

Planning



Types of Planning- Planning by Inducement

Planning by Inducements

- ❖ Planning by inducement is often referred to as '*indicative planning*' or '*market incentives*'
- ❖ In such type of planning, the market is manipulated through incentives and inducements
- ❖ Accordingly, in this system there is persuasion rather than compulsion or deliberate enforcement of orders

Planning by Inducements

- ❖ Here the consumers are free to consume whatsoever they like, producers are free to produce whatsoever they wish
- ❖ But such freedom of consumption and production are subject to certain controls and regulations
- ❖ The consumers, producers and other factors of production are induced with the help of various fiscal and monetary devices

Planning by Inducements

- ❖ For example, if the planning authority wishes to boost the production of corn oil in Pakistan it will provide subsidies, tax holidays and loans to the firms involved in production of corn oil
- ❖ To encourage savings and investment and discourage consumption a suitable package of fiscal and monetary policies can be introduced in the market

Planning by Inducements

- ❖ Therefore, the desirable results can be attained with the help of incentives and without the imposition of orders and instructions
- ❖ Moreover, in such planning there is less sacrifice and less loss of liberty – economic as well as non-economic

Merits of Planning by Inducements

- *Consumers' sovereignty* remain intact. Planning by inducements is more democratic as compare to planning by directions. There is a freedom of choice of profession
- In planning by inducements, there is *freedom of enterprise*. Producers are free to produce whatever they like but within in the capacity of given rights

Merits of Planning by Inducements

- Planning by inducements is ***smooth and flexible***. It is more popular because it enables to incorporate the changes in resources, technology and taste etc. even after the finalisation and implementation of plan
- There are ***less administrative costs*** involved in planning by inducements

Merits of Planning by Inducements

- Under this sort of planning, the inertia attached with standardisation can be put to an end and producers are free to produce in accordance with the desire of consumers. Therefore, there is a ***variety of goods and services*** in the market.
- The problem of shortages and surpluses is solved as there is an existence of ***automated market system***. The demand and supply is automatically adjusted and remain in balance under market economy.

Demerits of Planning by Inducements

- It also fails to achieve 100% targets of economic planning.
- The producers may find the *government policies regarding economic affairs not attractive enough to follow*. There may be disputes among entrepreneurs and the government regarding tax rates, investment policies, interest rates, etc.

Demerits of Planning by Inducements

- Under planning by inducements, there are ***profit motives more than welfare*** of public. Private entrepreneurs care for those products which yield high profits. Products or services with less profit or no profit do not attract private entrepreneurs. Such products or services include education, health, defence, security, etc.

Demerits of Planning by Inducements

- The mechanism of market economy *may cause the prices to inflate* esp. with reference to under-developed countries or in case of oligopoly where there is a shortage of certain products like petroleum and gas.
- There may be *disharmony between labour and producer*, and there may be serious industrial disputes

Thank You