



# What are the current frontiers of economic planning?

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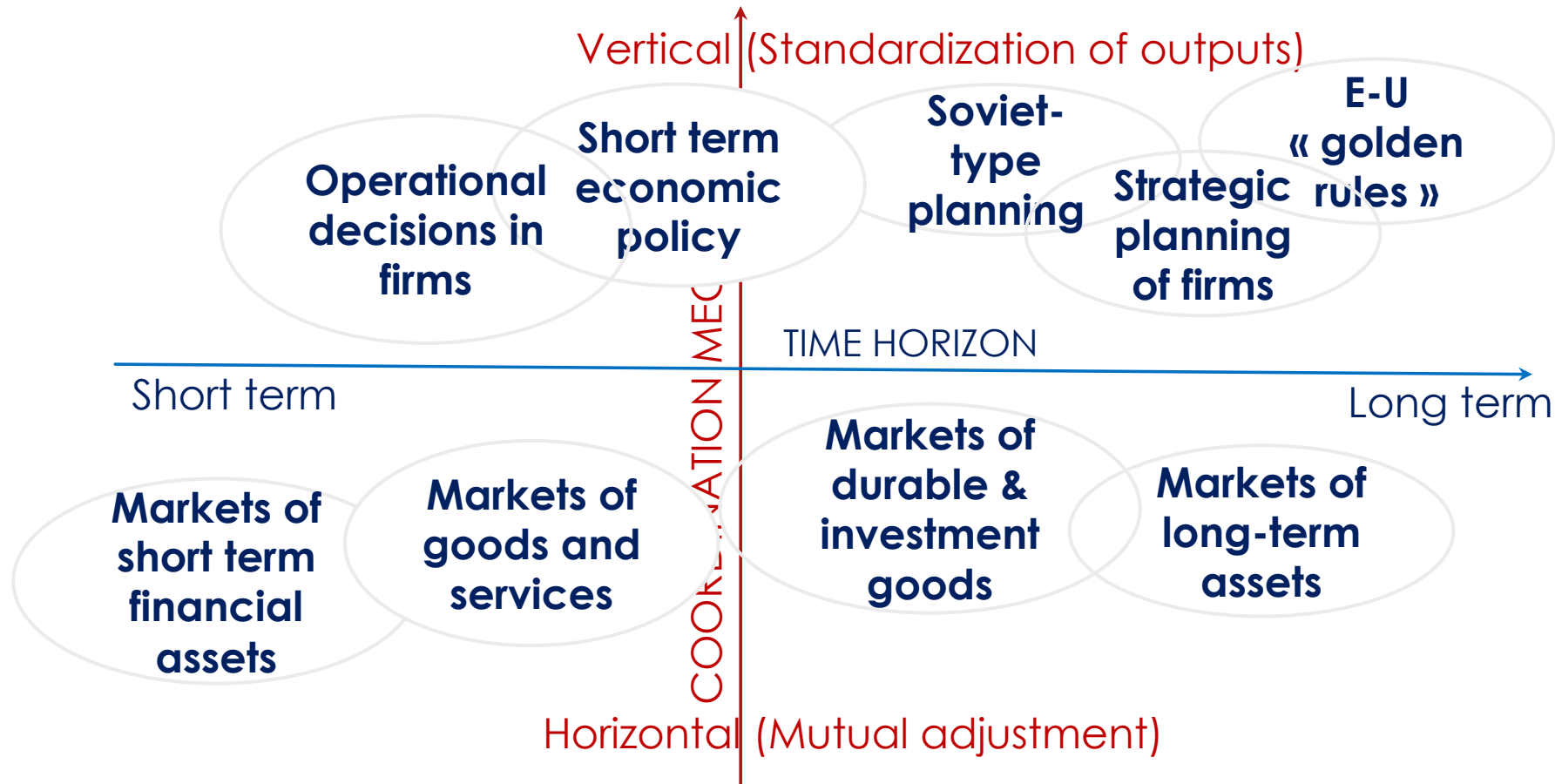
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# Introduction: planning as a coordination mechanism of the economy

- ▶ **Coordination mechanisms:** Henry Mintzberg (1979) (microeconomics & management)
- ▶ Planning at the State level: vertical coordination by *standardization of outputs (and, sometimes of procedures)*
- ▶ Markets : horizontal coordination by *mutual adjustments*
- ▶ **But: Markets are constituted of private organizations that are planning institutions**
- ▶ J.R. Commons (1931) : « transaction » as a multifaceted coordination mechanism (market/hierarchy)



# Consequence: economic actors confronted to a permanent trade-off between various coordination mechanisms



**Note :** time horizon is not always consistent with the criteria of decision

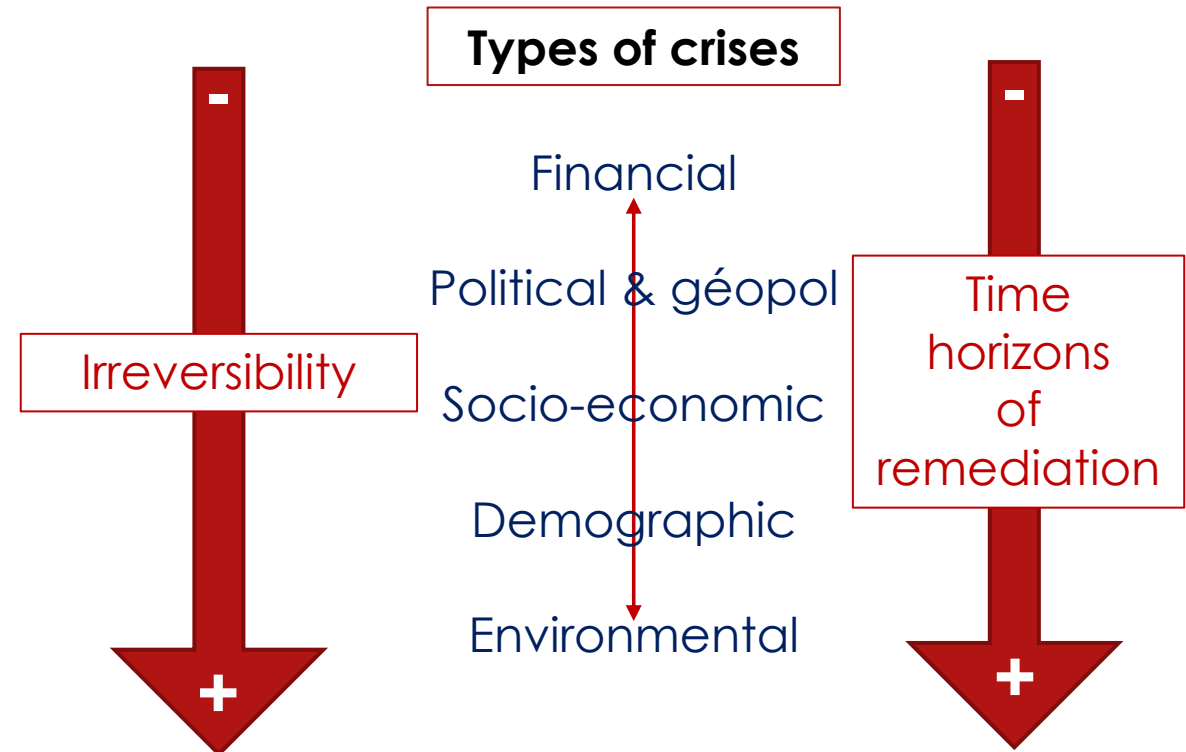
# 1. A political frontier for public planning: Legitimacy

- ▶ The legitimacy of the planning institutions: public and private
- ▶ Fundamental principle of legitimacy: rationality (legal-rational authority, M. Weber (1922))
- ▶ Two problems arise: 1. rationality of the political and bureaucratic elite vs. rationality of the market
- ▶ 2. Uncertainty => weakening legitimacy of long-term rationality– and its effect on planning
- ▶ The **Participation / Accountability** nexus as a way of re-legitimization of planning



## 2. An informational frontier: Complexity

- ▶ Complex interplay of contemporary challenges to (crises of) social systems
- ▶ Interaction of time horizons and levels of irreversibility
- ▶ Main problems of historical socialist planning: collecting and processing the relevant information
- ▶ New information technologies : Big data, AI: examples of solutions for modern planning?



Source : adapted from Vercueil (2015)

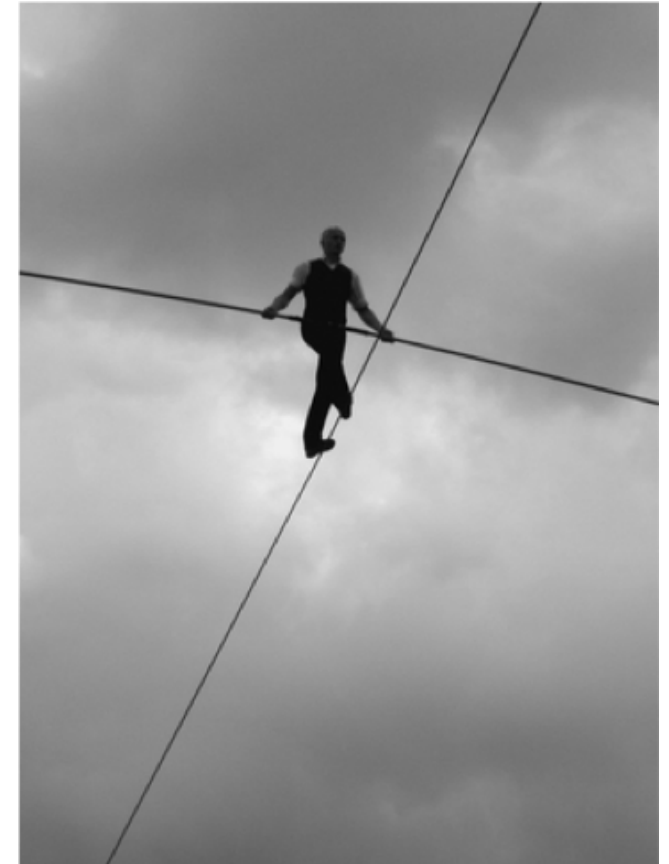
## 3. A behavioral frontier: Enforcement

- ▶ Theory is not rule, rule is not decision, decision is not action, action is not result - & results are not theories
- ▶ Example: J. Kornai's (1981) vision of economic theories of perfect planning and perfect markets
- ▶ Choice between indicative and imperative planning? Adaptive behaviors always emerge from rules imposed to actors (Pierson, 1902)



## 4. A multidimensional frontier: Flexibility

- ▶ Planning is about organizing a form of order within chaos – & giving a longer time horizon to actors
- ▶ But (chaotic) innovation always emerges within the time horizon of planning
- ▶ How can economic planning provide some stability to economic actors while being reactive and flexible?
- ▶ Broader goals and fewer rules?



# Conclusion: Paradoxical planning

- ▶ **markets failures** are increasingly blatant: ecology, health, income distribution, education, infrastructures, R&D.
- ▶ But markets forces have also weakened the capacity of public institutions to work out an effective planning (globalization, short-termism, vested interests,...)
- ▶ **Planning failures** are numerous: public (Soviet Union, Tchernobyl), or private (Japan, Fukushima).
- ▶ **Accountability of planners, checks & balances (voice) and markets** remain absolutely necessary alongside public planning (cf. « dual track regime » of the transition period in Chinese agriculture)

## THE CO-EVOLUTION OF MARKETS AND PLANNING: AN INSTITUTIONAL DESIGN



Source: adapted from M.C. Escher



# Thank you!

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