All human history attests
That happiness for man,—the hungry sinner!—
Since Eve ate apples, much depends on dinner.

Don Juan: Lord Byron.
CHAPTER III

ECONOMIC DEVELOPMENT AND ECONOMIC PLANNING

As planning is a continuous process based on larger time intervals, it involves organisation of resources, of human as well as otherwise, into a coherent whole. Within a given period, short term and short range objectives are spelled out into five year plans with the necessary adjustment of men and materials. This method of planning is affected by two sets of conditions: One is trans-systemic influences which come from outside the system undergoing change and the other is intra-systemic factors. The trans-systemic influences are said to be such factors as, influence of differing social systems, their rivalry, the availability of international cooperative organizations, and through them the availability of credit, technology etc. and lastly international peace and from it the state of international trade. As had already been mentioned India has pursued a course of neutrality in international field, peaceful co-existence and thus steering clear of warring blocks. The fate of planning is dependent upon international trade, since India has to import technology and capital. One important trans-systemic influence for spurring economic development is the influence of China. Some references will be made in
course of the chapter about this. Some of the intra-systemic factors which affect planning and development are ideology, nationalism, technology, stratification, availability of resources, values, motivations, influence of tradition, etc. As such economic development is a complicated process which needs factors that are outside the pale of the economy itself.

The chapter is planned in two parts, the first being the discussion of the concept of 'economic development' and the latter being the different objectives to be achieved through planning in terms of targets, and the allocation of resources. In India the approach to economic development is through institutional change helping the formation of capital, modes of investment, organization of entrepreneurship, systems of savings, education, etc.,

Part I: Economic Development.

The concept of 'economic development' is often referred to underdeveloped countries in connection with their development. Low capital formation, chronic unemployment, a larger percentage of the population living on agriculture, negligible savings are said to be the general conditions that are obtained in
the under-developed countries. When a country is set on the course of industrialization and urbanization, then that country is said to be undergoing economic development. The concept may be defined:

"at the most general level, 'economic development' may be defined as sustained, secular improvement in material wellbeing, which we may consider to be reflected in an increasing flow of goods and services. Perhaps, as an aside, it should be noted that while the definition of economic development is cast in material terms, the study of this subject is concerned with those changes—social, cultural, political, as well as economic—which contribute to or impede material progress."

Though the definition refers to cultural, political and social factors in the economic development as an aside, in fact were treated as prime movers in the process. The development of western economies is related to the cultural phenomena which were the backbone of the development of capitalism. The spirit

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of capitalism which drastically brought changes in
western life has been associated with Calvinism, a
religious sect, which made "acquisition of wealth," as
a religious virtue and extolled it as fulfilling God's
plans. Tawney summarizes the spirit of this as pro-
pounded by Weber

"The Pioneers of the modern economic order
were, he [Weber] argues, parvenus, who elbowed
their way to success in the teeth of the esta-
blished aristocracy of land and commerce. The
tonic that braced them from the conflict was a
new conception of religion, which taught them
to regard the pursuit of wealth as, not merely
an advantage, but a duty. This conception
welded into a disciplined force the still feeble
bourgeoisie, heightened its energies, and cast a
halo of sanctification round its convenient
vices. What is significant, in short, is not
the strength of the motive of economic self-
interest, which is the commonplace of all ages
and demands no explanation. It is the change of
moral standards which converted a natural
frailty into an ornament of the spirit, and
canonized as the economic virtuous habits which
in earlier ages had been denounced as vices. The
force which produced it was the creed associated
with the name of Calvin. Capitalism was the
social counterpart of Calvinist theology."

The Weberian thesis is that cultural values play
an important part in bringing about changes in the
economic order. Such cultural values have been supplied

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2R.H. Tawney, in the Foreword to Max Weber, THE PROTESTANT
ETHIC AND THE SPIRIT OF CAPITALISM, trns. by Talcott
Parsons, (London: George Allen and Unwin Ltd., 1930),
Fourth Impression, 1956, p.2. Italics in the original.
by Calvinistic principles in the development of Western Capitalism and its attendant technologies. Other factors too are mentioned in this connection. In this context Weberian thesis is contradicted or questioned. Factors such as accountancy, organization, technology and various other items are mentioned.3

3For an interesting criticism of Weberian thesis see Robert W. Green, (Ed.), PROTESTANTISM AND CAPITALISM, Weber's Thesis and its Critics, (Boston: D.C. Heath & Company, ). Calvinism made 'acquisitiveness' as a calling of the God. Fullerton observes that "...Puritanism had led to the rationalization of life as calling. Then a tragic thing happened. Capitalism saw the business significance of calling, removed the transcendental, otherworldly motive, and transformed "calling" into a job..." Kemper Fullerton, "Calvinism and Capitalism: An explanation of the Weber Thesis," in R.W. Green, p.20. Troeltsch refers to the beginnings of capitalism to earlier periods in Geneva "from which capitalism was incorporated into the Calvinistic ethic all over the world, though with caution and under certain limitations." Earnst Troeltsch, "The Economic Ethic of Calvinism," in R.W. Green, p.23. Tawney traces the development of capitalism to much earlier periods than Weber did, and shows that it developed in different degrees in Holland, America, Scotland and Geneva. R.W. Tawney, "Religion and the Rise of Capitalism," in R.W. Green, p.48. Hudson offers still another explanation for the rise of capitalism. "The middle class was less bound by tradition than the other classes of society and thus was the more receptive to new religious ideas, and the virile character of puritanism was the type of religious discipline that would appeal to any spiritually sensitive spirits who were engaged in the strenuous struggle of a rising class movement which rationalized and perpetuated middle class ideas." Winthrop S. Hudson, "Puritanism and the spirit of Capitalism," in R.W. Green, p.62.

Cf. Robertson ridicules the overemphasis of Weberian thesis stating that Marx would have been "astonished" to hear that only religious-minded became capitalistic-spirited. R.M. Robertson, "A Criticism of Max Weber and His School," in R.W. Green, p.66.
Referring to the different aspects of the growth of the development of capitalism Robertson emphasizes

"It is by attaining impersonality and mobility that capital has gained in strength and security, and it has been the mathematician, the accountant, who has provided the rational basis for giving all forms of capital mobility. The great cause of the rise of rational capitalism was not Christian at all— it was a secular scientific development, taken over Western European from Muslim Arabs and Syrians. It is to scientific book-keeping much more than to the ethic of any religious system that we have the methodising of business life. Systematic organisation is one of the most powerful agents of economic progress, and this holds good perhaps more of systematic book-keeping than any other form." 

What essentially played an important part in the accumulation of capital is through saving affected by frugal and pious living. This saving is effected through and in the name of "calling." For example Weber argues

"When the limitation of consumption is combined with this release of acquisitive activity, the inevitable practical result is obvious: accumulation of capital through ascetic compulsion to save. The restraints which were imposed upon the consumption of wealth naturally served to increase it by making possible the productive investment of capital. How strong this influence was is not, unfortunately, susceptible of exact statistical demonstration."

4H.M. Robertson, in K.S. Green, p. 80.
The enmeshing of cultural, political and social factors in the development of economy is emphasised in the Weberian thesis. The individual motivational order is related to the vast institutional complex known as capitalism. The overly concern for the *pian vital* in the process of economic development led psychologists to find out psychological motivational factors in individuals during economic development. This motivation is identified as "the need for achievement," or "n-Achievement."

McClelland finds high rates of n-Achievement during economic growth by analysing the children's stories in 25 different countries. In addition to this, this motive was found in ancient Greece. In underdeveloped countries the motive is less in its distribution. He refers it to entrepreneurship with risk taking, (which is a hangover of laissez-faire economy). The need achievement was high among middle class children than in the working class children. He makes an important distinction between traditional way of doing things and risk taking. He suggests that

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boys of high n-Achievement chose to play games of skill with risk of "moderate failure". From the psychological point of view two processes have been emphasized. One is socialization as imparted by the father-mother complex and the other one is innate urge to excel and to attain perfection. Except for the family, the importance of institutional complex has been ignored in the psychological approach, i.e. the influence of institutional complex on the motivational orientation of an individual. McClelland suggests that n-Achievement is not influenced by the incentive motive and says that it is for the sake of "record" the individual tries to achieve. Moreover the concept is loaded with class bias since he suggests that the middle class persons were high n-Achievement-oriented. It is a point of general understanding that

\[\text{\textsuperscript{7}}\text{Ibid., p.86. See in this connection by the same author, "Motivational Patterns in Southeast Asia with Special reference to the Chinese Case," The Journal of Social Issues, XIX(1), January 1963, pp.6-19; for the importance of socialization process and economic growth, see Everett E. Hagen, "How Economic Growth Begins: A Theory of Social Change," The Journal of Social Issues, XIX(1), January 1963, pp.20-34. The entire issue is devoted to Psychosocial Factors in Asian Economic Growth. Also see Robert H. Bellah, "Reflections on the Protestant Ethic Analogy in Asia," pp.52-60. The bibliography given therein is important for knowing the general trend of Asian studies emphasizing Weberian aspect. As a summary article see John H. Kunkel, "Psychological Factors in the analysis of Economic Development," pp.68-87. This gives the factors involved and the failure and drawbacks of psychoanalytical approaches to economic development.}\]

\[\text{\textsuperscript{8}}\text{For an appraisal of McClelland n-Achievement theory}\]
middle classes are the people who take up to new ways during economic development. The finding of significant correlation between n-Achievement and middle class is obviously not a new finding. It is not clear how the process of n-Achievement started a complex institutions toward economic development but, on the other hand, correlations have been found by vast statistical computations between individual achievement and economic developments. The importance of motives is not denied and the idea that certain individuals have high n-Achievement orientation is also not denied. What is argued here is that underdeveloped countries need not wait for two generations when finally the n-Achievement need will be high by constant education, to affect economic development. This is to say that social institutions play an important part in enhancing the achievement factor.

With the psycho-cultural emphasis in economic development it is often asked if India can change in the absence of Protestant Ethic and religious zeal? The predominant occupation for such a belief is due to

see Benjamin Higgins, Op.Cit., pp.295-301 and for criticism of the concept see pp.311-313. In effect McClelland proposes that it would take one or two generations to change the motives and values of the population to orient toward economic development, since he feels that it is harder to change ways of life at adult stage.
the conviction that Indian life is full of renunciation. Due to this preoccupation, it is said that "somehow a spiritual incentive, a substitute for renunciation will have to be found."

Thus with reference to the Weberian thesis, quite often the negative characteristics of Indian social order, are emphasised and doubts are expressed about the possibility of building an economic order based on extensive industrialisation. But on the other side of the coin it is found that

"There are many indications to the contrary that popular expectations are now running so far ahead of what the Government can deliver that more rather than less "renunciation" is needed if wholesale disillusionment with the Government is not to set in."

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9Mrs. Eleanor Roosevelt, INDIA AND THE AWAKENING EAST, (New York: Harper and Brothers, 1953), as quoted in Milton Singer, "Cultural Values in India's Economic Development," The Annals, May 1956, p.81. Mrs. Roosevelt further states: "... My own feeling is that with their religious and cultural background something different will be required to sparkle in them the conviction that the modern struggle of highly technologically developed stage is worthwhile." Ibid.

10Milton Singer, Op. Cit., p.81. He further states: "I have merely wanted to show that the traditional Indian Philosophy of renunciation is not a major obstacle to economic development, that it has in fact been all along functionally linked to the material side of Indian life, and that as interpreted by the religious social reformers of the last hundred years, especially by Gandhi, it is perfectly capable of providing the spiritual incentives and disciplines of a modern industrial society." Ibid., p.86.
What makes a tradition accept modern values is not so much a problematic issue, but the para-systemic influences are known to exert pressures on the social structures. Apart from that there are elites who are always on the lookout for better things and philosophies to enhance their prestige and status. Consequently the developments in different systems are known and imitated and assimilated into the new systems. It is naive to say that Western type of industry cannot be built except only under the conditions in which it grew. Perhaps it may be wise to say that imported cultures and technologies grow and change in the light of the conditions that obtain in the foreign soil.

The study of economic development is the study of complex institutional interaction as represented in

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11 Coheen contends, that: "The 'material' values of the West are seen to be essentially foreign to the genius of Indian society. To modernise or industrialise Indian society would seem, therefore, contrary to the basic values of the Indian peoples." John Coheen, "A comment on Prof. Singer's "Cultural Values of India's Economic Development." Economic Development and Cultural Change, VII(1) October 1958, p.1. Srinivas stresses the "practicability," and "earthiness," of the Indian peasants in their everyday life. This cannot but be the material-mindedness. N. N. Srinivas, "A Note on Mr. Coheen's note," Economic Development and Cultural Change, VII(1) October 1958, p.5. Further he states that the emphasis of disinterested action is one of the tenets of Bhagwad Gita, Ibid., p.6. Karve argues that caste centered occupational system is nothing but an equivalent of modern job-oriented value. So he contends that it is not difficult to "change" in Indian conditions. See B.G Karve, "Comments," Economic Development and Cultural Change, VII(1) October, 1958. pp.7-9.
motivational, social and cultural factors. In fact it is an interaction of these elements that help economic development. The values of ideology, nationalism, the changing tradition from one of renunciation to one of activism, the ideas of secular and welfare state and planning have already been emphasized in the preceding chapters. Mention of trans-systemic influences has already been made. Now a systematic configuration of all these factors is necessary:

"This path attempts to take systematic account of the social context of economic development, and to specify how a given range of social and cultural features inhibits, promotes, channels, and determines the course of economic development."

When the bottlenecks of the inhibiting factors are known it is a matter of time to set them straight for a smooth and unhindered economic development. The first phase of the process begins with setting of proper institutional framework:

"...the main functions of the preparatory stage are the changes in the institutional order, especially in areas other than economic activity, which transform the society from one in which capital formation and the introduction of modern economic organization is difficult or

impossible, to one in which the accumulation of capital and the introduction of new production processes appear as "natural" concomitants of general social progress."  

As a background to economic development, India has adopted socialistic pattern of society, secular and welfare state, planning, nationalism, and in the international relations, neutrality and good-will towards all and peace. Also an extensive import of capital and technologies has been envisaged. A borrowed institutional framework is superimposed on the traditional framework. The Indian economic development is based on institutional change from the top than from the bottom. The interdependence of complex institutional framework is explained in terms of a model.

As mentioned above, the process of economic development is an outcome of complex factors such as political, social, cultural and economic. As such the interdependence of these factors constitutes a system. The following model is taken from Parsons and Smelser. 14


Parsons visualises four functional prerequisites for any social system. The L-component or pattern-maintenance cell denotes the values which are internalized in individuals through family. The pattern-maintenance and tension management are the functions of the family. The I-component or integrative cell denotes the ordering of the elements in a systematic way so that there would not be any conflict in the hierarchy. The G-component or decision-making cell denotes the ordering of relative importance of decision

for an understanding of the latest interpretation on theoretical level. Also see for the theoretical relevance of using Adaptation for Economy, Decision-making for Polity, Integration for Legal norms and Latent-Pattern Maintenance for values, Talcott Parsons et al., (Eds.), THEORIES OF SOCIETY, Vol. I, (Glencoe, Ill.: Free Press, 1962), pp.36-41.
in terms of the values and possibilities. The \( A \)-component or adaption cell denotes the adaptation of different elements in the social system in terms of set-goals. The adaptive and decision-making components are said to be instrumental oriented. The Integrative and Latent-pattern-maintenance cells emphasize the expressive orientations of the actors. This is to say that motivational orientation of the actor is taken into consideration. In the latest article "Pattern Variables Revisited," Parsons has taken the stand that the system proposed by him is a general analytical system which could be used at any level of interaction. At the individual level the \( A, G, I, L \) components form the individual action orientations. At the societal level, they form different components of the social system. The \( A \) cell refers to the Economy. The \( G \) cell refers to the Political decision-making and Government Functions. The \( I \) cell refers to the stratification system. The \( L \) cell refers to the cultural values which guide the different ordering of hierarchies.

The model is useful in the study of economic development since it shows the impingement of each subsystem on the adaptive subsystem i.e. economy. In the following sections the different measures taken by the Government are discussed. In the second part "economic planning," the physical targets and different allocation
of resources viz., men and materials are discussed.

In Indian planning, the effective decision-making authority is vested with the Government, since the plans are Government sponsored. As such the entire process of institutional change is based on governmental decision-making as recommended by the Planning Commission. Of course the advice and consent of different bodies and organizations will have gone into this decision-making before it was finalised. As mentioned earlier the democratic setup itself puts a premium on consultation and arriving at consensus, though at a higher level, before the plan-action is pronounced.

The essential political and administrative conditions for successful planning are i) a large measure of agreement in the community as to the ends of the policy, ii) effective power based on the active co-operation of citizens, in the hands of the State, and earnest and determined exercise of that power in furtherance of these ends and iii) an efficient administrative set-up with personal of requisite capacity and quality.¹⁵

Before embarking upon an extensive industrialisation, it is necessary to build up an agricultural base which can support a heavy urban concentrations based on industry. The problems of rationalisation and industrial policy will be dealt with in the following sections. Rationalisation of agriculture includes the land reforms on a large scale, and a better deal to agricultural worker and to the landless. Likewise, consistent with the social purpose it is divided into public and private sectors. As indicated in the previous chapter the predominant concern for public or cooperative interest guides this sort of policy. In terms of the pattern-variable scheme, it is one of "self-vs-collectivity". When the rationalisation is attempted either in industry or agriculture, the social structure of stratification system is affected by changing in the allocations of resources, rewards, and privileges. Any attempt toward this end is bound to face the unpleasant task of dealing with the vested interests which oppose any move.

Increased production in agriculture means, the agricultural economy has to be diversified and brought into a high level of efficiency. From this point of view, land reform measures try to reduce the disparities in income, wealth, provides security of tenure for the
worker and eliminates exploitation. Two constraints define the land reform measures: viz., i) the point of view of raising production, and ii) the point of view of ownership rights. The first comes under land management legislation and the second comes under land reform legislation. The different interests in land are i) intermediary rights, ii) large owners, iii) small and middle owners, iv) tenants-at-will and v) landless workers. All these interests are inter-related and cannot be considered in isolation. The intermediary rights have been abolished, prior to planning. All the states have brought out legislation abolishing the Zamindari and jagirdari lands.

Legislation for the protection of tenants and abolition of zamindari systems brought about a measure of distribution of land. Apart from few large holdings and estates, the rest of the picture in land ownership is one of large number of small holdings. And there are few substantial landowners who manage their lands without the tenants. In view of the public policy, an individual cannot possess land beyond a fixed upper limit. This upper limit is prescribed according to the local conditions that obtain there. The fertility of land, the income, the facilities of irrigation and other factors affect this upper limit. The spirit of public
interest prescribes two policy points where substan-
tial owners manage their own land: i) an absolute limit
beyond which he cannot own and this is to be determined
by the state governments, and ii) the cultivation and
management of land held by an individual owner should
conform to standards of efficiency to be determined by
law. In the case of small and middle owners the
policy considerations are different. The general aim
of policy with reference to them is to encourage them
to cultivate on cooperative basis. The problems of
cooperative farming are considered in the chapter on co-
operation. The tenants-at-will are those who cultivate
the lands of small and middle owners. The tenancy
should be upto a period of five to ten years being
renewable unless the owner wishes to cultivate himself.
If the owner does not cultivate such resumed land, it
will revert to the tenant and he can buy that land
according to legal provisions. The determination of
rent should be fair that after deducting the expenses
and other services, a fair wage should result to the
cultivator. One-fourth or one-third rent is considered
to be fair. Schemes of land reforms would benefit,
firstly, the tenants who are already there and hence do not reach the agriculture worker. The land gifts

16 Ibid., p.190.
movement of Vinoba Bhave plays an important role in this connection (See Charismatic Movements). The essence of the changes that have been attempted is through village management of land by cooperative farming. Then the landless agricultural worker will have his fair share.

The land reform policies that had been enunciated during the first plan period reached a culminating point in the second plan period. The ownership of land entailed new obligations on the part of the owner. He cannot own simply because he inherited the rights. The new obligations are that he should cultivate and manage it according to specified levels of efficiency. The provision of tenancy reforms differ from state to state. There are states where tenants have absolute rights of cultivation and in others owners can resume cultivation and so the tenants have limited rights. In some states landlord's right to resume cultivation, provided it is within the upper limit prescribed, is to the tenant in such a manner that he cannot keep minimum land under his cultivation. In some states ejections have been temporarily stayed.

The hold of the landlords in the rural areas is

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\(^{17}\) For an appraisal of this discussion see *Ibid.*, pp. 184-202.
a permanent and hard-hitting one. When land legis-
lation has been proposed landlords ejected the tenants
under the guise of 'voluntary surrenders to cultivate
on their own.' Besides, the tenants too are uneducated
to know the provisions of the law. So personal culti-
vation means that the landlord is willing to put in
the personal labour also. If he does not cultivate
the land for a specified period, the ejected tenant will
have the right of restoration. Such resumption for
personal cultivation should be limited such as adult
members of the family could cultivate with their own
labour. (Of course the necessary provision for tradi-
tional way of employing extra labour is accepted).
Where the excess land is distributed among the landless,
the State recovers the land revenue from the new owners
directly and the landlords could ask for their compen-
sation directly from the tenants. The level of ceiling
is a tricky problem because of the difficulty in
definition. It is suggested that plough unit or a
family work unit should be considered as the limit of
ceiling.¹⁸

The second part of the discussion refers to the

¹⁸For an extended discussion of land reform and agrarian
reorganisation see Government of India, SECOND FIVE
YEAR PLAN, (Planning Commission: 1956), pp.177-220.
Hereafter referred to as SECOND PLAN.
Industrial policy of the Government of India. The Indian industrial structure is relatively backward as far as 1948-49. The factory establishments accounted for only 6.6 per cent of total national income. The second world war gave spur for the development of industry in India. The development was faced with severe inflation and scarcities. The Industrial Policy Resolution of 1948 set aside the manufacture of arms and ammunition, atomic energy, railways and posts etc. as the exclusive concern of the Central Government.

In this connection, the industries are divided into two categories viz. public and private sector industries. The Government can order investigation into the working of any private industry and if there is any marked deterioration of quality the Government may take over that industry. Development Councils have been established to recommend targets of production from time to time, to suggest norms of efficiency, to distribute controlled resources, to promote industrial and scientific research, to investigate the possibilities of decentralisation of stages of production and processes, to promote the training of persons and to undertake enquiries for the purposes of tendering advice to the Government or matters referred to the Development councils. In addition to this, a system of

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19Ibid., pp.424-425.
industrial priorities have been established. Industries which contribute for the development of capital formation, and for the strengthening of industrial structure should be given priority. In some of the producer goods industries fuller capacities should be utilised, where substantial foreign exchange earning is involved.

The increasing participation of Government in industrial development raises the problem of organisation in the public sector. The criteria for operation of both the public and private sectors are the same: the consumer should get highest quality at the cheapest price, the interests of the worker, shareholder or the taxpayer must be safeguarded. In fact the standards for success of public sector should be rigorous. Decision-making in the public sector is to be rationalised since departmental management leads to delays and inefficiency. The main principle is that the public sector enterprises should not be within the control of Government for day-to-day running,--it should be left in the hands of the executives. To help this managerial deficiencies, a vast training programme is to be initiated. The underlying ideas behind the public and private sectors are that there should be enough controls to save it from vested interests and there should be enough lee-way for initiative for the private
sector. The location of industry should be on the optimum conditions of availability of resources, transport and ancillary services, but this should not preclude wide dispersion and regional balancing of industries.\(^2\)

With the beginning of the second plan, the priorities of industrial development too changed: the emphasis being laid on the development of heavy industry such as iron and steel, fertilisers, machine building industries and producer goods such as cement, jute, chemical pulp, dyestuffs and essential drugs. The industrial policy resolution is spelled out again in April 1956.

There was an increase in industrial earnings for both workers and employers during the first plan and the credit goes to both the partners. The real earnings have gone up considerably. The disputes were settled by Government committees and this shows that there is an increasing acceptance on the part of the Labour and Management to accept conciliatory methods proposed by Government. Expansion of public sector calls for increasing participation and cooperation of labour as well as management. A strong trade union is

necessary for the protection of the workers. In fact workers should be trained in the philosophy of trade unionism. Granting recognition to different trade unions will help their formation. For the ordered development of industry, industrial peace is a must. Labour legislation and its enforcement machinery is only the correct procedure in this direction. There is also a necessity for preventive measures to be taken to avoid industrial unrest. When once disputes have been identified recourse should be taken to mutual negotiations and voluntary arbitration. Often due to neglect of implementation of industrial awards and agreements, friction develops between management and labour. Such situations should be avoided. Wages, social welfare, and social security measures should be undertaken at an increased rate. Industry should be rationalised at faster rate but this should not lead to undue unemployment of industrial labour. It should be undertaken in a phased programme.\(^2\)

Now in terms of our model, the changes suggested in industry and agriculture are strategic. Firstly there is a change in the cultural values in terms of ideology, i.e., acceptance of socialistic pattern of society. From this flows the changes that

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\(^2\) See for Labour Policy and Programme, SECOND PLAN, pp.571-587.
are anticipated in industry and agriculture. The changes in industry affect the social structure and its relevant stratification. With these policy decisions, the economy for development is organised. In fact the economic development in India consists of agricultural and industrial development. It has already been shown how land legislation affects the rights of the landlord and tenant and thus the rural stratification. The changes in industrial sector are of different order but the same in kind. The increasing protection of the worker through trade unions, industrial legislation and welfare schemes leads to the participation of worker in the industrial management. For purposes of identification public good and private good, the industry is divided into public and private sectors. This structural differentiation serves the same function as of the original one. Likewise in the rural sector, cooperative farming and land cultivated by individuals is distinguished. Thus cultural values influence the political decisions, to bring changes in the social structure. All these changes help organise the economy. The cumulative product is one of economic development. Overhead factors such as nationalism, trans-systemic influences, favourable international trade and peace have already been mentioned. The influence of China in spurring economic activity in India is evident. The entire
world is watching both the countries with differing social systems developing their economies. This consciousness that the world is watching with respect to a neighbour is significantly spurring the economic activity. Even during the plan formation period the influence was evident. A delegation went to China to study the agricultural practices and related institutions. Thus institutional changes have been affected to bring in the economic development in terms of rise in national income, per capita income. The various institutional measures help develop saving and thus plough back into the investment for rapid development.

A word of caution seems to be in the order before concluding this section. Despite the best intentions of the planners and their theoretical and ideological formulations, the institutional framework is by itself not a harbinger of social change in the traditional society. Surely the motivational orientation of the actors and the institutional framework they mediate may quite understandably be disjoined as would be shown in the chapter on transitional anomie. Moreover the vested interests in the form of elites may consume the entire fruits of the new changes and thus
guard their pre-eminent positions in the social hierarchy. The consequent milieu is full of des-\v{e}rations and frustrations for those who have taken the ideological change as the real change at the material aspect of distribution of the product. This frustration may lead to different types of social action.

One advantage with this type of social change is that the Government will be in the role of controll-\v{e}ing or assuming to control the situation of social change but that itself is not a guarantee for the future. The case of charismatic movements and the reliance of Government for bringing about changes is a sure pointer against undue optimism that social change is made to order or it is round the corner. Theoretically the important and seminal point is that acceptance of changes at legislative and constitutional level will be fruitless as long as they are not built into the normative pattern. This is to say the values should be internalized and they should be guiding factors in the normative orientations of the actors in day-to-day social situations. What the change in the institutional framework does is that it allows the actors to raise their expectations in consonance with the changes in the value systems. These expectations act as action
orientations as well as action-inhibitory orientations. The resulting milieu is transitional anomie.
Part II: Economic Planning

In the previous part the impingement of cultural, social and political factors have been discussed and their relation to economic development. On the backdrop of this institutional framework, the economic planning is handled. Whatever may be the form of the economic planning—it must relate to the basic aspirations of the people—which will finally build up the human faculties and the necessary institutional framework. Since India is an underdeveloped country, economic planning implies the readiness and acceptance on the part of the community to take action in a desired direction over a definite period.

"Planning involves the acceptance of a clearly defined system of objectives in terms of which to frame overall policies. It also involves the formulation of a strategy for promoting the realisation of the ends defined." As planning is not a path of roses, it has to avoid certain pitfalls,—it has to be judicious while taking parallels and examples from different social systems, upto a point, and not beyond that.

The pace of economic development depends on different factors and institutional arrangements in

22FIRST PLAN, p. 7.
which they are implicated.

"The level of production and the material well-being a community can attain depends, in the main, on the stock of capital at its disposal, i.e., on the amount of land per capita and of productive equipment in the shape of machinery, buildings, tools and implements, factories, locomotives, engines, irrigation facilities, power installations and communications. The larger the stock of capital, the greater tends to be the productivity of labour and therefore the volume of commodities and services that can be turned out with the same effort."

Other factors such as labour, management, attitude to work etc., would also influence the productivity.

In India, basing on rough data, the net capital formation is about 5% of the national income. In contrast to manpower, India has less of land and capital equipment. So at least in the initial stages of economic development labour-intensive methods could help. Anyway the country does not have roads, hospitals, schools, welfare centres, and factories, in sufficient numbers. Labour-intensive methods could profitably be used in building up these utilities. In addition to that the population growth is put at 1½% per annum. If the present levels of consumption is to be adequately maintained, at least investment should be maintained at the rate of 4-5%.

23 Ibid., p. 13.
Investment implies the utilizing of productive resources for the formation of capital equipment. These resources could either be built up from the inadequately used resources by using them more efficiently or diverting the resources from the production of consumer goods. One of the idle resources of India is the manpower potential. Full mobilisation of manpower produces money incomes without necessary and complementary production of goods. This may lead to inflation. Any way a measure of austerity and privation is not avoidable in the course of rapid economic development. Such privations may be felt by rising prices, scarcities, bottlenecks in transport, differential incomes of classes, etc. This could be alleviated by appropriate measures. Considering these situations of stresses, a tempo of rising capital formation should be accepted, i.e., from 5% to 20% of national income. This seems to be ideal considering the experiences of U.K., U.S.A., and other countries.

The proportion of income saved and ploughed back into productive investment is based on psychological and institutional factors.

Contrary to the popular beliefs that underdeveloped countries have zero rural savings, Benjamin Higgins et al. Panikkar shows that rural families save about
Social customs, habits, income levels of different classes and their steadiness, banking institutions for mobilising savings play an important role in this process. As capital formation gets going under proper institutional arrangements, further investments which are complementary would be possible, a fillip would be given to transport and communications, irrigation and power, leading to the fuller utilisation of under-utilised resources. Consistent with the objectives of ploughing back savings into productive capital, the final answer lies within the growth of national income itself. The faster is the rate of growth of national income the faster is the formation of capital through savings. For this purpose the entire problem is visualised over a period of 25 to 30 years. The policy should be guided by the long range possibilities and the objectives in view, in formulating the rate of investment and the institutional measures to promote it.

The rate of population growth and the national output and income are the two key factors without which

8% of their income. He further suggests that by refining tools of estimation this figure may be as high as 20%. This, he suggests, is found amongst cultivating families. See P.G.K. Panikar, "Rural Savings in India," Economic Development and Cultural Change, X(17) October 1961, pp. 64-85.
one cannot proceed further in deciding the policy. Growing population may increase the rate of investment and the availability of manpower but in the short run, it is considered to be a definite disadvantage. Different countries need different institutional arrangements for the development of the capital. By capital-intensive methods more output could be turned out without new investment—by multiple-shift method. So the capital-output ratio depends on the overall objectives of the economy it has to take into consideration. The following principles are borne in mind in arriving at decisions:

i) Population will continue to grow at the rate of 1.4 per cent per annum (which is the rate recorded in the last decennial period)

ii) a unit increase in national output and income will require about three times by way of additions to capital stock, and the increased output will materialize in the third year from the date of investment; and

iii) in regard to additional income in each period ploughed back into investment, there is scope for choosing the proportions according to the rate of development desired, the measure of austerity involved, and the organizational and institutional changes necessary.

Starting with the national income of India in 1950-51 at Rs.9,000 crores, in a period of 22 years this

25 FIRST PLAN, p.20.
could be raised by about 160 per cent, thus doubling the per capita income provided the capital formation rate is kept up as much as 2/3 of the additional national income each year, in the beginning stages. At this rate it is likely that per capita consumption may fall for a period of ten to fifteen years. But if capital formation is maintained at a level of 25 per cent, no such privation of falling consumption rate would be needed. But this entails the national output and at the end of the stipulated period the per capita income would not have risen from the present. The estimated capital formation for the First Five Year Plan is about 20%. By 1955-56 it will have gone up to Rs.10,000 crores( See Table No.1 ), and this rate of growth could be maintained if 50 per cent of additional income is ploughed back into investment. This means that beginning with 5 per cent. at the base year 1950-51 to 6½ in 1955-56 to about 11 per cent. in 1960-61, of national income as proportion of saving. By 1967-68 this rate will have reached 20 per cent. In about 27 years consumption standards will have risen to 70 per cent. of the base year.
### Table 1

**Growth in Income and Investment, 1951-56**  
*(At 1952-53 prices)*  

*One Crore = 10 million*

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>First Plan</th>
<th>Second Plan</th>
<th>Third Plan</th>
<th>Fourth Plan</th>
<th>Fifth Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td></td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. **National Income at the end of the period**  
   *(in Crores)* 10,800 13,480 17,260 21,680 27,270

2. **Total net investment**  
   *(in Crores)* 3,100 6,200 9,900 14,800 20,700

3. **Investment as percentage of national income at the end of the period**  
   7.3 10.7 13.7 16.0 17.0

4. **Incremental capital-output ratio.**  
   1:8:1 2:3:1 2:6:1 3:4:1 3:7:1

5. **Population at the end of the period**  
   *(in millions)* 384 408 434 465 500

6. **Per capita income at the end of the period**  
   *(in rupees)* 281 331 396 466 546

---

*Source: SECOND PLAN, p.11.*
The heavy investment targets shown here could be made good by organisational window-dressing i.e. by utilizing the idle manpower in building roads, hospitals etc., supplying timber, cement, mortar and bricks. This way the investment of such a huge capital would not be difficult. Measures which raise health, education etc., may considerably add up to the capital equipment. Thus with little investment agricultural productivity could be raised. Side by side with this, ways and means will have to be found out to curtail the population growth. This is quite possible with the rise of standards of living, and education.

In framing the employment policy in relation to development, the following principles would have to be taken into consideration: i) increasing the use of idle manpower, ii) keeping the money incomes at a par to avoid inflation, iii) speeding up of productivity of labour through technical efficiency and capital formation, iv) technological change should not lead to widespread unemployment—in fact it should be planned, and v) the distribution of capital in new lines should be productive in terms of more employment. In heavy industry per worker capital equipment varies from Rs.3,000 (in sugar and cement industries) to Rs.8,000. This may go to as high as Rs.100,000 in heavy industries
like iron and steel and fertilisers. In order to provide large scale employment small and medium industries should be developed. It is expected that 1.8 million labour force will be added yearly.

In framing the investment policy, the question of foreign assistance should be thoroughly probed. The U.S. entirely depended upon foreign assistance for development during formative stages. But the present international investment conditions are different. On the other hand Soviet Union entirely depended upon herself in building up the capital. There are obvious risks in accepting large scale investments from foreign countries, because of the general conditions and strings attached to it quite often.

In the previous part it has been stated that Economy is divided into two sectors: viz., Private Sector and Public Sector. The relative outlay of capital at the beginning of the base year was a little more than Rs.1,200 crores of Public sector and not more Rs.1,500 crores of the Private sector. The details are given in the following Table 2. The allocation of resources between the sectors is an important aspect. For private sector the allocation of different
Table - 2

Showing the relative capital equipment,
1950-1951.

<table>
<thead>
<tr>
<th>Item</th>
<th>Value (Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector</strong></td>
<td></td>
</tr>
<tr>
<td>1. Railways</td>
<td>837</td>
</tr>
<tr>
<td>2. Irrigation works (including multi-</td>
<td>230</td>
</tr>
<tr>
<td>purpose river valley projects)</td>
<td></td>
</tr>
<tr>
<td>3. Communications and broadcasting</td>
<td>53</td>
</tr>
<tr>
<td>4. Electricity undertakings</td>
<td>40</td>
</tr>
<tr>
<td>5. Industries</td>
<td>44</td>
</tr>
<tr>
<td>6. Civil Aviation</td>
<td>10</td>
</tr>
<tr>
<td>7. Ports</td>
<td>8</td>
</tr>
<tr>
<td>8. Central Tractor Organization</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,236</td>
</tr>
</tbody>
</table>

| **Private Sector**                        |                    |
| 1. Factory establishments                 | 1,110              |
| 2. Plantations                            | 100                |
| 3. Electricity Undertakings               | 70                 |
| 4. Mines                                  | 30                 |
| 5. Shipping and Aviation                  | 32                 |
| 6. Motor Transport                        | 130                |
| **Total**                                 | 1,472              |

Source: FIRST PLAN, p.32.

resources & based on price levels and by profit motive. Although public sector cannot stick to this principle strictly, it has in the final analysis should take care of the 'profit and loss calculus'. Prices vary in
developing economy and sometimes, it is detrimental to the different sections of the population. Hence the prices are to be controlled, because of the rise in money incomes during the initial stages. Monetary and credit policy is a powerful instrument in managing the price line. The development plans could be carried only if there is an adequate system of credit institutions. The credit institutions should be created to help agriculture and industry at appropriate levels. The credit institutions are based on saving mechanisms. Proper saving mechanisms and proper credit distributing mechanisms would be organised in rural and urban places. The Reserve Bank could play an important role in this connection. Another important aspect is the Fiscal policy. The rise in aggregate investment means postponement of standard of living requirements. Through fiscal policy, incomes could be levelled at reasonable rates between the different classes. The scope is to cut down the consumption levels at higher income groups than at lower income groups. If there is direct taxation it may impair the formation of saving at higher income levels. So a balance must be struck through, in levelling the incomes and allowing the high rate of saving to help capital investment. In this connection the importance of death duties could not be overemphasised. In some countries at a particular
level of wealth the death duties are as high as 50 per cent. even in some cases going upto 80 per cent. In this situation it appears that cooperation and co-operative organisations are better suited to Indian conditions, and they also could help in the same way as corporate sectors did in other countries. The ill-effects of corporations and their monopoly could thus be curbed. Coming to the patterns of priorities, the first plan laid stress on the development of agriculture. For rapid and extensive industrialization, it is necessary that agriculture should provide the basis if such a programme is to be successful. Thus the priority is given to the development of agriculture, irrigation and power development. A high investment in public sector is envisaged. Schemes should also be devised to use the under-utilized and un-utilized resources in the system by way of mobilisation at appropriate levels. Of course mass-campaign to root out illiteracy is a must for the developing economy.

The resources for the plan are categorised under, i) taxation and public savings as a source of development finance; ii) budgetary resources of the Central and state governments; iii) deficit financing; iv) external resources and the problem of foreign exchange and v) the problem of mobilising financial and physical resources.
### Table - 9

**Resources of Centre and States (Consolidated)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Base year 1950-51</th>
<th>Plan period 1951-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Public saving from</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) current revenues</td>
<td>122</td>
<td>568</td>
</tr>
<tr>
<td></td>
<td>b) railways</td>
<td>23</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>222</strong></td>
<td><strong>1,258</strong></td>
</tr>
<tr>
<td>2.</td>
<td>Private savings absorbed through</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) loans from the public</td>
<td>36</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td>b) small savings and other unfunded debt</td>
<td>42</td>
<td>270</td>
</tr>
<tr>
<td></td>
<td>c) deposits, funds and other miscellaneous sources(\text{net})</td>
<td>38</td>
<td>135</td>
</tr>
</tbody>
</table>

Source: Ibid., p.55.

The budgetary resources available to states and Centre in the period 1951-56, i.e. the plan period, are about Rs.738 crores for expenditure during the period and Rs.520 crores as capital receipts. The two sources will meet a part of the planned outlay of Rs.2,609 crores, of the first plan. According to this arrangement, the state governments are expected to raise additional resources to the tune of Rs.213 crores but
finally this will have to be Rs.232 crores, since some states raised their outlays in investments considerably. The following measures to raise $ of the necessary resources have been accepted in consultation with the state governments.

### Table - 4

| Revenue from taxation on land (covering land revenue and agricultural income-tax) | Rs. 34.0  |
| Revenue from irrigation (covering irrigation rates and betterment levies)       | Rs. 29.5  |
| Revenue from other commercial ventures of the State (i.e., forests, electricity and minerals) | Rs. 4.8   |
| Revenue from capital transfers (i.e., from estate duties)                      | Rs. 21.3  |
| Revenue from taxation of general commercial activity (i.e., sales-tax)         | Rs. 25.5  |
| Revenue from other miscellaneous sources (including taxes on luxuries)         | Rs. 37.5  |
| Revenue from economies in non-development expenditure                          | Rs. 12.4  |
| **Total**                                                                 | **Rs. 165.0** |

Source: Ibid., p.56.

In addition to this it is envisaged to have Rs.385 crores as public borrowings by both the state and the
centre in the five-year period. In spite of all this, only 60 per cent. of the saving could cover the plan expenditure. The rest is to be filled by deficit financing and external resources. India had only Rs.290 crores as sterling balances. So the deficit financing should not go beyond this limit. The external borrowings were of the order of Rs.156 crores under different aids, food imports etc., The balance of payments issue is, it is said, a normal feature of development. The small savings movement should be organised on firm footing in order to mobilise resources. For example the introduction of post office savings bank with a) cheque facilities for withdrawal and depositing, b) arranging the working of the bank on commercial lines, and c) opening branches in larger number of rural post offices, helped a great deal and it has become popular too.

The high priority is given to agriculture, with its attendant large investment in irrigation. This is essential in view of the development programme undertaken. The outlays of power and transportation also adds to the development. In view of this the initiative for investing in industry lies in private hands. Out of this total of Rs.2,069 crores, an estimated 60 per cent. will result in the creation of
Table - 5

Priorities and patterns of outlay in the First Five Year Plan.

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Rs. (Crores.)</th>
<th>Per cent. of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture and Community Development</td>
<td>361</td>
<td>17.5</td>
</tr>
<tr>
<td>2.</td>
<td>Irrigation</td>
<td>168</td>
<td>8.1</td>
</tr>
<tr>
<td>3.</td>
<td>Multi-purpose Irrigation and power projects</td>
<td>266</td>
<td>12.9</td>
</tr>
<tr>
<td>4.</td>
<td>Power</td>
<td>127</td>
<td>6.1</td>
</tr>
<tr>
<td>5.</td>
<td>Transport and Communications</td>
<td>497</td>
<td>24.0</td>
</tr>
<tr>
<td>6.</td>
<td>Industry</td>
<td>173</td>
<td>8.4</td>
</tr>
<tr>
<td>7.</td>
<td>Social Services</td>
<td>340</td>
<td>16.4</td>
</tr>
<tr>
<td>8.</td>
<td>Rehabilitation</td>
<td>85</td>
<td>4.1</td>
</tr>
<tr>
<td>9.</td>
<td>Others</td>
<td>52</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,069</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Ibid., p.70.

productive capital in the hands of Centre and States. The rest will add to the private sector.

The first plan was a modest effort in terms of national income and other items. The first two years of the plan were spent on correcting the inflationary pressures. From third year onwards the outlay on the plan was stepped to 2½ times on the level of 1951-52. The plan was revised to a total of Rs.2,350 crores.
The national income over the five period increased by 13 per cent (see Table 6). Food grains production has gone up by 20 per cent. Over six million acres of land have been brought under irrigation.

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>National Income</td>
<td>9,110</td>
<td>10,800</td>
</tr>
<tr>
<td>2.</td>
<td>Investment</td>
<td>450</td>
<td>790</td>
</tr>
<tr>
<td>3.</td>
<td>Investment as percentage of National Income</td>
<td>4.9</td>
<td>7.3</td>
</tr>
<tr>
<td>4.</td>
<td>National Income (Index)</td>
<td>100</td>
<td>113</td>
</tr>
<tr>
<td>5.</td>
<td>Per Capita National Income (Index)</td>
<td>100</td>
<td>111</td>
</tr>
<tr>
<td>6.</td>
<td>Per Capita Consumer Expenditure (Index)</td>
<td>100</td>
<td>109</td>
</tr>
</tbody>
</table>

Source: SECOND PLAN, p. 3

Investment in economy has risen from Rs. 450 crores to Rs. 790 crores in 1955-56 of the plan period. This means that investment in 1951-52 year was exceptionally high i.e., to over 7 per cent. of national income.
For the entire period of 25 years it was envisaged to double the national income to its and per capita income as well. These rates were calculated assuming that the population rate of growth would be steady at the level of 12.5 per cent. per decade. But now it is assumed that the population growth would be at a rate of 13.3 per cent. for the decade 1961-70. For the period 1971-80 it would be at the rate of 14 per cent. The mark of 500 million may be reached by 1975-76. (See Table No.1). For the first plan period the incremental capital-output ratio worked out at 1:8:1. This was due to the favourable monsoon and to an extent expansion of industrial output. For the second plan period, an investment of Rs.6,200 crores would result in national income of Rs.2,680 crores, and an ICOR of 2:3:1. The rates will be 2.6, 3.4 and 3.7 for the third, fourth and fifth plans. These changes are incorporated in Table No.1. By this revised estimates the per capita income would double by 1973-74, and with this rate of investment by 1975-76 the proportion of agricultural labour to the total should come to 60 per cent. For this to happen four-fold increase in industrial activity should be achieved in terms of employment.

In the second plan period, the planning activity is given a more definite ideological direction by the adoption of socialistic pattern of society.
This gave fillip to the objectives and directions of plan. Mahalabonis suggested eight ways of implementing the Second Five Year Plan, giving it a sense of purposive direction in terms of socialistic pattern of society. He suggested that rapid growth of national economy should be attempted by increasing the scope of public sector, to develop basic heavy industry, to increase the production of cottage consumer goods, to develop factory production of consumer goods, to increase the productivity in agriculture, to provide better housing and health and educational services, to liquidate unemployment as quickly as possible and as a result of the measures to increase the national income by 25 per cent. over the plan period.

In the Second Plan the allocations under major heads show (see Table No. 7) that there is a definite shift in emphasis. Industries and mining claim about 19 per cent. in the second plan as against 8 per cent in the first plan. This stepping

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up is something like 400 per cent. Out of a total of 890 crores on industries and mining, Rs. 690 crores are meant for heavy industry building alone. Transport and communications account for 29 per cent. of the total outlay. This time irrigation accounted for 19 per cent. and agriculture and community development accounted for 12 per cent. only. Social services claim 20 per cent of the total outlay whereas the investment in education almost doubled to Rs. 307 crores as against the first plan period. Of the total outlay of Rs. 4,800 crores, the Central Government was to incur Rs. 2,559 crores as against Rs. 2,241 crores by the States. Of the total expenditure of Rs. 4,800 crores roughly Rs. 3,800 crores represent investment and about Rs. 1,000 crores as current development expenditure. Besides this Rs. 3,800 crores of public sector outlay, an outlay of private sector investment may be of the order of Rs. 2,400 crores. This can be taken as a rough estimate. The ratio of public and private sector investment during second plan period is to the order of 61:39, as compared to 50:50 in the first plan.

With this outlay (see Table No.7) in the Second Five Year Plan the expected rise in the plan period is given under different heads comparing the first plan
Table - 7

Distribution of Second Plan Outlay by major heads of development.

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>First Plan</th>
<th>Second Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Provision 'Per Cent.'</td>
<td>Total Provision 'Per Cent.'</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Rs. Crores)</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Agriculture and Community Development . . .</td>
<td>357</td>
<td>15.1</td>
</tr>
<tr>
<td>2.</td>
<td>Irrigation and Power</td>
<td>661</td>
<td>28.1</td>
</tr>
<tr>
<td>3.</td>
<td>Industry &amp; Mining</td>
<td>179</td>
<td>7.6</td>
</tr>
<tr>
<td>4.</td>
<td>Transport and Communications . . .</td>
<td>557</td>
<td>23.6</td>
</tr>
<tr>
<td>5.</td>
<td>Social Services. . .</td>
<td>533</td>
<td>22.6</td>
</tr>
<tr>
<td>6.</td>
<td>Miscellaneous . . .</td>
<td>69</td>
<td>3.0</td>
</tr>
</tbody>
</table>

|                                               | 2,356 | 100.0 | 4,800 | 100.0 |

Source: SECOND PLAN, pp.51-52.

period (see table No.6). The national income is expected to rise from Rs.10,800 crores in 1955-56 to about Rs.13,480 crores in 1960-61 at constant prices of the base year. This will mean a rise of 18 per cent. in per capita income, i.e., from Rs.281 in 1955-56 to Rs.331 in 1960-61. The share of national income from agriculture would decline from 48 per cent. in 1955-56 to 46 per cent. in 1960-61.
Table - 8

National Product by Industrial Origin.
(Rs. Crores at 1952-53 prices).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture and allied pursuits</td>
<td>4,450</td>
<td>5,230</td>
<td>6,170</td>
<td>18</td>
</tr>
<tr>
<td>2</td>
<td>Mining</td>
<td>80</td>
<td>95</td>
<td>150</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Factory Establishment</td>
<td>590</td>
<td>840</td>
<td>1,380</td>
<td>43</td>
</tr>
<tr>
<td>4</td>
<td>Small Enterprises</td>
<td>740</td>
<td>840</td>
<td>1,085</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Construction</td>
<td>180</td>
<td>220</td>
<td>295</td>
<td>22</td>
</tr>
<tr>
<td>6</td>
<td>Commerce, Transport and Communications</td>
<td>1,650</td>
<td>1,875</td>
<td>2,300</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Professions and Services including Government administration</td>
<td>1,420</td>
<td>1,700</td>
<td>2,100</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>Total National Product</td>
<td>9,110</td>
<td>10,800</td>
<td>13,480</td>
<td>18</td>
</tr>
<tr>
<td>9</td>
<td>Per Capita Income (Rupees)</td>
<td>253</td>
<td>281</td>
<td>331</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Ibid., p.73.

The programme of investment envisaged for the current plan requires a domestic saving of 11 per cent. instead of 7 per cent. of national income. This is based
on the assumption that Rs.1,100 crores would be available from external sources. The consumption expenditure may also rise from the current 21 per cent. to 25 per cent. The corresponding figure in the first plan is 16 per cent. Table No.9 shows the comparative statement of consumption, savings, investment with reference to the national income.

To finance the plan the following items are considered. It is expected that surplus from current revenues would be of the order of Rs.800 crores i.e., at existing rate of taxation Rs.350 crores and additional taxation yielding about Rs.450 crores. Borrowings from the public is to the tune of Rs.1,200 crores.

Table - 9


<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>1950-51</th>
<th>1955-56</th>
<th>1960-61</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>National Income</td>
<td>9,110</td>
<td>10,600</td>
<td>13,480</td>
</tr>
<tr>
<td>2.</td>
<td>Net Investment</td>
<td>448</td>
<td>790</td>
<td>1,440</td>
</tr>
<tr>
<td>3.</td>
<td>Net inflow of foreign resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3a. Net inflow of foreign resources</td>
<td>7</td>
<td>34</td>
<td>130</td>
</tr>
<tr>
<td>4.</td>
<td>Net domestic savings(2-3)</td>
<td>455</td>
<td>756</td>
<td>1,310</td>
</tr>
<tr>
<td>5.</td>
<td>Consumption expenditure(1-4)</td>
<td>8,655</td>
<td>10,044</td>
<td>12,170</td>
</tr>
<tr>
<td>6.</td>
<td>Investment as per cent of National income (2 as % of 1)</td>
<td>4.94</td>
<td>7.31</td>
<td>10.68</td>
</tr>
<tr>
<td>7.</td>
<td>Domestic Savings as % of national income (4 as % of 1)</td>
<td>4.98</td>
<td>7.00</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Source: Ibid., p.74.
other budgetary sources supply another Rs.400 crores. External resources are to be raised to the tune of Rs.800 crores. Deficit financing is resorted to the order of Rs.1,200 crores. By additional measures to cover up the gap it is expected to fetch Rs.400 crores.27

In terms of investment in Public and Private sectors the outlays are Rs.3,800 crores in public sector and Rs.2,400 crores in private sector.

As far as employment prospects are concerned it is estimated that about 2 million persons a year will join the labour force. In addition there is under-employment and unemployment in the present rural and urban sectors. According to the Labour enquiry conducted in 1950-51 the unemployment in rural sector was to the tune of 2.8 million persons. Due to the heavy investment and accent on rural projects in the first plan period, it is not likely that the unemployment might have increased during this period. Out of

27Ibid., pp.78-79. Cf. Regarding deficit financing, objections have been raised. See B.R. Shemoy, "Note of Dissent," in PAPERS OF SECOND PLAN, pp.19-32. He objects to the size of the plan and suggests instead that it should be within reach of the level of savings, otherwise inflation sets in. The tenor of the argument runs on ideological lines than on practical lines, for example, he is against state intervention in economic affairs, and against legislative measures.
10 million expected to join labour force in the next five years, 3.8 million would join urban labour force and the rest 6.2 will belong to the rural labour force. In this field there is a dire need for data which could be relied upon. In the nature of the case heavy industry cannot offer vast employment potentials. But on this score one cannot argue that the consideration of heavy industry should be postponed. As a short relief construction work would relieve a substantial part of unemployment. In addition to this there is the question of educated unemployment. In terms of the long consideration of the development of economy and in terms of the second plan outlay there are no possibilities for further employment. But it is always possible to reduce it by utilizing the by-products of planned development, such as water, electricity in employing the labour force. As the plan

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28 Basing on different surveys conducted in Maharashtra and U.P. the Gokhale Institute of Economics and Politics has come to the conclusion that agriculture can no more furnish the employment opportunities, and hence reliance must be placed on small and cottage industries. See Gokhale Institute of Economics and Politics, "Employment situation and Policy" in PAPERS OF SECOND PLAN, pp.201-234. In contrast to this Rao suggests that a national labour force should be created on semi-military discipline, employment should be the part and parcel of raising productivity, and finally to create an organisation for the creation of employment. See V.K.R.V. Rao, "The Second Five Year Plan: Employment Pattern and Policies," in Ibid., pp.235-246. To relieve unemployment rapid industrialization is also advocated. See A. Mitra, "Employment Technology and the Plan," The Economic Weekly, VIII(30) July 1956, pp.899-900.
progresses suitable steps could be taken in the light of concrete evidence.

As the first plan emphasized the development of agriculture and to a large measure succeeded in raising the output of food grains. It brought into coherence the land-reform measures to suit the needs of the agriculture. The process initiated in the first plan reached the next higher stage. The second plan put its accent on the development of heavy industry thus creating a concrete shape to the socialistic pattern of society. The plan also defined the key-role of public sector in future development. It also set the goal for increasing employment potential in the economic development.

**Resume**: Economic Development is a complicated and complex process. Behind the economic decisions are the sociological framework which controls and commands the development. Hence the social values, ideologies, and political decisions are important. Trans-systemic influences give spur to economic development. A significant correlative concomitant with economic development is the high rate of achievement motive in the population during economic development. In India the approach is toward institutional change and institutional manipulation of factors. As such the
first five year plan laid the basis for extensive agricultural development, shattering the age-old land relations. The Second plan emphasized the development of heavy industry thus giving a concrete shape to the socialist pattern of society. The national income rose by 18 per cent. The net investment rate too rose from 4.9 per cent. in the beginning to 7.3 per cent. at the end of first plan, which is significant. And by the end of the second plan the domestic savings rose by 9.7 per cent. The rate of investment rose from 7.31 to 10.60 by the end of the second plan. As planning is a continuous process, it is spelled out over 25 to 30 years span. By this time it is expected to double the national and per capita incomes.