h30 Economic planning around the World: national experiences and issues

Chair: Julien Vercueil

Pr. Aleksandr Buzgalin (Moscow State University, Russia): *Modern Economic Planning: Who, How and for Whom?*

Pr. Jean-Luc Racine (EHESS, France): *India after the Planning Commission: Modinomics, the Market, the People and the State*

Pr. Xavier Richet (Sorbonne Nouvelle University, France): *The Belt and Road Initiative. Planning accross the Borders?*

Discussion

15h30 Coffee Break

15h45-17h30 Prospects for economic planning

Chair: Bernard Chavance

Pr. Bobylev Serguei (Moscow State University, Russia): *Sustainable development goals for Russia*

Pr. Robert Boyer (Latin American Institute, France): *Planning: past, present and future*

Discussion and Conclusion

Long Term Perspective, Planning and Structural Policies in Economics. Past Experiences, Current Issues and Prospects.
International Workshop, INALCO Paris, April 6th 2018.

ABSTRACTS

SESSION 1. Planning in Retrospect and its Relevancy for today's Structural Issues.

Chair: Aleksandr Buzgalin

Pr. Bernard Chavance (Paris-Diderot University, France): *The historical experience of centralized planning in the socialist economies: an assessment*

The system of centralized planning was constituted on the basis of specific institutions (one-party political regime, state ownership, hierarchical administration of the economy) and of an official doctrine hostile to capitalism and to the market. Historical experience in the numerous countries where it was implemented shows some successes in poor countries in the initial development process, with ambivalent benefits of the high centralization of investment, but failure in regard to its main objectives – being an alternative and progressive coordination mode of the national economy, in comparison to the classical faults of the capitalist system.

The main problems resulting from centralized planning, based on the disaggregation of macro into micro objectives and the imperative character of plans are:

- the necessary link with an authoritarian political system
- the obstacles resulting from complexity and the conflictual positions of agents
- informational smog

Principal features of economies where this type of planning was realized were

- shortage type of “régulation”
- tendency to residual growth of consumption
- institutional rigidity resulting from systemic interdependence
- barriers to endogenous progressive technical change

The diverse lasting experiences of intra-systemic reforms of centralized planning toward more decentralized forms of macro-coordination gave unexpected and disappointing results (Yugoslavia, Hungary); the case of China is different as the discontinuation of centralized planning accompanied inter-systemic change.

Dr. Elsa Lafaye de Micheaux (Rennes University, France): *Planning the Malaysian Development: Continuity, Success and Current Issues*

When the New Economic Policy was introduced in 1970, multi-year plans were not a novelty in Malaysia: the British had introduced this broadly used economic policy tool after World War II, beginning with the Draft Development Plan (1950-55) for the Federation of Malaya. The Draft coincided with the 1950 establishment of the Colombo Plan for Cooperative Economic Development in South and Southeast Asia, with Malaysia participating through Great Britain, a founding member. In addition to the *Draft Development Plan for British Malaya*, the British added the *Reconstruction and Development Plan (1947-55) for North Borneo (Sabah)* and the *1947-56 Plan for western Sarawak*. The First and Second Malaya Plans followed, from 1956 to 1965. However, the NEP (1970-1990) made these macroeconomic planning tools *the instruments of economic policy par excellence* in Malaysia. The Second Malaysia Plan (1971-75) proved a genuine economic instrument for the NEP, as it prioritised reducing Malay poverty and establishing ‘dispossessed Malays’ institutional mechanisms for their advancement.

Malaysia’s planning office, the Economic Planning Unit (EPU) directly under the Prime Minister Department, after a short eclipse during the genesis of the NEP due to divisive views on policies, has reigned on planning in Malaysia. Regularly shifting from one priority (distribution) to the other (growth), planning has evolved over time but has contributed to built the trajectory of sovereign development. EPU has also benefited from the continuity of the UMNO political party, ruling Malaysia since Independence (1957). In the reverse, this political permanence has been supported by planning and economic prosperity.

The current *11Malaysia Plan* (“Anchoring Growth in People”, 2016-2020) is efficiently articulating the Government-Linked Companies, Government-Linked Investment Companies and the private companies. The next Plan will be framed into The *2050 National Transformation (TN50)*, a new 30-year transformation plan for Malaysia, announced in Novembre 2016. We will develop the idea that Najib Razak Prime Ministership relies more than before on planning, having created a renewed form of state-Business nexus. This hypothesis will be further illustrated by the Halal Industry Master plan (2008-2020 and 2018-2030).

Pr. Andrey Kolganov (Moscow State University, Russia): *Structural changes of the Russian Economy and the need for national planning*

Russian Economy now confronts with the problem of the structural changes towards the growth of the share of manufacturing industry, especially in the sectors of high technologies, radical growth in national research and development sector, and relative reduction of the share of extraction of natural resources. If we will look on the historical experience of the countries, which undertook the comparable changes, we will see the wide range of instruments of regulation and planning implemented in the post-war period in France, Germany, Italy, in the 50s-70s of XX century in Japan and South Korea, and now days in China.

It is clear, the self-regulating mechanisms of free market cannot provide the structural changes in the comparable time and in the comparable scale, as planning can. The planning and regulation of the market make possible to concentrate the investments from both state and private sources on the most important directions of economic development. In the same time, regulation and indicative planning in combine, make possible to provide such concentration not only by bureaucratic order, but on the basis of economic benefits of participants of state programs.

Really, these instruments mean the intervention into free market system. However, the forthcoming technological revolution confronts with narrow frameworks of free market. Even now the non-market spheres of the economy became more and more significant, as well as non-market motivation of human activity. In these circumstances the revival of different forms of social regulation of the economy can be forecasted.

SESSION 2. Planning in a fast-changing world

Chair: Jean-Louis Truel

Dr. Julien Vercueil (INALCO, France): *What are the current frontiers of economic planning?*

Economic planning is mobilizing a type of vertical “coordination mechanism” (Mintzberg, 1979), traditionally opposed to the horizontal mechanisms that characterize market coordination. Our contribution argues that any opposition between these two coordination mechanisms would be largely artificial. As a matter of fact, economic coordination, both at the micro and at the macro levels, always involves vertical and horizontal adjustments, and there is a continuous interplay between market and planning coordinating devices, be they public or private.

Starting from this evidence, our contribution tries to delineate the current frontiers of economic planning. “Frontier” is understood here in a double meaning: frontiers are unknown territories that loom ahead for public and private planners aiming at efficiency; but at the same time, they can be also boundaries that would limit the scope and relevancy of economic planning.

In this contribution, we intend to explore four frontiers of current economic planning: a political one – *legitimacy*, asking whether all public institutions are legitimate enough in contemporary societies to impose long term priorities in certain forms of resource allocation; an informational one – *complexity*, represented by the challenges posed by the interaction between complex systems that require more and more information to be regulated; a behavioral one – *enforcement*, shedding light on the adaptive behaviors of actors who can evade from the rule put forward by the planning authority; a multidimensional one - *flexibility*, requiring that planning institutions must adapt to the novelty that emerges constantly from current socio-economic systems. Our contribution will exemplify each frontier with corresponding concrete cases.

Pr. Serguey Bodrunov (Russian Free Economic Society, France): *Planning in Russia: memory about the future*

The development of new substance and structure of social production that accompanies the genesis of a new stage of industrial economy that we called New Industrial Society of second generation (NIS.2), based on the deep changes in the technologies, determines the changes in the system of economic relations and institutions. Such changes also put extra pressure on the existing economic relations. The use of economic and social *planning and scholarly foresight* in the management of economic development processes could abate dramatic social upheavals caused by radical changes in economic systems. The NIS.2 also determines new challenges pertaining to the development of basic *market self-regulation and private property*, on the one hand, and *regulatory economics*, on the other.

If these projections hold true, what place will Russia claim in this future society? And if we can succeed, then what recipe for success shall we select?

For a long time, Russia's economy was developing in accordance with the neoliberal monetary model that distorted the structure of the national economy, exaggerated the raw materials sector and caused unchecked financialisation and deindustrialisation. Thus, we need to *abandon the current economic model* and start *prioritising Russia's industrial development*. These goals require deep structural changes which can't be provide without active industrial policy based on national planning and regulation.

The future of NIS.2 also put the question of dramatic challenges linked with new technological possibilities – from universal prosperity to self-destruction of human society. The risks of crisis of human civilization can be overcome only on the basis of new rationality, which we called *noonomics*.

SESSION 3. Economic planning around the world: national experiences and issues

Chair: Julien Vercueil

Pr. Aleksandr Buzgalin (Moscow State University, Russia): *Modern Economic Planning: Who, How and for Whom?*

The necessity of planning in the market economy forced us to put some questions. Who must provide such planning, how it will be providing, by which measures, and for whose interests it will be serving?

National-scale economic planning inevitable linked with the question of national interests in economic development. Thus, it impossible to hope, that this interest will reflect the national government only. If so, it will be too bureaucratic mode of planning. In the formulation of the goals of national planning must be involved a lot of different actors, such as unions of entrepreneurs and of workers, firms and households, local self-government and different institutions of civil society.

The contemporary historical experience of planning shows us a wide range of instruments providing the fulfillment of planned goals. Among them we can see the state indicative plans, forecasting, selective planning and regulation. Combining these measures with the different economic stimulus (tax privileges, state subsidies, technological support, social transfers etc.) it is possible to unite them into coherent program which can effectively orient all actors of the economy on the desirable direction.

Pr. Jean-Luc Racine (EHESS, France): *India after the Planning Commission: “Modinomics”, the Market, the People and the State*

Eight months after arriving to power, India Prime Minister Narendra Modi disbanded in January 2015 the Planning Commission established under Nehru in 1950, and set up in its place the NITI Ayog, NITI standing for « National Institution for Transforming India ».

Behind the rhetoric, what is the changed structure and the role of this new Commission in the context of what is often defined as India as « Modinomics », the economic policy implemented by the Modi government? How the market card accommodates State initiatives when the next general election is approaching? And how a nationalist government cajole foreign investors for its « Make in India » policy. In other words, is Modi’s discourse in Davos different from Modi’s discourse at home?

Pr. Xavier Richet (Sorbonne Nouvelle University, France): *The Belt and Road Initiative. Planning across Borders?*

In this presentation, the scope of the BRI project and its implementation by the Chinese authorities are discussed. The success of the Chinese economy has so far been based, among other things, on a growth model driven by investment and exports. Investment-led growth has led to the development of excess production capacities, greatly amplified by the "fragmented authoritarianism" of the provinces increasing production capacities in many sectors. Export-led growth has generated surpluses that China is mobilizing by developing and financing, to a large extent, the ambitious BRI project.

This project has several economic and strategic dimensions:

- To maintain the growth rate of the Chinese economy
- To reduce the development gaps between the western provinces in the north-west, far from the coast, by finding outlets for them via Central Asia
- To contribute to the development outside growth relays, along both maritime and land routes.
- To ensure the security and sustainability of the country's supplies, particularly raw materials.
- To circumvent the encirclement of the country by the United States and its regional allies, neutralize regional competitors (India, Japan, South Korea)
- To contribute to the "sinization" of globalization.

The project, for the most part, is carried out by state-owned enterprises that have access to specific and varied credit lines. These firms are in a quasi-monopoly position to carry out these projects. In receiving countries, funding, and thus the implementation of non-strategic projects, is more problematic transforming some projects in hollow pledges.

The realization of this project raises several questions that it is proposed to address:

- The articulation of this project with the orientations of the current Chinese five-year plan
- The implementation of the objectives and the incentive and financial instruments to achieve them, including the division of labour between state and non-state Chinese firms
- The arbitration between domestic and foreign investment financing within the framework of the project

SESSION 4. Prospects for economic planning

Chair: Bernard Chavance

Pr. Bobylev Serguei (Moscow State University, Russia): *Sustainable development goals for Russia*

The Sustainable Development Goals proposed by the United Nations in 2015 to set objectives and targets for 2016–2030 and approved by all countries hold a special status among such global objectives. Russia has officially supported these development priorities and considered the related documents to be important in the long term.

An analysis of the UN Sustainable Development Goals and the possibility of adapting them to the Russian context as part of long-term policy-making has exposed certain differences in the interpretation of the sustainable development concept worldwide and in Russia. In Russia, this term is used in the present strategies and programs primarily in the context of sustainable economic growth, whereas globally sustainable development is understood as a more fundamental process associated with balanced economic, social, and environmental development.

To abandon a raw materials export-based model and switch to a new development paradigm of the Russian economy, it is necessary to include the concept of sustainability based on a balanced set of economic, social and environmental components in the strategic documents underpinning the country's long-term development. The existing strategic documents in Russia lack such a balance, which casts doubt on the effectiveness of their implementation. Therefore, the long-term development documents designed in Russia must include the maximum possible number of the SDGs and the related targets and indicators. In particular, in the context of the national strategic development design in Strategy 2030, it is appropriate to align the SDGs, priorities, and the target areas of the country's long-term development and harmonize the respective indicators for the SDGs and Strategy of Russia.

Pr. Robert Boyer (Latin American Institute, France): *Planning: past, present and future*

The emergence, maturation and decay of French planning delivers some teachings about the conditions for success: the ability to mix a shared diagnosis with social partners, to create an agora where civil servants, experts representing key economic interests and pragmatic economists interact in the exploration of medium-long term evolutions and try to influence them.

The crisis of the golden age means the victory of free marketers that state the omniscience of markets as a full alternative to state intervention. Paradoxically some powerful private actors such as financial entities and emerging monopolies in the ICT take the lead in deciding key investments that used to be decided by collectivities.

Nevertheless the most successful national economies do not trust markets and their governments continue to decide about infrastructures, innovation, education, the health care system and the periodic restructuring of the various levels of public administrations. China, Denmark .. and the US will be analyzed according to this hypothesis.

A last section will argue that the pretense of neoclassical theory to have proven the superiority of markets is false: the so-called RBC and new classical macro theory is actually dealing with a benevolent planner. It is a return to the foundation of mathematical economics born to optimize the war efforts of the US and to tentatively sustain Soviet planning.