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Some Problems of Adapting the Ideas of Budgeting and Planning to
Underdeveloped Countries*)

by

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I

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In reading the American official literature on PPBS-- both the positive and critical-- one is struck by two major factors. The first is that here is a good idea which seems somehow to have gone sour. The second is that the problems into which PPBS seems to have run in its application in the US are not too dissimilar to those found in underdeveloped countries in the formulation and execution of Plans.

In fact, there is something like a convergence of approach: in underdeveloped countries, it is increasingly realized that a Plan remains unreal until its components have found a budgetary expression and control, while in developed countries the increasing role of government faces the realization that the budget cannot be its own end but requires some general economic justification. Planners of necessity become budgeters; and budgeters, planners.¹ Both have found reality recalcitrant, and their needs beyond possible satisfaction.

To start with some of the problems. The introduction of PPBS in the

*) I wish to thank my colleagues Professors Elliot J. Berg and Harvey Brazer for suggestions. But, of course the responsibility for anything written remains mine.

¹ In my Planning without Facts, Harvard University Press, 1966, I have argued that the Budget is the central planning document. The present article tries as far as possible to avoid repeating ideas and arguments dealt with there, or in my other writings, most recently in Budget, Economic Policy and Economic Performance in Underdeveloped Countries, Kieler Vorträge, No. 69, Tübingen 1971.

United States required thousands of trained analysts when there were none;² it ran into difficulties of defining objectives clearly. It ran into data problems; it ran into problems of existing procedures which could be changed only with difficulty, and which lead in some cases to a double track budgeting system. And it ran into political difficulties essentially of three kinds: inertia against any change; dislike of the "planning" part of PPBS; and use of the system to defend the status quo rather than to seek the "best alternatives".

All of these problems exist infinitely multiplied in underdeveloped countries. There certainly are neither sufficient personnel nor adequate data. Changing existing administrative systems is likely to produce chaos for a number of years until the new system has become routinized, if not ossified. Strong ministers or their equivalent certainly will use anything to push their own ideas, and the commitment to planning may mean less than meets the eye.

The first point to note-- before even going into the basic ideas that have to be adapted to underdeveloped (and perhaps even to advanced) countries-- is that only the lack of personnel and the lack of data can be solved by improving the existing situation. Even this is true only in principle; in fact, there may always be too much of a time lag in the availability of data to make them useful instruments of decision making, and the future will certainly always remain largely anyone's guess.

All the other difficulties-- and some additional ones-- are inherent in the problem. Two deserve special mention: the difficulty in getting a reasonably clearcut program structure; and the difficulty of formulating precisely

² Joint Committee Print, 91st Congress 1st Session, The Analysis and Evaluation of Public Expenditures: The PPB System. A Compendium of Papers submitted to the Subcommittee on Economy in Government of the Joint Economic Committee, 3 volumes, Washington D.C., GPO 1969, p. 803. This paragraph is a paraphrase of pp. 801 f.

the aims of society to be achieved. All these difficulties are real in the sense that they involve situations in which improvements in any one aim can normally be achieved only at the expense of a less desirable solution of one or several of the others. Problems the solution of which requires real trade-offs, cannot, therefore, be solved simply by improving a technique. Essentially political problems require essentially political solutions, even though economic theory may be useful since it deals precisely in defining these marginal conditions which define the optimum in a politically relevant way. Technical improvements of analysis may serve to make the final political choices clearer than would otherwise be the case, but even this may simply make matters worse by sharpening the antagonisms and perhaps freezing antagonistic positions too early so that no reasonable political compromise becomes possible. If program budgeting is asked to solve that kind of problem it is bound to fail.³

II

The purpose of the PPB System is described as the improvement "of the basis for major program decisions."⁴ The PPB System has three major elements:

³ The point is really obvious. It would be superfluous to make it, were it not for the strong technocratic trends which pretend to cut through political problems by technical means, trends which in underdeveloped countries tend to support "unpolitical" military regimes. At the same time it must be stressed that political decisions without regard to technical competence or the real limitations imposed by existing technologies, scarcity of human and real resources and the like can also only lead to disaster. Examples for either statement can easily be supplied.

⁴ Executive Office of the President Bulletin No. 68-9, April 12, 1968. All quotations are from HR 91st Congress 1st Session. Committee Print, April 1969, Committee on Government Operation, The Budget Process in the Federal Government. Subcommittee on Executive and Legislative Reorganization, USGPO. To be cited as Budget Process, p. 254.

Program Memoranda (PM), Special Analytic Studies (SAS), and Program and Financial Plans (PFP). The System basically seeks to achieve an improvement in decision making by analyzing the program aims, the alternative ways of dealing with them in terms of cost and "effectiveness", based on careful "analytic groundwork" and stated in terms of outputs, cost and financial needs for the past, current budget, and additional four years in the future.⁵

The Program Memoranda should identify "specific alternative courses of action, and the cost and benefits of each" in terms of a program structure that is "objective-oriented, grouping activities with common objectives or common outputs".⁶ As a result of this analysis a Program Memorandum "shows what choices the agency head has made,... the major program recommendation... for the upcoming budget, and defines authoritatively the strategy underlying these program recommendations".⁷ The form of Special Analytic Studies is less specifically prescribed. On the other hand, the Program and Financial Plans "should reflect the future implications of current and past program decisions of the agency head and, subsequently, of the President... It is... a reflection of the level to which existing decisions have committed the Federal Government. The PFP, shows on the output side, the expected benefits of multi-year projections and, on the cost side, the future financial requirements that are the result of the accumulation of program decisions made for the budget year or in past years."⁸ The PFP is to be submitted twice a year,

⁵ Ibid. p. 255

⁶ Ibid. p. 256

⁷ Ibid. p. 258. The Program Memoranda should not be longer than 20 pages! p. 259.

⁸ Ibid. p. 260

once when the Agency requests its budget, and again when its requests have been acted upon.⁹

The general instructions are, of course, spelled out in detail to make them operational.¹⁰ The basic criticism of the PPB system has been that it is impossible to get a fully operational "program" structure. Nevertheless there are two basic ideas to PPBS which it would be a pity to lose.

The first is the idea to get a comprehensive picture of the public sector for the benefit of the authority or authorities who make the final decisions: in the United States the President who submits the budget and the Congress who votes the money; in regimes with a Parliamentary system, the Prime Minister; in most underdeveloped countries which are essentially autocratic regimes, the Prime Minister or Dictator or President, as the case may be.

The difficulties arising in this respect stem partly from the lack of clarity of what the public sector is-- see for example the so-called Kennedy Commission Report¹¹ for the United States. Substantively there seems implied a political view of a central decision-making authority, which imposes its decision on the country or perhaps arbitrates among feuding power centers. For most underdeveloped countries such a knowledge of the public sector does not exist even when they call themselves "socialist" and insist that the Government should be responsible for economic development and virtually everything else. Yet it would be essential to get, even if it turns out, as it

⁹ Ibid. p. 261

¹⁰ Executive Office of the President, Bureau of the Budget, Instructions for the Preparation and Submission of Annual Budget Estimates. Circular No. 1-11 (July 1968), reprinted in the Budget Process, op. cit. pp. 20-253.

¹¹ Report of the President's Commission on Budget Concepts. US GPO, Washington D.C. October 1967.

President's Commission on Budget Concepts, Staff Papers and other Materials Reviewed by the President's Commission, US GPO, Washington D.C. October 1967.

is likely that it will, that the political powers of the Center are strictly limited by centrifugal power centers, and that the appearance of a strongly centralized power structure may bear only an accidental relationship to the real situation.

Getting a comprehensive picture of the public sector is not normally what seems central to PPBS. But a brief reflection will show that it is at least a prerequisite for PPBS. Ultimately, whoever proposes a budget and whoever votes the necessary monies, must decide what is to be included, what is to be cut out, where additional funds are to go and where reductions are in order. Only with a comprehensive picture can this decision be made.

The second basic idea-- the formulation of alternatives and of cost and benefits-- is as much political as economic. Politics is after all the art of choosing among feasible alternatives, and particularly in poor countries the area of political choice is narrowly circumscribed by the low productivity of the economy and can be widened only by attention to economic efficiency, as I have argued elsewhere.

The second basic idea to which PPBS addresses itself is, then, to find a way of discovering whether one gets something for one's money and just what it is one gets and at what cost. This output-directed idea must not be lost in the discouragement with PPBS or planning in practice. It is essential to get away from measuring the effectiveness of, say, health programs by the amount of money spent, rather than the number of people healed. But while the output-directedness is relevant everywhere, in underdeveloped countries the attention paid to budgeting derives also from the fact that only in the budget are most plans made effective

We find thus a convergence of interests. In the instructions by the US Bureau of the Budget we find demands for justificatory essays and information, which is exactly what a planning unit in an underdeveloped country would require

and prepare. On the other hand, in underdeveloped countries the notion is dawning all too slowly that the frequently observed contrast between the "Yes-Ministry" of the Plan and the "No-Ministry" of Finance can be bridged at least in part by a budgetary system geared to the notion of achieving certain ends and a planning organization aware of, and using, the budgetary implications of its proposals to formulate its own final plan. To put it much too sharply: Planners may know what to do, but not how to get it done, while Budgeteers know how to do things but not why.

III

Traditional budgeting has been on a line-item basis, and by administrative unit. It must be presumed that when the administrative units were originally set up they must have seemed logical as well as efficient ways of acting. In any case, administrative structures once created acquire a life of their own and are not easily changed. The PPB System might start simply by a different grouping of expenditures than either by line items or by administrative unit.¹² But by itself this would not change the more traditional methods.

More important is that in any country that has a history, the processes of decision making themselves have, of necessity, become routinized. The major alternative to program budgeting as a decision-making framework is "incremental budgeting", so ably analyzed and described in the American context

¹² In connection with the Nigerian First National Plan, 1962-1968, the current budget continued to be presented by administrative heads and on line item basis. The Capital Budget, on the other hand, presented expenditures on a "functional" basis. Thus, Head 621 Primary Production listed expenditures both by the Ministry of Economic Development and the Ministry of Mines and Power. This was a first rudimentary attempt at reorganizing the presentation of expenditures.

For a more ambitious attempt in Morocco, see Ministère de l'Équipement et du Logement, Document du Travail, Synthèses des Travaux de Préparation du Budget 1971 sous Forme de Budget-Programme, Rabat, Octobre 1970.

by Professor Wildavsky.¹³ It will be argued that, properly understood, there is no conflict between "incremental" and program budgeting.

The first point to be made is that these important basic ideas of PPBS threaten to get lost by emphasis on a perfectionism which is doubly inappropriate: it is not feasible, given the fact that mere mortals must use the method with limited information. More important, there is an internal inconsistency in what may be called its purist formulation.

The "purist formulation" is essentially static (despite the call for information for 7 years) and "once-and-for-all" in nature. In order to get away from "incremental budgeting" and in order to improve the rationality of the decision-making process, the suppliers of PPBS information are urged to analyze all alternatives and to present their argument to their superiors in a form that allows them to choose among the best alternatives. If this advice is taken literally, it would mean a directive to the decision maker to start each year with tabula rasa, and it would be a very radical procedure indeed.¹⁴ But if this advice means that they should consider the best of those alternatives of which they are aware, it is hardly more than tautological. Even then the advice has an essentially static view of the logic of the decision-making process.

¹³ Aaron Wildavsky, The Politics of the Budgetary Process, Little, Brown, Boston, Massachusetts, 1964. See also his "Rescuing Policy Analysis from PPBS", in The Analysis and Evaluation of Public Expenditures: The PPB System, op. cit. Vol. 3, pp. 835-864.

¹⁴ I have been told that such a procedure has been tried on an experimental basis, and that it is referred to as "zero budgeting". I have no experience with such cases.

Suppose I start ab ovo, with tabula rasa and mirabili dictu, I really have all alternatives before me. I now make the best possible decision at that time. Some, perhaps even most, decisions will involve commitments for several periods in the future. It is possible that as a rule the more distant the future, the less resources will be committed by present decisions, but that is not necessarily so, as examples of commitments to education in underdeveloped countries or to Medicare and Medicaid in the US show.

But that means that in each succeeding period the real choices are what to do about new programs, and whether those old programs that could be discontinued should or should not be continued. Normally, old programs will not be lightly discontinued if it means that sums spent in the past just go down the drain. But the fate of the Super-Sonic Transport in the USA shows that it happens. The point, however, is not merely that it would be inefficient to make new choices for everything in every period. It would be a negation of dynamics and of program budgeting.

Properly understood, therefore, there can be no contrast between incremental and program budgeting, understood as "trying to get something for one's money." The purpose of the latter must be to focus on the big decisions open, and to ensure that as part of the decision-making process the best estimate of the future implications of present decision is being made. One purpose of the budgeting process ought therefore to be to outline to the decisions maker within what range of sums he can in fact operate, and to make him aware that he deals with multi-period decisions.

In the American system, the PPBS formulation has to be translated into the categories of the annual budget cycle. This is true almost everywhere else. Decisions on the Program and Financial Plans in the United States are officially made twice a year,¹⁵ abroad once (when Parliament or its equivalent

¹⁵ See above footnote 9

adopts the budget). But supplementary budgets are common in underdeveloped countries, and in the United States it takes almost the whole year before Congress has acted on the budgetary requests of the President. Thus, despite a routinized budget cycle everywhere, budgeting is a continuous process, both when it is decided what sums to request for which programs, and when the monies are actually appropriated.

In underdeveloped countries as in the United States the "program" structure is likely to founder on the fact, inherent in the nature of reality, that on the one hand different administrative agencies perform related functions in an overlapping manner-- formal education, agricultural extension, aid to small business, for example-- that at the same time there exist very few objectives that have not more than one dimension, and there are very few means of achieving objectives that do not also have some other effects, good or bad.

Thus expenditures on agricultural extension services are part of an educational structure to "transform" an economy. They are also part of a system to increase agricultural output directly. The same extension agents may go from farm to farm disseminating their knowledge. They may teach in rural schools in a curriculum designed to adapt modern knowledge to rural needs. They may also provide a feedback to research institutes. It would be as logical to divide their time between "education", "research", and "agricultural production" as it may be to assign the front end of a bicycle to "investment" (because it is used in transportation) and the rearwheel to "consumption" (because it is also used for pleasure visits). Yet something like this would have to be done-- and indeed is being done in many quite advanced countries-- if "double counting" is to be avoided. To put the problem in a more ambitious manner; it is not always true to assume that various activities are additive and add up to 100% of one's time. It is, after all possible and indeed common that they are multiplicative.

No wonder that insistence on a "clear" program structure has lead to applied examples that with few exceptions are essentially trivial.¹⁶ Yet it would be a pity if one could not find out roughly what was spent on a group of aims which themselves need not be too clearly defined.

Moreover, just as one cannot continuously consider all alternatives without paralysing all decision making, so one cannot continuously change administrative structures to fit the needs for clearer programs, even though any program structure decided upon is likely to become obsolete after a while. The "functional classification" of Government expenditures is partly an answer to the problem of program structure within existing administrative structures, just as incremental budgeting is an answer to dealing with implications of past decisions.

It would be very difficult to say in abstracto how an administrative structure is decided upon, or what would be the ideal structure. In any real situation many rational and not-so-rational needs come together in the final decision. The number of Ministries is as likely to be determined by the number of Ministers that have to be appointed if all the important political factions in society are to be accommodated, as it is by the precepts of

¹⁶ During the Nürnberg meetings of the International Institute of Public Finance in September 1971, whose topic was New Methods of Making Budgetary Decisions, Mr. William Hayes, former Director of the Bureau of the Budget of the City of New York gave interesting non-trivial applications of PPBS to expenditures on police. This Congress produced a number of interesting papers on the experience with PPBS in various countries-- none of them underdeveloped-- with assessments ranging from "successful" to "failures". An observer could, however, not fail to be impressed by the realization that "success" and "failure" were relative and highly subjective terms, and may in fact have characterized similar experiences. (The papers are to be published in a volume by the International Institute of Public Finance).

public administration theory or by the needs for a logical program structure. In terms of administrative practice, frequent changes in procedures spell chaos. Hence, in underdeveloped countries where we attempt to improve the decision-making process and where we want to plan in an operational manner-- i.e. make economic policies to achieve such ends as growth of the economy or a better income or regional distribution by allocating the minimum resources to achieve the agreed upon ends-- it seems best to start within the existing administrative framework, and the recognition that changes must be marginal as well as that all decisions are made in an incremental manner.¹⁷

V

What is it that we really must know for decision making? First, every planner who wants to do more than make an agregative plan of no further significance knows that (a) most of what happens during his initial year or years of tenure was decided in previous periods or depends on "accidents" like the weather over which no one has any control; (b) that what happened in the past will determine the resources available to him either through the effect on taxable capacity or through effects on current resources committed by past actions; and (c) most importantly, that he is unavoidably dependent on such competence and imagination as exists in operating ("technical") ministries. He knows that he will have to deal with projects and policies, both of which

¹⁷ No one will deny that there are revolutions which really change matters. But even in such cases it takes years before the new system evolves. Perhaps this accounts for the enormous amount of ideological rhetoric which increasingly loses importances as new methods are routinized. Perhaps this accounts for calls for permanent revolution and the religious fervor to safeguard the purity of the revolution. For revolutionary changes, too, take years to work themselves out. New people come, but how much is really changed initially by nationalization, say, of a factory except new managers giving the old orders? Most people do not own the factory anyway.

find their expression in the budget; he know that projects and policies may be sometimes substitutes for each other. He knows for example that such policies as agricultural price policies may be alternatives to agricultural and/or industrial projects in raising production and productivity.

He knows that in any situation for which there is no precedence, all estimates of future results and future cost are even more uncertain than usual. In underdeveloped countries, such situations abound, but with the changing tasks of government in developed countries they, too, become increasingly victims of ignorance.

Thus a recent study by the Brookings Institution pointed out that the United States is likely to head for a period of permanent deficits as the result of the increasing relative and absolute importance of civilian programmes.¹ Moreover, many of the programs subsumed under "The War on Poverty" did not seem to work well, precisely because they had no precedent, or to put it more bluntly, because no one really knows what will work and what won't.

The planner knows that he deals with an existing institutional structure which has created vested interests as well as modes of acting and communicating which he can change only one or a few at a time, and only gradually. He knows that Ministries of Finance are likely to have some fair ideas on what revenues are likely to come in, and how much revenue it is politically feasible to raise.

The Planner (and in general the makers of economic policy decisions) needs to know in general how much freedom of choice he has at any one moment,

¹⁸ Reported by Edwin Dale "Fiscal Malaise in the US," NY Times, May 31, 1972

freedom of choice that is, from the economic standpoint.¹⁹ He has to find what the French call the "envelope". But he has to get also the best possible idea of what he is getting into, what he is doing to future budgets. He has to avoid falling into the trap of the "mirage of the low first year cost of programs".²⁰ And he also has to have a reasonably clear idea of who in the existing administrative structure has what function as well as how competent he is. The reason is the point made before that more than one agency is likely to be interested in the same end. An even more important reason is that incompetence can create blocks to execution and may need to be bypassed. The structure of the policy decision has to allow for these institutional realities-- if possible.

¹⁹ The freedom of choice may or may not be more limited by political than by economic factors. In general it may be presumed that political decisions are the easier to make the more resources there are. But circumstances are imaginable where this is not so. It may, for example, be clearly beneficial for the availability of future resources if the currency were devalued, but political realities may make this an impossible choice. This may be so even if everyone realizes that not devaluing may buy only little time before the inevitable explosion occurs.

Moreover the decision to develop may itself lead to political troubles. The idea that, as people get richer and hope for the future they will support the political system that has helped them economically, has turned out to be naïve. People will tolerate what they consider a hopeless situation because they feel they have no choice. But once change starts, all sorts of choices become felt: who gets what, who gets ahead of whom, who pays more or less, who decides what, and many more questions cry for answers in situations in which no one has thought about them before, and in which traditional relations which are generally understood are disturbed and hence irrelevant. A new equilibrium between persons and different groups has to be found, and until then disruptive elements will appear to grow and dominate.

²⁰ Edwin Dale, op. cit.

The first issue: the size of the "envelope" raises questions of information, of following the execution of the Plan, of projections. We must have a multiyear Plan and a multiyear budget but we also ought to have methods which relatively quickly inform us about actual versus planned spending, actual versus planned receipts. This is fairly straightforward to organize, although not the easier for that.

We ought, however, also have some idea of why any under- or overspending, or excess or shortfall of receipts, occurred. Overspending because the project went better than expected; or underspending because it cost less than anticipated is different from too high cost and not getting things done. And receipts or revenues that fall below careful projections should allow Planners to pinpoint the reason: it may have been a systematically overoptimistic projection, but it may have been a failure of past expenditures to lead to the expected outputs and hence taxable capacity; or it may have been a failure to keep the foreign aid pipelines full by proper project preparation. Only when Plan "failures" can be interpreted can they lead to corrections by means of the proper policies.

There is no obvious organization of the budget or of any reporting that gives this kind of essential information. Its collection requires a staff that can follow up and interpret the statistics as collected. It is a function that from an historical standpoint is done in an academic exercise at its best. It is rarely done at the level and within the time span required to be useful to a policy decision maker. And the remarks that were made about the impossibility of choosing continuously among all alternatives apply mutatis mutandis. One can follow only a few major projects, a few major sectors in detail to allow a useful interpretation. Yet it would be essential to set up a more detailed system of signals than the signals given by a shortfall of revenues or an excess of expenditures give in the large.

The second issue, the future budgetary implications of present decision, bears directly on the size of present budgets and the structure of future budgets. There is likely to be an important difference in this respect between developed and underdeveloped countries in that the latter give the government an important rôle also in areas which in developed countries are either in the private sector or are treated as "productive" in socialist countries, the contrast between "productive" and "unproductive" being not so much that the former are more desirable than the latter, but that the former must meet strict economic tests since they represent the means of society, while the latter represent the aims of society. This at least is a possible-- though possibly a highly individual-- interpretation of Marxian dogma.

The just mentioned "mirage" of low first year cost of new programs will affect a country such as the US, which passes its budget piece-meal, differently from a country where the budget is passed in its entirety at a budget session of Parliament. Yet underlying the substantial differences (of which only two forms have been mentioned) are basic similarities of the real problems. For sooner or later the future effects of present decisions will themselves become the present as time inexorably elapses. The motivation and the institutional methods of coping with the problems may be different. In the U.S., the piece-meal approach may lead to excess spending simply because the overall picture may get lost. PPBS tries to make that overall picture again central-- with limited success. In underdeveloped countries, there may be a deliberate understatement of future cost to get a program started which, once started, acquires the momentum desired by its sponsor. In either case-- and regardless of any program structure-- the best estimate of the future implications of present decisions is essential. It is largely independent of program

structure and is, or ought to be, a major determinant of a decision to embark or not to embark on a particular program.²¹

The third issue: who does what? bears directly on any proposed program structure. Where two or more agencies are concerned with more or less the same end product, why not consolidate them into the same program, e.g. rural schools. A Ministry of Education is concerned with elementary schools, a Ministry of Agriculture with improving agricultural techniques and getting knowledge to the farmers. The Ministry of Education is concerned with making the elementary education meaningful to farmers' children and perhaps helping to change their attitudes and receptiveness to new ideas. But if the Ministry of Agriculture has only a few people who can transmit new ideas to the farmers, they would be misapplied as teachers. And if teachers can get new ideas into farming areas, perhaps they would be better employed as extension agents. It is not clear how putting both into one program will improve matters all around. But it certainly does not help either to ignore a common interest.

It may be suggested that the creation of Ministries of Community Development has often as not been due to the fact that the more traditional operating Ministries somehow failed to do their jobs. For such a Ministry does not do anything that is individually different from what other Ministries do. Its creation is one possible answer to the desire to get a "program structure"; yet, the breakdown of the "program" called Community Development into its components inevitably leads back to Education, or Health or Public Works.

²¹ Since I have spent some time in discussing how I envisage the use of the "recurrent" budget for determining the size of social sector programs, I simply refer to my publication mentioned in note 1.

An alternative may be for the Planner to be aware of the different but related interests in organizing his thoughts and presentation to the decision-making powers but mainly with a view to making each separate Ministerial program dovetail properly into the other. In traditional economic jargon the theorist should be aware of the "general equilibrium" nature of all decisions. In a different jargon this is referred to as the "Systems" approach. It is one thing to insist that a Ministry of Education should try to develop a separate curriculum for the villages and for towns, and that a place be found in that curriculum for some efforts of the Ministry of Agriculture, or even of Public Works; it is another problem to try to develop one program with all the elements from other Ministries that bear on meaningful rural education. Ministries of Community Development do not appear to have been outstanding successes any more than has been program budgeting, and probably for the same reasons. But, to make the ideas of program budgeting real it does not seem essential to develop a clear and unique program structure.

The question "who does what?" raises in underdeveloped countries another point. Most of the underdeveloped countries, even when they are not "socialist" have numerous Government enterprises that in market economies would be in the private sector. In addition the Government does what it is expected to do everywhere else: look after law and order, schools, health, etc. But in addition the Government is concerned with "transformation", the change in institutions that is to bring about growth and increased income if, alas, not happiness. All of this raises major questions of economic policies and their coordination, which normally require some budgetary means.

Yet from the standpoint of program budgeting or planning, it is not relevant whether we deal with a completely socialized economy in which no activity is private, or if we deal with a market economy in which the Government

plays an essential role.²² In all societies some decisions must be made on grounds of economic efficiency and others on humanitarian or social grounds, and in all societies conflicting aims must be reconciled by the political process. Whether this process plays in camera as with the deliberations of a Politbureau whose decisions are announced ex cathedra, or whether at least the major parts take place in the open as in the democratic process is a highly important difference, but not one that is important from the standpoint of the present paper.

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June 1972

²² I have argued elsewhere, following Schumpeter and claiming no originality whatever, that Government has an essential role precisely in an individualistic market economy. See J.A. Schumpeter, Die Krise des Steuerstaates, reprinted in Aufsätze zur Soziologie J.C.B. Mohr (Paul Siebeck) Tübingen, 1953, pp. 1-71. English translation in International Economic Papers, Vol. 4. I refer to my Planning without Facts, op. cit. and Budget, Economic Policy, and Economic Performance in Underdeveloped Countries, op. cit. rather than repeat arguments made elsewhere relevant to the present context.