CHAPTER VIII

CONCLUSION

In the foregoing survey we have noted how the theory and practice of economic planning have evolved in the course of ages. There was not necessarily a conscious movement of thought all through in the direction of planning. Indeed, the concept of economic planning has taken definite shape and form in comparatively recent times. Nevertheless, for a proper appraisal of the theory of economic planning we have to take cognizance of the long historical background that has behind it. The seeds of the planning idea were sown in the days of mercantilism — indeed planning had then manifested itself as practical and definitive state policy in economic matters. Thereafter, economic thought swung to the opposite extreme — in the direction of laissez faire.

Human thought has a peculiar tendency to make progress through movements and counter movements by swinging from one extreme to another. If the
mercantilists made a fetish of state control and regulation, the laissez faire economists developed a rigid dogma of non-intervention by the state in the economic sphere. This line of thinking evoked a sharp challenge from the socialists who in a somewhat wholesale fashion (as a natural reaction to extreme laissez faire) advocated all comprehensive state-regulation of economic life. In socialist circles the idea of planning began to take shape.

But even among the professional economists, for, by this time a profession of economists had come into existence, a profession consisting chiefly no doubt of university professors but partly also of publicists, financial journalists, serious minded politicians who specialised in economic matters - a process of re-thinking began. The stronghold of orthodox (judged by our present day standard) economic thinking, or what may be called classical economic thought (which is also in a sense neo-classical), the university of Cambridge in England was invaded by
new ideas - fresh winds from abroad blew into the ivory tower of the academicians, until Keynes, a product and representative of the Cambridge School, brought about what seemed at the time almost topsy turvy changes in the practical application of economic theory. Even Socialism seemed no longer so fantastic and bizarre in the light of the Keynesian Revolution.

Gradually, even the academic economists have moved towards a clear-cut recognition of theory of economic planning - or at least a theory of economic growth - as an integral part of the economic analysis and study. In particular the planning problem or growth problem tackled deliberately by the state has assumed special urgency in the context of under-developed countries. There is in a sense international recognition now of this fact. The World Bank has set up the Economic Development Institute for training of senior officials in the study of growth and planning economics. Other international bodies have also started similar courses
of study. Different under-developed countries of the world are currently engaged in working out plans of development, taking such help as may be available from contemporary economic theories, but also developing and improvising theories in aid of requirements of the practical situation.

In this connection reference may be made to contrasted approaches to the development problem of under-developed countries. One is that of Charles Bettelheim. In his book 'Studies in The Theory of Planning', Bettelheim has divided the advocates of planning into two groups - 'the partisans of centralised choice, on the one hand, and the partisans of decentralised choice, on the other.' He proceeds to add: "Soviet planning, which has developed on the basis of Marx's theories, constitutes the concrete realisation and practice of

the first type of choice. As regards planning on a decentralised basis, this is typified, according to Bettelheim, in the book of Oscar Lange and F.M. Taylor entitled 'On the Economic theory of Socialism', which was published in 1938. We have examined this point of view in detail in the chapter entitled 'Socialist Approach to Economic Planning'. Bettelheim refers to a third version of economic planning - what he calls capitalist planning - and makes a sharp distinction between the Lange -Taylor model and the theory of so-called capitalist planning.

So far as Lange, Taylor and other followers of this school are concerned they envisage far-reaching transformations of property relations in the direction of socialism, but such transformations are not contemplated by the capitalist planners. This point is developed by Bettelheim as follows:—

They (i.e. the socialist planners like Lange and

2. Ibid,
Taylor) consider that the system they commend could function only upon the basis of collective ownership embracing the greater part of the means of production and exchange. In this respect the conceptions held by these writers should not be confused with those of the supporters of 'capitalist planning' such as is envisaged by the upholders of 'plans for full employment' while maintaining private property.

This so-called 'capitalist planning' has not been taken into serious consideration by Bettelheim. In our view, however, this is also an important form of planning, and we have devoted a considerable amount of space to the study of this type of planning, and to development of thought that gradually crystallized into the theory of capitalist planning. In our view, it may be noted, it is wrong to characterize planning as 'capitalistic', 'socialistic' and 'communistic'. Planning means centralised direction and regulation of economic life with clear-cut objectives. This direction and
regulation takes different forms according to the
differences of the political backgrounds. Where
the full democratic system is operative, full
employment planning is in vogue. In under-developed
countries the full employment objective is harmo-
nised with (and in some measure subordinated to )
the goal of development. There is another version —
the socialist version — which may broadly maintain
the democratic framework, but which also modifies
it in some measure. It may make far-reaching
transformations of property relations so as to
limit, though not absolutely, the democratic
freedom of individual choice whether in the matter
of consumption or in the matter of production.
Then there is a third variety — the communistic
variety — which virtually does away with all democ-
ragic forms and introduces a regimented economic
system.

Bettelheim shows his predilection in
favour of the Soviet type, that is, the thoroughly
centralized type of planning. Its superiority over any kind of capitalistic planning is sought to be demonstrated by him as follows: "The obstacles that stand in the way of planning the whole of economic activity under a private property system are connected with the fact that, in a system of this kind, production remains, despite its social nature, a private activity, whereas planning tends to make it a directly social activity, governed by society. In other words, for planning to exist, the planning organ must be able to treat each head of an enterprise like a mere manager of a public enterprise, which is in practice incompatible with his position as an owner, or representative of a company of owners. It is all the more incompatible because the concentration of property confers on those who own it a considerable degree of economic power, a power all the greater because the state which claims to give orders to them is, more often than not, in debt to them. It is thus that the
problem of socialising the principal means of production arises, both in theory and in practice, as the premise of any genuine planning of economic life. Just such a socialisation preceded the putting into effect of the Soviet Five-Year Plans." 3

Bettelheim is also opposed to socialist planning (decentralised planning) for a number of reasons. Of course, under such a system also there would be a central planning office. The functions of the central planning office would be as follows:

(a) The office should lay down, for each period, the total sum of investments .........

(b) The office should fix all the prices to be charged in transactions between public enterprises, whereas selling prices to consumers, and also wages, should fix themselves through ordinary market conditions.

(c) Finally, the office should fix the rate of interest (or the rates for loans of various terms).

Some of these prices, as also the rates of interest, would have a merely accounting significance, i.e. would not give rise to any actual payments. 4

The following objections are put forward against the system. In the first place, it is pointed out that such a conception "implies the introduction not of a planned economy but of a pseudo-competitive economy." Since socialism involves the socialization of ownership of the means of production, it clashes with the introduction of economic adjustments of a more or less competitive character. Secondly, such a system would be characterised by the mechanism of adjustment after the 'event' that is operative in a capitalist economy. 'Solutions' are expected to

emerge automatically in such a system. "These solutions . . . . . result from gropings that involve a real waste of energy, work and investment, since it is not until a certain time has elapsed after an incorrect decision has been taken that its erroneous nature can become apparent."5 Thirdly, such a system would be marked by irrationality of decisions. To take an example, investment would be determined by the rate of interest, although, rationally speaking, it should be determined by technical considerations of the desirability or otherwise of any investment.

Finally, Bettelheim points out that "centralised planning is the only kind that is compatible with the structure of a socialised economy, for it is the only kind that can take into consideration the fact that the main decisions taken necessarily have consequences which affect the whole of society."6

5. Ibid, p.33
The conclusion at which Bettelheim arrives is:—
"Thus, planning that is based upon centralised choice appears to us to be the only kind that can co-ordinate in advance—and not after the event, through more or less violent economic fluctuations involving the loss of more or less substantial resources—a set of decisions which must necessarily be taken in harmony with each other. It appears to us also as the only kind compatible with the structure of a socialised economy." 7

Bettelheim's appraisal of India's plans needs to be considered in this context. When he first came to India he had the feeling that 'in an economically underdeveloped country, where local capitalism is still weak, a policy of economic planning would be possible even with a relatively small public sector.' 8 In the light of his practical experience, however, he realised that the strength

of the public sector in India, as well as the changes implemented in the field of agrarian social relations are still much too limited to give a definite possibility of preparing and implementing a real plan of economic development.

Some of the general observations of the writer regarding under-developed countries have also to be noted. He points out that in many instances, in an underdeveloped country, there is a conflict between the technological choices which are the most advantageous in the short run from the standpoint of private enterprise and those which are most advantageous from the standpoint of the national economy as a whole. In such circumstances if the private sector is much larger than the public sector, it would stand in the way of rapid and planned economic growth. 'It is only with a sufficiently large public sector and with not too much reluctance concerning interference with private enterprise that a plan which would really accelerate economic growth, i.e. a
genuine economic plan, can be implemented'. In Bettelheim's opinion genuine economic planning requires full mobilisation of the investible resources of a country. For such mobilisation big economic powers are required. Such powers depend not so much on legal stipulations as on socio-economic structure which gives real powers to the planning authorities.

The opposite point of view has been expressed by P.T. Bauer and B.S. Yamey. They observe:-

... our inclination is towards economic systems where decisions about the composition of national output, including those affecting the distribution of resources between consumption and investment are taken largely by the individuals participating in economic life and against economic systems in which central direction and detailed decision-making by governmental bodies affect a large sector of economic
activity. "9 The writers go on to say :- "It is inherent in our concept and criterion of economic development that we attach significance to acts of choice and valuation made by individuals, including those which express individual time-preferences between present and future consumption". The role of the state is seen primarily, according to them, as that which makes it possible for individuals to have success to a wider range of alternatives and to more adequate knowledge of them. 10

The reasons for the pre-dictation in favour of individual valuations and choices are set forth as follows :- "We favour private decision-making, and the diffusion of power which it implies, because they help to safeguard the individual in

society, both generally and also in his capacity as an economic agent. They do this by enlarging the range of actual or potential alternatives open to individuals. " They further say : - " we consider that in general this system secures an efficient development of available resources, and also promotes the growth of resources. " \textsuperscript{11} On the other hand, reference is made to the drawback of a highly centralized system of control and regulation. " We do not see how a central planning authority would be able to organise and make use of so large and diverse a flow of information as is available in the aggregate in a decentralized economic society. " \textsuperscript{12}

Certain arguments against centralized planning are put forward from the standpoint of under-developed countries. In such a system ( of highly centralized planning), politicians, civil servants and administrators have their own interests

\textsuperscript{11} Ibid, p. 154.
\textsuperscript{12} Ibid.
in terms of power, prestige and position as well as economic interests which may differ considerably from those of the rest of the community. Public opinion is likely to be less effective in underdeveloped countries than in more advanced societies in checking and controlling the activities of these groups. Secondly, there is danger in widening the area of the public sector. In the public sector there are no self-correcting influences. The powers of the public servants are fortified by statutes. "Even in countries with a long tradition of a critical press and a vigilant parliament it has been found that there is no close substitute for the pervasive disciplinary effect of competition, actual or potential, partial or complete." 13 In underdeveloped countries the problem in this regard is more serious. This underlines the danger of widening the area of the public sector in the national economy.

In the ultimate analysis the discussion of this issue cannot be altogether isolated from political considerations. In presenting their conclusion Bauer and Yamey have frankly confessed to a political bias. Bettelheim, on the other hand, has ignored the political aspect, and sought to demonstrate the superiority of the Soviet system on the basis of economic and technological considerations.

On the basis of the experience that has been acquired in India over a decade in the matter of economic planning it can be stated categorically that planning need not be completely centralized (or totalitarian), nor is it justifiable to presume that there should be on the whole an unplanned free-enterprise system (with state interference in a greater or less degree according to requirements), in order that the best economic results can be achieved in an underdeveloped country. India's
economic plans have a democratic (non-totalitarian basis or a 'decentralized' set-up) character; there is no extensive, not to say all comprehensive, public ownership of resources and industries; and yet the public sector of the economy has been making steady headway (from an insignificant beginning) and notable successes are being scored in the field of practical economic development. As a result of planning over a decade 'Foundations have been laid for the achievement of the basic objectives and the long-term economic goals'. The total investment of the country, public and private, increased from over Rs. 500 crores per annum at the beginning of the first plan to Rs. 850 crores at its end. It reached an annual level of about Rs. 1600 crores at the end of the Second Plan, and in the Third Plan period to above Rs. 2000 crores per annum. Investment is thus quadrupled in 15 years.

During the First Plan period the national
income increased by 18 per cent against a target of 12 per cent. During the Second Plan period national income increased 20 per cent (against a target of 25 per cent). In the Third Plan period national income has gone up by 30 per cent. In other words, this means seventy per cent increase of national income in 15 years.

Steady and appreciable progress has thus been achieved and assured under India's Five Year Plans. And the great thing is that this achievement (it may be called modest but it is none-the-less of appreciable proportions) has not been secured at the cost of liberty - at the sacrifice of the basic human values which we value so much in a democratic set up. A decade of planning in India has been an impressive demonstration of the possibilities and potentialities of planning in an under-developed country.

This study has however ended in a sense wit
a great question-mark - can planning on national scale have the best possible chance of success and fulfillment? Or, should planning be on an international scale for the fruition of its grandest possibilities?

The present writer confess his strong bias in favour of international planning. Such planning is not really utopian but is already in the process of growth under the auspices of various international agencies. But effective and large scale international planning would presuppose world government, which seems an un-attainable ideal at present. Short of, however, the supreme consummation, much can be done and is being done by way of a rough short of international economic planning under the guidance of international agencies like the World Bank etc. Indeed big country has an international counterpart to its national plan in so far as it has to seek external assistance and solve balance-of-trade problems. In this sense international planning is already under way. Just as it may be said that
international economic unity is already an accomplished fact whether world political unity is established or not, so international economic planning is also under way, irrespective of the possibility or actuality of an international political administration. The sheer force of circumstances is irresistibly leading us towards exploration of new paths to the goal of international economic planning. And, whether we are conscious of it or not, we have already travelled a long distance along some of these newly discovered paths. We are already living in 'One World' economically, if not politically.