

Planning



Types of Planning- Centralised and Decentralised

Planning

Centralised Planning

- ❖ Under centralised planning, all the economic decisions are taken by the central authority or the government
- ❖ It is the government which formulates economic plans, determines objectives, sets targets and priorities
- ❖ Every member has simply to carry out the instructions without questioning about its viability

Centralised Planning

- ❖ There are more chances of failure as the individuals are not allowed to carry out the plans in accordance to their needs and preferences
- ❖ It is the government who takes responsibility of the success or failure of the plan

Centralised Planning

- ❖ It is the government who takes all the decisions of consumption, production, wages and prices
- ❖ What amount of investment is to be made?
- ❖ What should be the price?
- ❖ What should be the output?

Centralised Planning

- ❖ How the products are to be distributed?
- ❖ How much amount of loans is to be granted?
- ❖ What should be the rate of interest?, etc.
- ❖ Centralised planning is mostly executed in socialist or communist countries.

Decentralised Planning

- ❖ Decentralised planning is connected with the capitalistic economies
- ❖ The decentralised planning is implemented through market mechanism.
- ❖ Decentralised planning empowers the individuals or small groups to carryout their plans for achievement of a common goal

Decentralised Planning

- ❖ Under decentralised planning, the operation is from bottom to top
- ❖ The planning authority formulates the plan by having made consultation with different administrative units of the economy

Decentralised Planning

- ❖ The plans regarding different industries are designed by the representatives of these industries
- ❖ In such type of planning, the planning authority issues the instructions to central and local bodies regarding incentives given over to private sectors

To be Continued...

Thank You