

Planning



Types of Planning- Planning by Directions

Planning by Directions

- ❖ This type of planning is practised in socialist countries like China, Former USSR, Cuba, North Korea, etc.
- ❖ Under planning by direction, there is one central authority which plans, directs and orders the execution of the plan in accordance with the pre-determined targets and priorities

Planning by Directions

- ❖ It determines the production figures, delivery schedules, quotas regarding the production of the goods, price controls, use of foreign exchange and allocation of resources like labour, etc. amongst different competing uses
- ❖ Thus, such planning is comprehensive and encompasses the whole economy

Planning by Directions

- ❖ Planning by directions is similar to military or defence plans which are carried through orders and instructions
- ❖ Thus the strategy of planning through directions coincides with the military strategy

Planning by Directions

- ❖ Along with the disintegration of former Soviet Union, the methodology of planning by directions has received certain serious setbacks
- ❖ Now most of the UDCs are tend to adopt market economic system

Demerits of Planning by Directions

- ❖ Planning by direction is *undemocratic* since the people are ignored all along
- ❖ It is *bureaucratic and totalitarian*. Under bureaucratic system, the individual's sovereignty is completely abolished. Corruption, red tapism, VIP system, tyranny and austerity are the by products of bureaucracy

Demerits of Planning by Directions

- ❖ Rationing and control result in ***black marketing***
- ❖ There are shortages of some goods and as well as surpluses of other goods. That is, there is an ***imbalance in production output***

Demerits of Planning by Directions

- ❖ This sort of planning is *inflexible*
- ❖ Once the plan is prepared, there is no room for alterations in later phases of planning. A part of the plan cannot be changed without simultaneous changes in many interconnected activities
- ❖ Planning by direction is so complex that it is impossible to change even a part of it as it will involve in altering the whole plan

Demerits of Planning by Directions

- ❖ The *fulfilment of plan cannot be guaranteed*, as the planning by direction is hampered by black marketing and corruption
- ❖ Planning by direction also leads to *excessive standardisation* which impinges on consumer sovereignty. In other words, under planning by direction the goods produced are standardised lacking the variety

Demerits of Planning by Directions

- ❖ As in case of USSR, the produced TV, Fridges and Automobiles were identical having no differentiation
- ❖ It also involves ***huge administrative costs***, as the planning by direction involves in elaborate census, numerous forms and army of clerks