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On central planning [1]

Written by **Vuk Vukovic** [2] | Monday 3 September 2012

My two favourite political economists, Daron Acemoglu and James Robinson, have started (and ended with) a series of blogs on the topic of central planning. Their angle is that central planning in practice doesn?t originate from Marxist ideology, but from the inherent desire of an extractive state to exert full control over its people.

They were motivated to engage into the subject in order to disprove the idea that ideology is what causes economic inefficiency (they spend a lot of time in their book tackling this subject ? the book is reviewed here [3]).

This is similar to another argument they aim to disprove, which claims that poor countries are poor because their leaders are ignorant and chose inefficient systems since they either don?t know better, or are blinded by ideology. And while a lack of knowledge and/or ideology is an attractive way of explaining some of the persistently bad equilibria in certain dictatorships, it is more realistic to believe that dictators choose bad policies because they want to preserve the rent-extracting system under their command. They are smart enough to know that preserving the status quo, no matter how poor the country is, allows them to keep hold of their power (just think of North Korea).

That?s where central planning kicks in [4]:

> *?Essentially central planning is not about the efficient allocation of economic resources, it is about control.*
>
> *Central planning maximizes the extent of control that the state, and the people running the state, exercise. The desire to control others is a constant in history and is part and parcel of the construction of states. If the state can grab all the land and resources and control who and on what terms people get access to them, then this maximizes control, even if it sacrifices economic efficiency.*
>
> *This sort of economic and political control ? not Marxist ideology ? is what central planning is all about. This is not to deny that Marxist ideology supported and legitimized central planning in several 20th-century societies. But it is to emphasize that the emergence and persistence of central planning is often a solution to the central economic and political problem of many elites: to control and extract resources from society.?*

This was the concluding point they made after examining historical cases of central planning which have originated as far as ancient Greece [5] or even among theIncas [6]. The Soviet example, certainly the most popular case, used ideological motives to overshadow the true reasons behind having a command economy.

Keep in mind that central planning of the Soviet economy didn?t take place until after Stalin took over (the authors remind us of that [7]), whose ideological views were fully subordinated to his lust for power and self-preservation.

The conventional explanation of using ideology to preserve one?s power (or the whole system) is wrong if one thinks of what methods most dictators use to silence their political opponents thereby eliminating any possible threat to power. When things escalate out of control even more brutal methods are used (as in the case of Syria). In that perspective Stalin?s central planning does come as a good example of a dictator?s choice to what is more important ? having an efficient and productive economy (to a certain extent), or having the power to control and extract everything the economy creates, even if it?s well below full efficiency. This dilemma certainly isn?t limited to Stalin alone.

Achieving absolute control and preservation of power is a strong incentive to maintain an inefficient system, especially if such conditions are supported by ideology and submissive, subliminal brainwashing of the population.

Realizing this argument, a logical inference emerges in which the only way to achieving a prosperous society can come from attaining individual freedom.

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