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# An Example of Economic Planning

The Centraal Planbureau Presents the Forecast for 1968/73

by Professor Walter G. Hoffmann, Münster

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In the form of a medium-term forecast the Centraal Planbureau of The Hague is now presenting in two volumes in the Dutch language the results of detailed studies on the prospective development of the Netherlands economy. It has undertaken a searching investigation which merits attention.

## Comparative Figures for the Partner Countries

As the Netherlands economy is closely intertwined with those of other countries, it is only natural that the partner countries have also been carefully studied. It is assumed that production in the Federal Republic of Germany will grow during the period of the forecast, from 1968 to 1973, at an average of about 4.75 p.c. In Italy production is expected to rise faster, at an annual rate of 5.6 p.c., followed by France with 5.2, Belgium with 4.4, the USA with 3.6 and the United Kingdom with 3.0 p.c. The FRG is the only country where the supply of labour is assumed to diminish year by year—by 0.3 p.c.—while in the USA the forecast anticipates a 1.7 p.c. rise.

Price advances are not ruled out for the FRG. In 1963/68 FRG wage costs per unit of production rose by 2.9 p.c. annually—the lowest rate in any of the countries compared. For 1968/73 the study assumes a 4.5 p.c. increase in wages per output unit even though productivity is expected to rise by 6.1 p.c. a year. This 4.5 p.c. is the highest rate in any of the compared countries. The corresponding figures are: Belgium 3.2, Italy 2.5, the United Kingdom 2.3, France 0.4 and the USA 1.3 p.c..

The volume of FRG exports is nevertheless expected to rise by 7 p.c. a year in 1968/73 and, correspondingly, the FRG share of world exports from 12 to 13 p.c.—exactly double the share calculated for the UK. US exports, it is calculated in the study, will grow by 6 p.c. a year but the US share of world exports will decrease to 15.9 p.c. Imports into the FRG, on the other hand, which

absorbed 11 p.c. of world exports in 1968, are expected to expand by 165 p.c. during 1968/73, as against a 122 p.c. rise in UK and 128 p.c. in US imports.

Against this background—the other components of the picture cannot be examined here in detail—it is noteworthy that productivity in the Netherlands is expected to increase almost as much as in Germany, namely by 6.4 p.c. The indicated rise in wage costs per output unit is 2.0 p.c. The export trade, which is important to the Netherlands, will increase at an average of 9.5 p.c., raising the Netherlands share in world trade from 4.0 to 4.4 p.c. The volume of imports, the study assumes, will expand by 1973 by 147 p.c.

## Regional and Industrial Analysis

This macroeconomic analysis is supplemented by an investigation of regional trends in the Netherlands. The country is divided for the individual sectors of the economy into four areas: North, East, South and West. It emerges that the proportion of persons employed in agriculture is declining everywhere, most markedly in the South. Conversely, the services sector is expanding, especially in the South. The net value of industrial production is estimated at 7 bn guilders in the North and 12 bn in the South. The rise in productivity in 1968/73 is calculated for industry at 57 p.c. in the North, 34 p.c. in the West, 31 p.c. in the South and 26 p.c. in the East; the corresponding percentages for agriculture are 26, 25, 23 and 25. Unemployment is estimated at 2.0 p.c. for the North; in all other regions it is moving around 1 p.c.

There follows a comprehensive analysis of the chemical, clothing, paper and metal manufacturing industries, of agriculture, the food processing and the tobacco and beverages industries, and the power sector. It may be regarded as the decisive achievement of the analysis that all questions of economic policy are examined within a framework set by circulation theory con-

siderations. Thus every action is examined with regard to its effects on all other factors, with the „objectivity“ of analysis which this necessarily entails. With what precision this is done may be illustrated by the following example: The prospective labour force in agriculture will, according to the study, be almost halved in 1968/73. Employment in coal mining, the textile and clothing industries and part of the food industry will likewise decline. In all other industries the level of employment will be unchanged or higher. Large increases will occur in the electrotechnical, metal, engineering, paper, vehicle, chemical and construction industries and in the distributive trades. It is estimated that by 1973 production in agriculture will recede by 13 p.c. and in the textile industry by 14 p.c. Productivity will rise—in coal mining by 77 p.c., in the textile industry by 39 p.c. and in the chemical industry by 39 p.c. For productivity in agriculture a 26 p.c. increase only is indicated.

#### Treatment of Wage Policy Problems

The approach to problems of wage policy is another example of the objectivity with which questions of economic policy are discussed. There is an econometric investigation, on the basis of various assumptions, of the repercussions of a 6 p.c. rise in wages by 1973. The outcome of the study is that agriculture and distributive trades may expect an increase in incomes between nil and 5 p.c. On the other hand, incomes are expected to decline by 1 to 5 p.c. in the food, tobacco and beverages and construction industries, by 6 to 10 p.c. in the coal mining, clothing, paper, metal, electrical and engineering industries, by 11 to 20 p.c. in the textile, chemical and vehicle industries and in shipping, and by more than

20 p.c. in the livestock products and metallurgical industries. As for the effect of a 6 p.c. wage increase on profits, it is estimated that the latter will decline by 5 p.c. in the tobacco and beverages industry, by 6 to 10 p.c. in other food, textile, clothing, paper, chemical, metal, engineering and electrotechnical industries, and that falls of 11 to 20 p.c. are to be anticipated in the metallurgical and construction industries. Profit falls in excess of 20 p.c. are expected on foodstuffs derived from animal products and in the transport industry. The interested parties will have to get their teeth into these estimates before reaching final judgment!

It would be worthwhile following up the analyses for the individual industries. But let it suffice here to say that this is a clear-cut investigation mostly on a sound theoretical basis which one can only hope will be followed by similar studies in other countries—for instance, the Federal Republic—before a medium-term forecast is drawn up and presented in public.

#### Crucial Role of the Economic Sciences

As for the institutional framework, it may be mentioned that this report was drawn up by six commissions with about 100 members working under the same chairman. The participants were drawn from a very wide circle. Amongst them were not only employers and employees and representatives of the Ministries but a number of scientists from the fields concerned. A relatively wide range of expertise was thus assembled and with the help of economic theory converted into competent economic policy assessments. It was appreciated in the Netherlands years ago that this is the determinative function of economic science in political life!



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