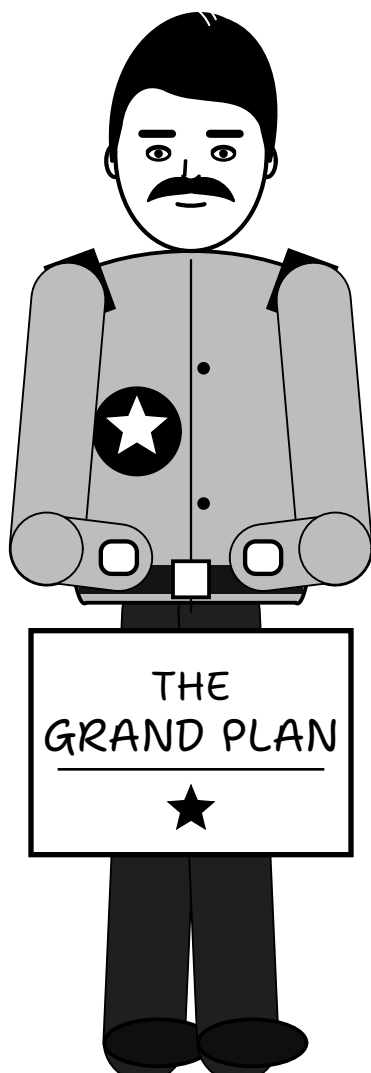


THE GRAND PLAN

A STORY ABOUT THE USE OF KNOWLEDGE IN SOCIETY



BY SONAL KURUVILLA

The Grand Plan
A Story About the Use of Knowledge in Society

By:
Sonal Kuruvilla

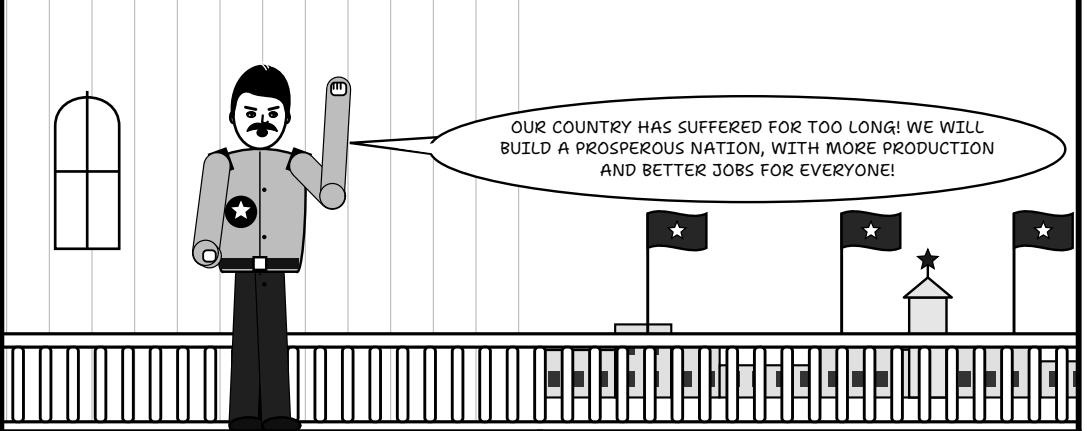
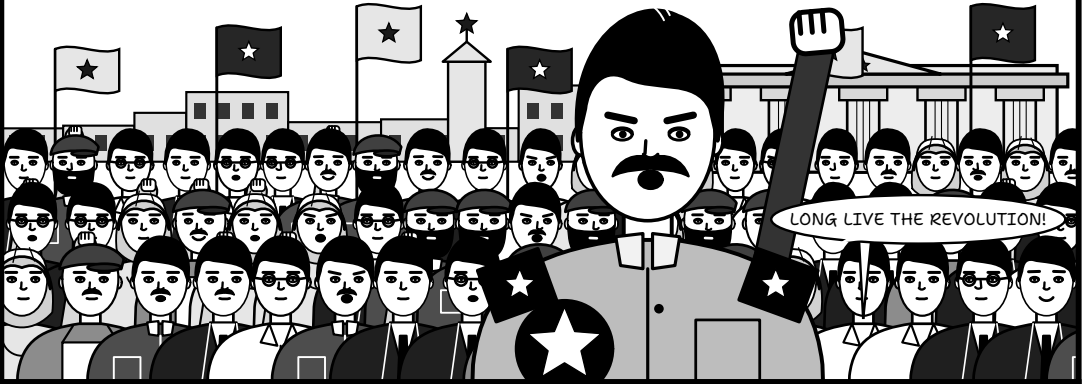
Illustrated using:
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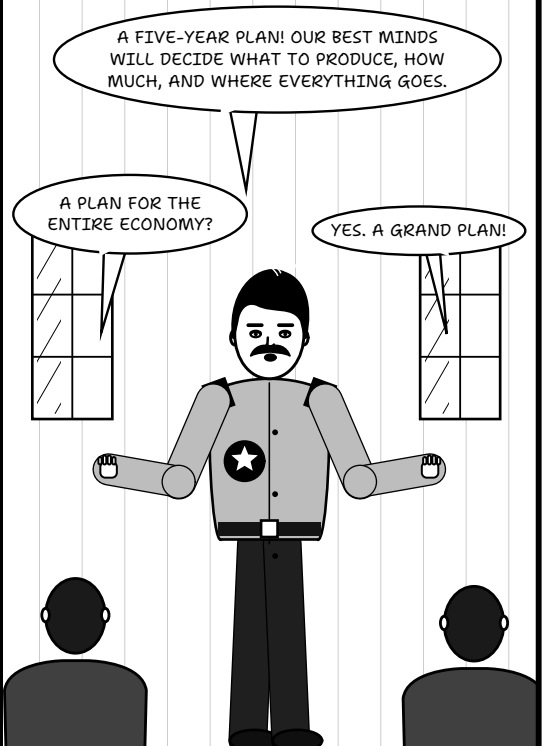
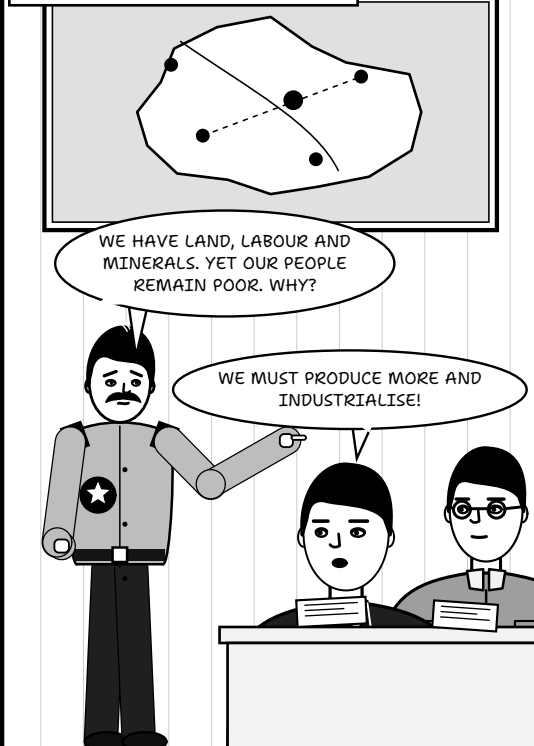
This comic is created for educational and awareness purposes. Characters and narratives are fictional and intended to support learning. The story draws inspiration from historical events and economic ideas, particularly F. A. Hayek's essay The Use of Knowledge in Society.

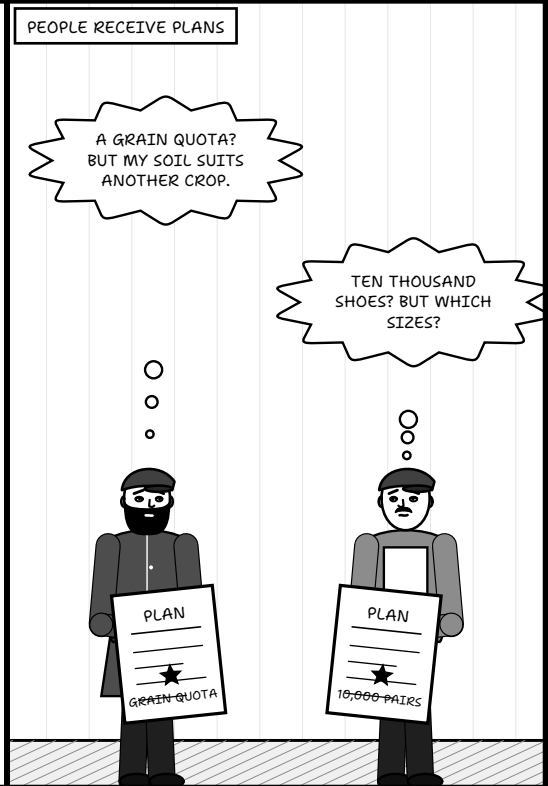
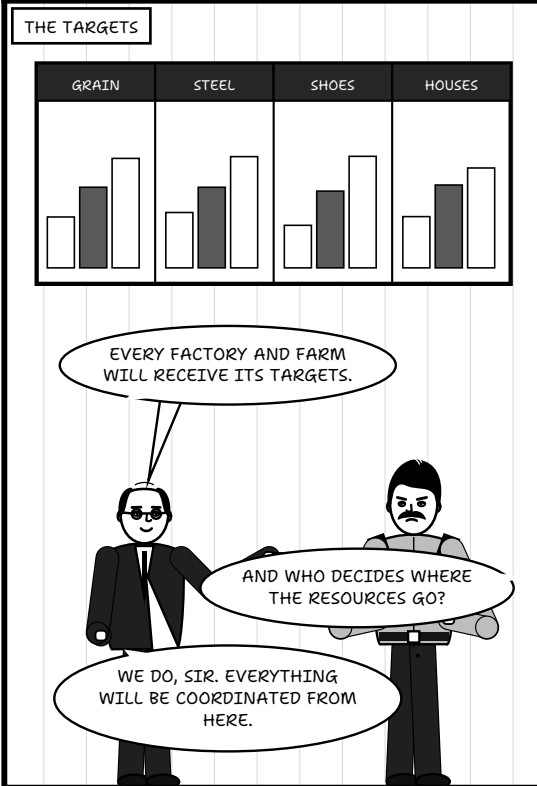
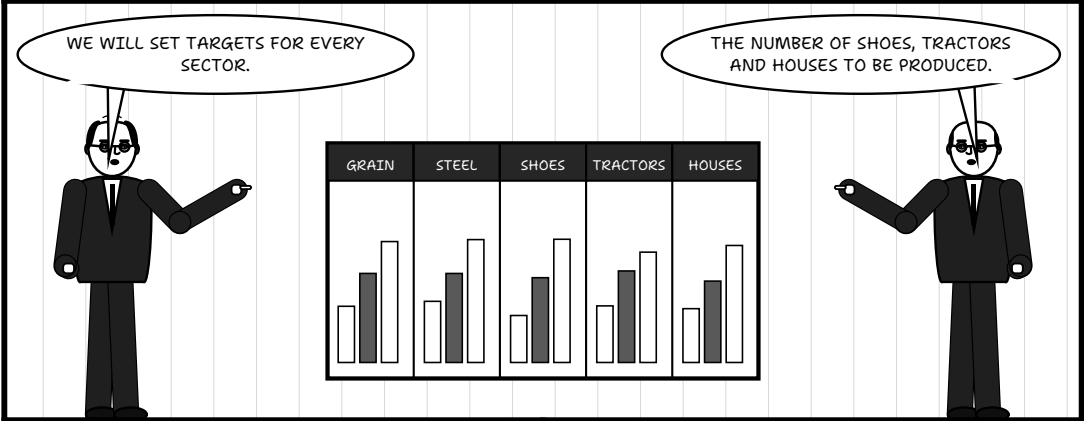
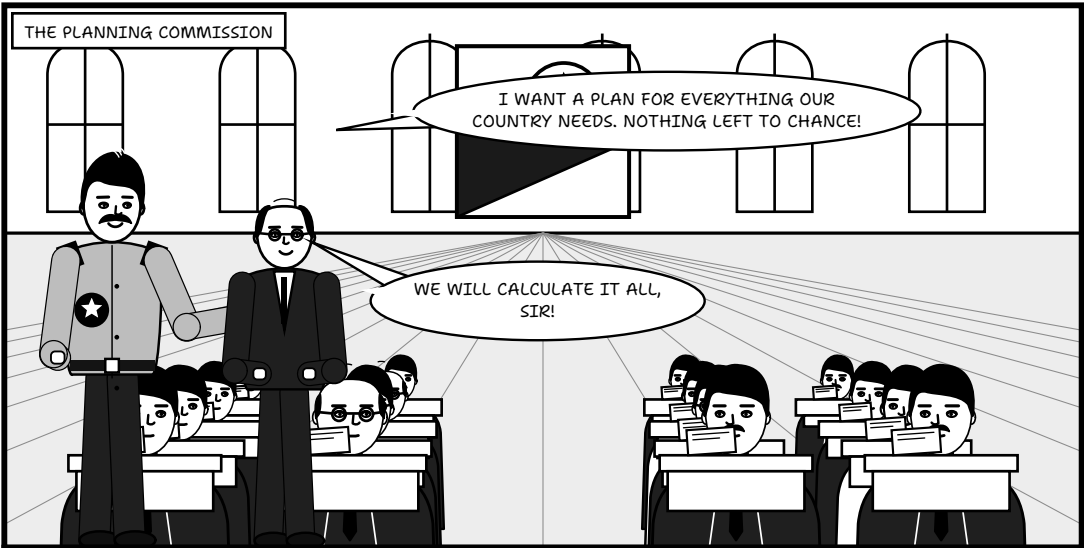
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www.nayaneethi.com

AFTER YEARS OF HARDSHIP AND UNREST, A
REVOLUTION BROUGHT VIKTOR TO POWER.



GOVERNMENT PLANNING COMMITTEE





THE STATE SHOE FACTORY

CONGRATULATIONS! YOU MADE
TWELVE THOUSAND PAIRS. TARGET
EXCEEDED!

BUT THEY ARE ALL ONE SIZE!
PEOPLE NEED DIFFERENT SIZES!

THE TRACTOR PLANT

WE HAVE RUN OUT OF
STEEL!

YOUR STEEL ALLOCATION
IS FIXED IN THE PLAN.

THE COLLECTIVE FARM: THE RAINS HAVE
DESTROYED THE CROP.

YOUR GRAIN QUOTA REMAINS
UNCHANGED.

THE PLANNING COMMISSION

THE SHOE FACTORIES EXCEED
THEIR TARGETS. BUT TRACTORS
FALL SHORT AND FARMS REPORT
SHORTAGES!

HOW CAN THAT BE? WE
CALCULATED EVERYTHING!

SOME FACTORIES AND FARMS
ARE STRUGGLING TO MEET
TARGETS.

THE PLAN IS PERFECT! THE FAULT
LIES WITH THE PEOPLE
CARRYING IT OUT! STRICTER
TARGETS! MORE DISCIPLINE!

THE PLANNING COMMISSION

WE NEED MORE INFORMATION, STRICTER QUOTAS, CLOSER MONITORING!

SIR, PERHAPS THE PROBLEM IS CENTRAL PLANNING ITSELF...

THE PLANNING COMMISSION

YOU QUESTION THE PLAN?
GUARDS, TAKE HIM AWAY!

THE ECONOMIST IS TAKEN TO A PRISON CAMP.

MUVE!

MORE PAPERWORK

WHERE ARE YOUR DAILY REPORT,
ALLOCATION REPORT AND REVISED
FORECAST?

WHEN AM I SUPPOSED TO
RUN THE FACTORY?

LATE AT NIGHT

RAISE PRODUCTION TARGETS
BY ANOTHER 20%!

BUT THEY CANNOT EVEN MEET
THE OLD TARGETS!

SEND OUT THE
ORDERS!

THE COLLECTIVE FARM



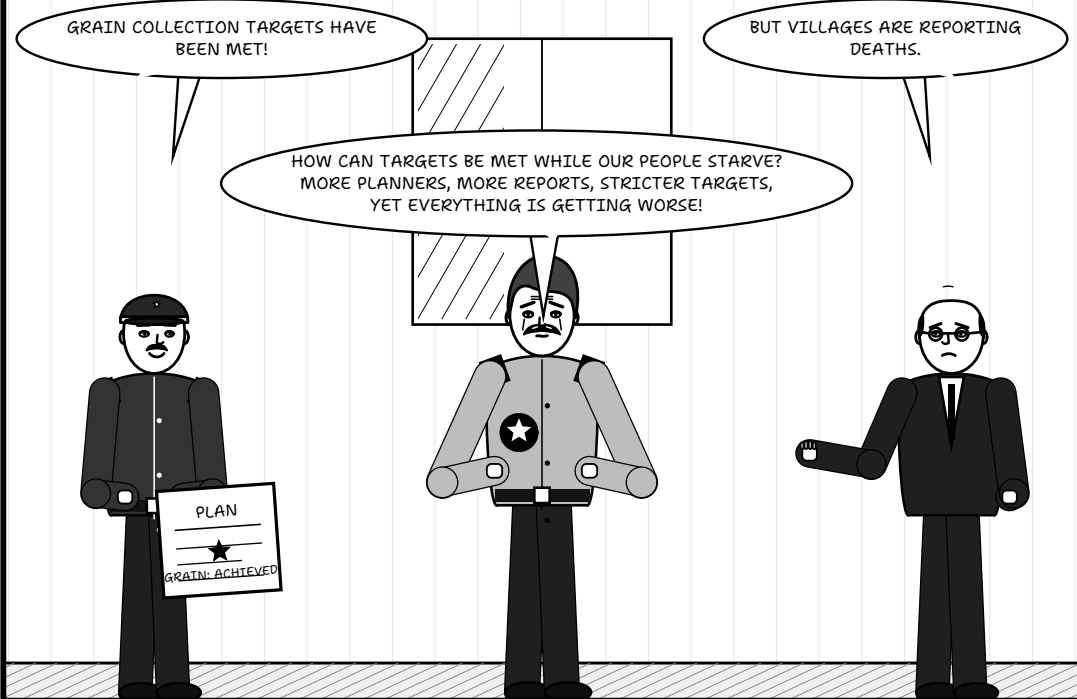
THE BREAD QUEUE

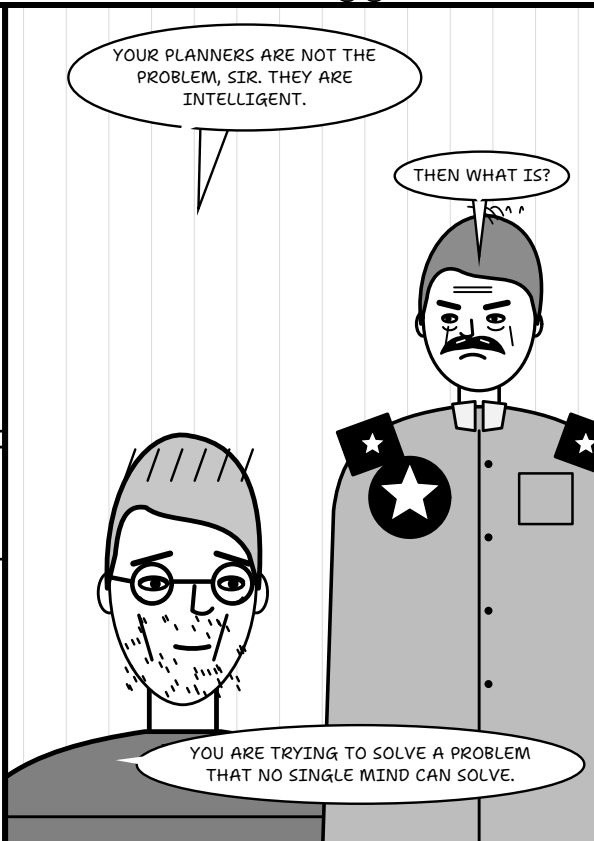
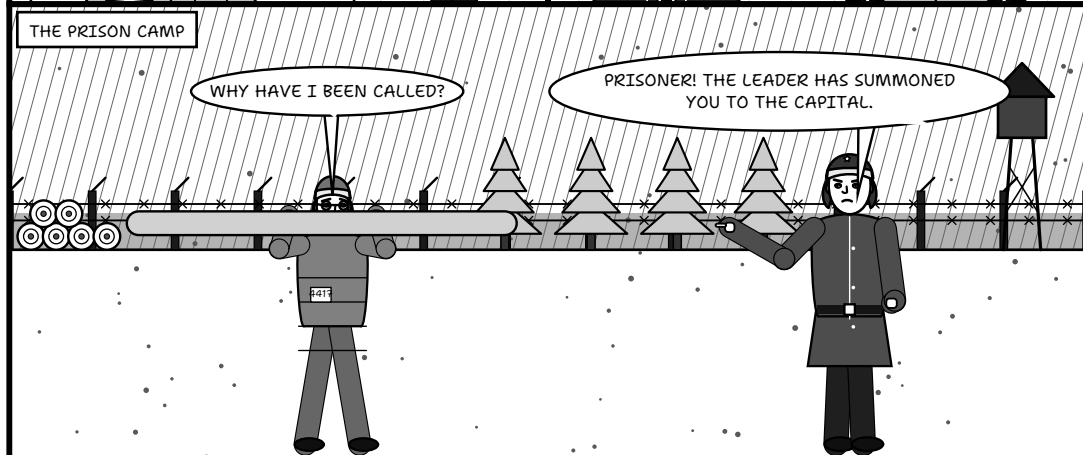
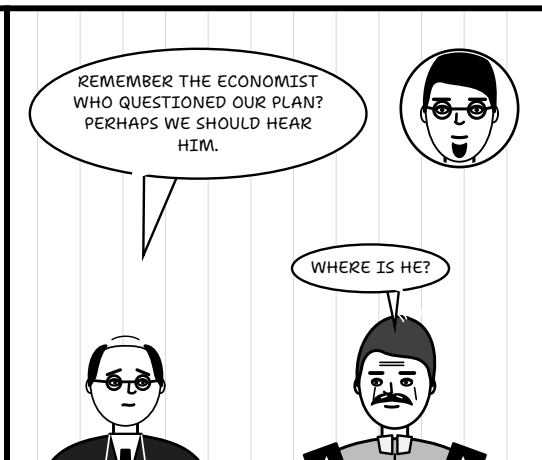


AS SHORTAGES WORSENER, FAMINE SPREAD. THOUSANDS BEGAN TO DIE.



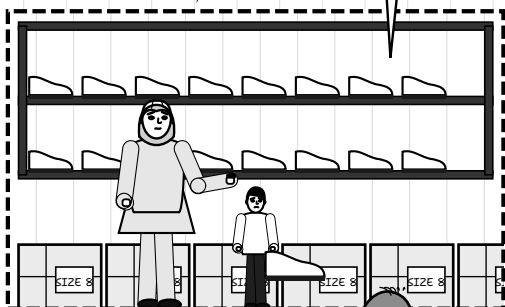
THE PLANNING COMMISSION





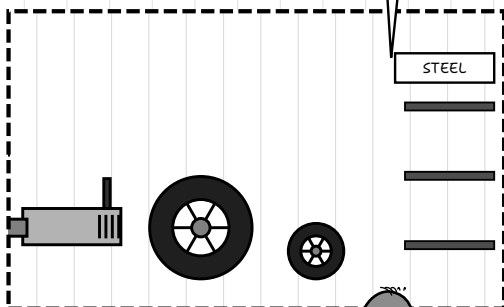
REMEMBER THE SHOE FACTORY? DID YOUR PLANNERS KNOW WHICH SIZES PEOPLE WANTED?

NO...

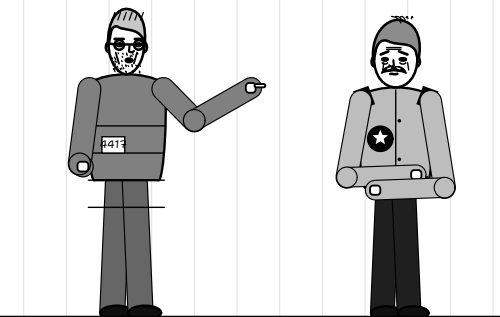
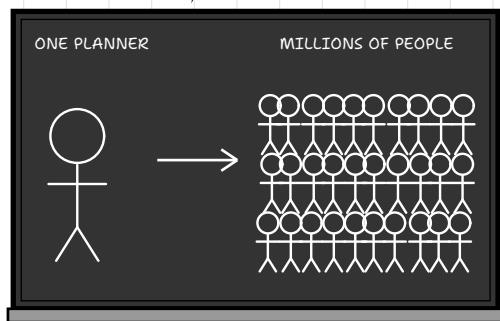


AND DID THEY KNOW THE TRACTOR FACTORY WOULD RUN OUT OF STEEL?

NO.

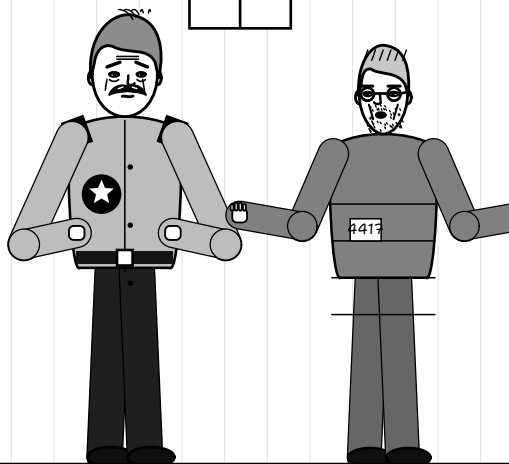


YOUR PLANNERS DECIDED FOR MILLIONS OF PEOPLE WITHOUT KNOWING WHAT THOSE PEOPLE KNEW.



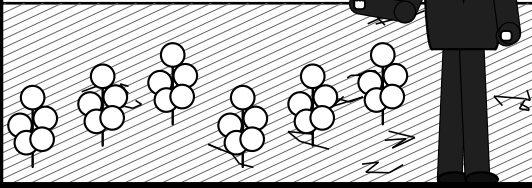
THEN WHO SHOULD MAKE THOSE DECISIONS?

OFTEN, THE PEOPLE WHO HAVE THAT KNOWLEDGE THEMSELVES.

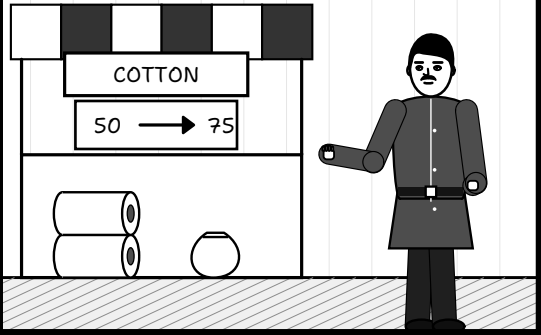


THE COTTON FIELDS

IMAGINE A POOR HARVEST
CAUSES A SHORTAGE OF
COTTON.

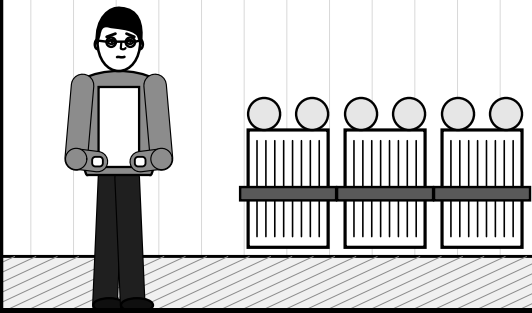


WITH LESS COTTON AVAILABLE, ITS
PRICE RISES.



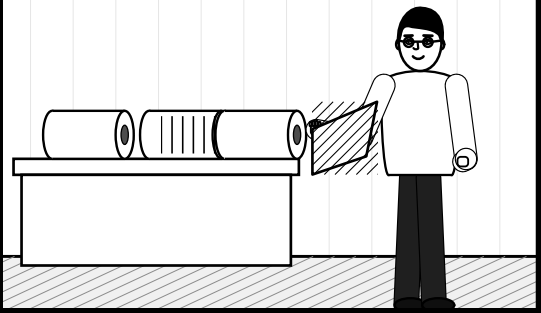
THE TEXTILE MILL

COTTON IS EXPENSIVE. WE
MUST WASTE LESS.

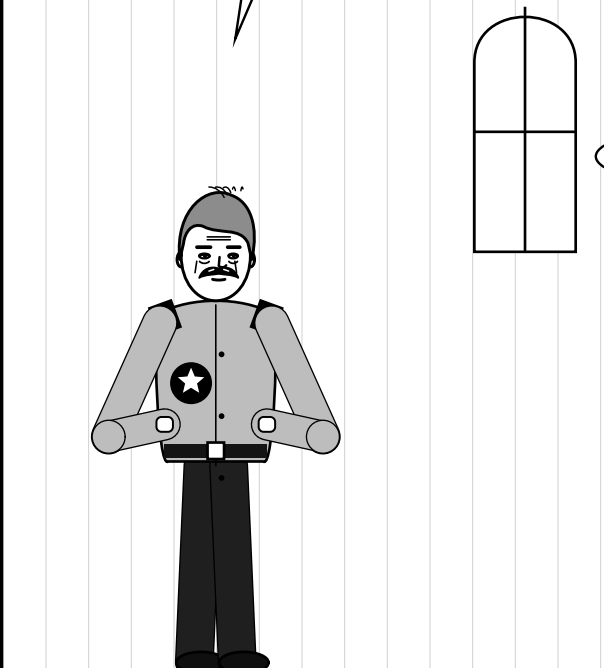


A CLOTHING WORKSHOP

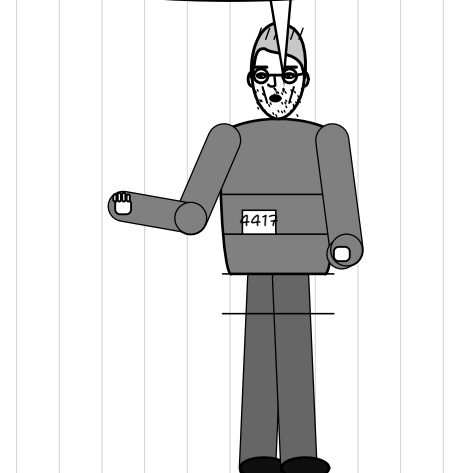
LET US TRY ANOTHER FABRIC
FOR SOME PRODUCTS.

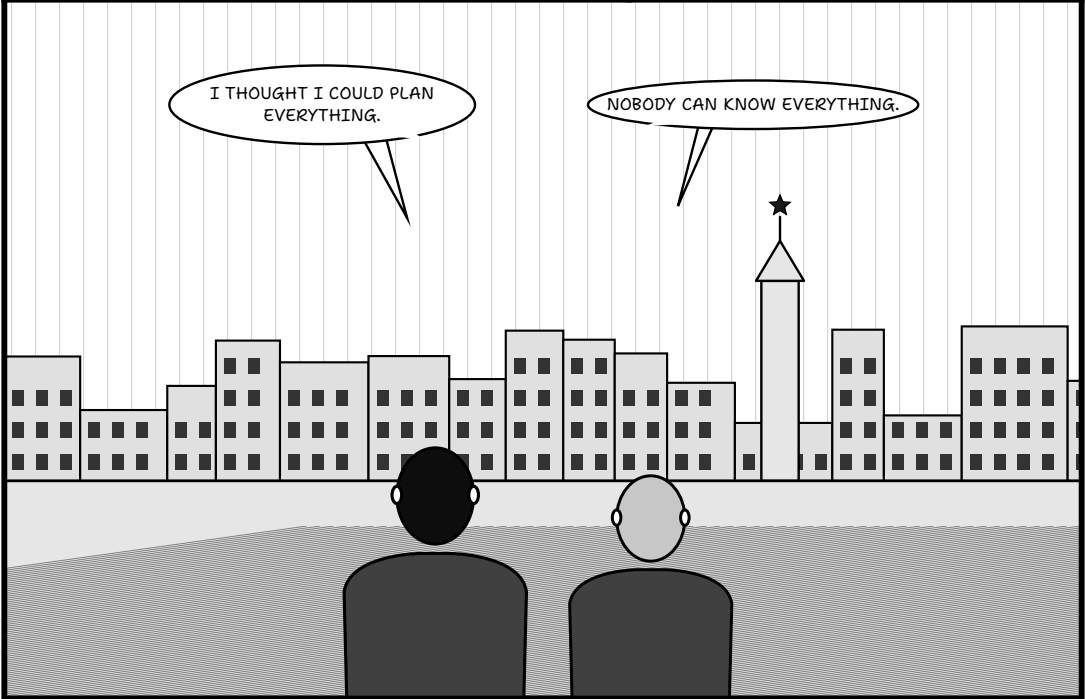
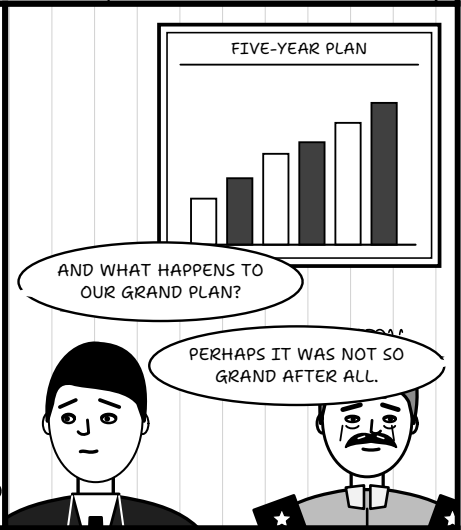
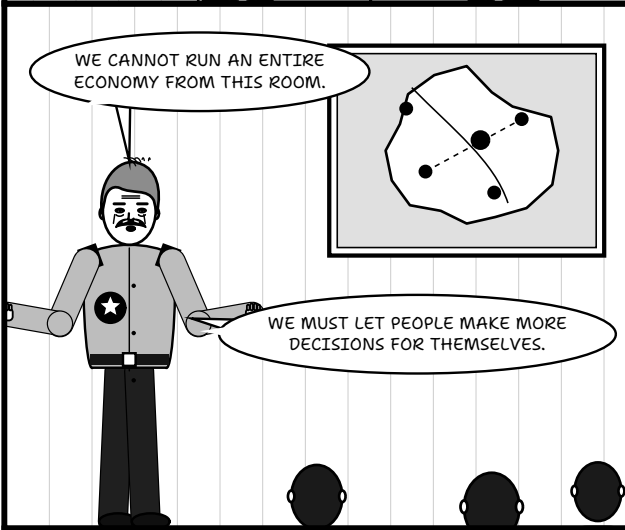


BUT HOW DID THEY KNOW COTTON WAS BECOMING
SCARCE? NOBODY GAVE THEM ORDERS!



THEY DID NOT KNOW. THEY ONLY SAW
THE PRICE.





Understanding The Use of Knowledge in Society

Why did Viktor's Grand Plan fail? Viktor believed that the best way to develop his country was to put its finest minds in charge of the economy. His planners would decide what to produce, how much to produce and how resources should be distributed. But no matter how intelligent his planners were, they could never possess all the knowledge needed to make these decisions.

In his 1945 essay, *The Use of Knowledge in Society*, economist F. A. Hayek argued that economic knowledge is scattered among millions of people. A farmer knows the condition of his land. A factory manager knows which machines need repairs. A shopkeeper knows what customers are asking for. Much of this knowledge concerns particular circumstances of time and place. It is constantly changing and cannot easily be collected by a central authority. The real economic challenge is to make effective use of this scattered knowledge.

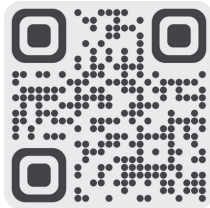
This is where prices come into the picture. Imagine a shortage of cotton. As cotton becomes scarce, its price tends to rise. Clothing manufacturers respond by reducing wastage, looking for substitutes or finding other ways to use less cotton. They do not need to know what caused the shortage. The higher price communicates something essential: cotton has become relatively more scarce and valuable. This is how the price system helps coordinate the decisions of people who do not know one another: a price carries the scattered knowledge of millions of people in a single number.

Prices are not always perfect. But the point is that the price system allows millions of people to coordinate their actions without anyone having to direct the entire process.

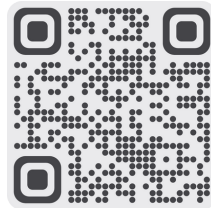
The problem with Viktor's Grand Plan was not simply that his planners made bad calculations. It was his belief that the knowledge needed to organise an entire economy could be gathered and used by a small group of people. An economy involves millions of decisions made under constantly changing circumstances. Hayek's answer was not that no one should plan, but that planning is best left to the people who hold the knowledge. When prices are free to move, people can respond to them and adjust their own plans. This does not guarantee perfect outcomes, but it puts far more of society's knowledge to use than any central plan can.

Based on F. A. Hayek's essay, "The Use of Knowledge in Society" (1945).

To know more about Hayek's *Use of Knowledge in Society*, visit www.nayaneethi.com



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