CHAPTER IV.
The Industrial Revolution paved the way for the democratic theory of planning. The exploitation of the poor by the rich and the economic depression were the causes of the Industrial Revolution. In the early part of the nineteenth century there evolved two types of Socialism, viz., Western Socialism and Marxian type Socialism. Western Socialism is evolutionary and democratic but the other is revolutionary and authoritative. Friedmann argues: "The Industrial Revolution greatly deepened the cleavage between the economically privileged and the economically under privileged, and at a time when the ideologies of political democracy, human rights and international equality were steadily advancing, this social cleavage but increased force to the call for a social as well as a political democracy ............

........ On one side humanitarian reformers — men like Shaftesbury,
Shaftesbury, Owen, Bentham, Mill - demanded social justice, whether from religious, ethical or utilitarian motives. On the other side, Marxism demanded the revolutionary replacement of the Capitalist order of society, which is regarded as the bulwark of the middle classes, by the socialist order of society, the order of the proletariat, the 'common man'.

The type of socialism prevalent in Great Britain, India, and in other countries of the world is democratic. Believers in the Industrial Revolution contended that people free from governmental interference could secure individual happiness and therefrom community well-being. In the middle of the 19th century the idea of undiluted individualism became effective, and, consequently, the production of material goods increased beyond expectation. But this individual resourcefulness made economy in Europe and in America unbalanced. This resulted in very acute unemployment. Labour was considered as commodities and the rate of wages paid was too low. The working class people were on the verge of starvation. Freedom, though meant for all, was in reality only for very few people. At this stage appeared new economists and political scientists who challenged the economic laws of Adam Smith, Ricardo, and other economists as defective.

The growth of the concept of Democratic Socialism, too, made a no mean contribution to the modern democratic theory of planning. Jean de Sismondi, one of the Utopian Socialists, who opposed revolution and class-conflict wanted

1. Friedmann: op. cit., p. 61
wanted to establish an ideal social order. He urged for the redistribution of wealth and for some sort of regulation in the employment of labour. He developed a distinct theory of exploitation and under-consumption. The essence of his theory was that the labourers in the grip of poverty were at a disadvantage in bargaining with their employers. This accounted for meagre wages being paid to them which, in turn, restricted their purchasing power. The effective demand fell off, and an imbalance ensued between production and consumption. It had been possible to maintain a balance in the medieval society, but it was upset under conditions of capitalist production. Saymondi may well be regarded as the originator of the under-consumption theory of the trade-cycle. All that he sought to propound was that labour and capital had a tendency to become immobile, and that they could not be transferred from an unprofitable industry to one where there was an increasing demand. Factors were specific also.

Robert Owen (1771-1858), another Utopian Socialist, wanted to remove the poverty and misery of the working classes. He suggested the co-operation of the capitalists and wage-earners. In his opinion, the capitalist system, private property, religion, and institution of marriage were the stumbling blocks on the way to the growth of happiness. He formed co-operative societies and was keen on doing away with restrictions on labour unions. He was a giant among men. He was indisputably a genuine friend of the workers. He clearly perceived the evil effects
effects of industrialisation. Within the limits of his own personal capacity, he spared no pains to improve the lot of the workers. Engel's estimate of Owen's contributions is pregnant with deep significance: "He saw in it (the Industrial Revolution) the opportunity of putting into practice his favourite theory and so of bringing order out of chaos. He had already tried it with success as Superintendent of more than 500 men in a Manchester Factory. From 1800 to 1829, he directed the great cotton mill at New Lanark, in Scotland, as managing partner, along the same lines, but with greater freedom of action that made him a European reputation. A population originally consisting of the most diverse, and, most part, very demoralised elements, a population that gradually grew to 2,500, he turned into a model colony, in which drunkenness, police, magistrate, law-suits, poor-laws, charity were unknown. And all these simply by placing the people in conditions worthy of human beings and especially by carefully bringing up the rising generation. He was the founder of the infant schools, and introduced them first at New Lanarks .........................................

Whilst his competitors worked their people 13 to 14 hours a day, in New Lanarks the working day was only 10½ hours. When a crisis in cotton-mill stopped work for 4 months, his workers received their full wages all the time. And with all these business more than doubled in value, and to the last yielded large profits to its proprietors". 2 This was a remarkable and highly commendable performance that elicited high praise from all quarters.

But

2. Engels: Socialism, Utopian And Scientific, (Moscow, 1936); p.28.
But Owen was not satisfied with this. "The existence which he secured for his workers was, in his eyes, still far from being the worthy of human beings. The relatively favourable conditions to which he had placed them were still far from allowing a rational development of the character and intellect in all directions." 3

The fact that high dividends had to be paid to the proprietors was a cause of dissatisfaction to Owen.

Owen soon decided to bring about a complete reconstruction of society. He adopted communist ideas and tried to put them into actual practice. This did, however, bring about a fundamental change in the fortunes of Owen. Says Engels: "His advance in the direction of communism was the turning point in Owen's life. As long as he was simply a philanthropist, he was rewarded with nothing but wealth, applause, honour and glory. But when he came out with his communist theories that was quite another thing." 4 He was excommunicated from the official society. He had to sacrifice all his fortunes for the sake of his communist experiments in America. Soon after he divided his attention to trade union activity, co-operative movement, etc.

Though Owen was a great man with a broad heart, he could not prove himself equal to the task of formulating a new theory, a new ideology that might usher in any fundamental reconstruction of society through, if need be, a bloody revolution.

His follower, William Thompson, an Irish Socialist, was insistent in propagating that a labourer was entitled to the full product of his labour. He was in favour of abolishing property rights and depriving the capitalists of their unearned surplus. But instead of pushing his ideas in a straightforward way, he followed the line of Owen and simply made appeals for co-operation between the employer and the employee in the hope that it might help to solve the problem.

With a view to changing the French social system suffering from the worst economic crisis, Count Henri de Saint-Simon (1760-1825) proposed the social order to rest on the shoulders of labour leaders. This, he thought, might make the industries thrive. He wanted to have a Parliament of three Houses, viz., (1) House of Invention, (2) House of Examination, and (3) House of Execution—composed of literary, scientific, and commercial groups respectively. Saint-Simon believed in social and political reforms on the basis of religion. His followers pushed his doctrine towards collectivism. They believed that religion, science, and industry in cooperation could solve the contemporary economic problems. They fanatically broadcast the idea of passing over the supreme governing power to religious rulers. This effort of their’s demoralised the movement. According to Saint-Simon, “the antagonism between the third estate (the lowest class) and the privileged classes took the form of antagonism between ‘workers’ and ‘idlers’.” The ‘idlers’
'idlers' were not merely old privileged classes, but also all who, without taking any part in production or distribution lived on their incomes, and the workers were not only the wage-workers, but also the manufacturers, the merchants, the bankers. Saint-Simon included in the category of workers those persons who were in Marx's view capitalists par excellence. Engels comments on the views of Saint-Simon: "But science, that was the scholars; and industry, that was in the first place the working bourgeoisie, manufacturers, merchants, bankers. These bourgeoisie were certainly intended by Saint-Simon to transform themselves into a kind of public officials of social trustees; but they were still to hold vis-à-vis of the workers, a commanding and economically privileged position". Saint-Simon was a great champion of planning and large scale industrialisation.

A leading Utopian socialist leader, Charles Fourier (1772-1837), pur forward his social and political theory to bring about order and harmony in the society. His theory was closely related to religious conceptions. He was in favour of creating "Phalanges", i.e., a community composed of 500 families of capitalists, labourers, and persons of creative imagination. He also desired labour to be attractive to the people. Monotous jobs or the system of overwork should be put a stop to. Irksome and unattractive jobs should be highly paid, minimum income should be guaranteed, and the surplus production should be shared by wage-earners at a fixed ratio.

5. Ibid, p.35. 6. Ibid, p.35.
He also thought of inaugurating a federation of various "Phalanges". The communities, in his opinion, should dwell in separate communal zones. He believed that this system would remove poverty and bring national liberty within every individual's reach. Engels remarks: "We find in Fourier a criticism of the existing conditions of society, genuinely French and witty, but not upon that account any the less thorough". 7 Engels attempts to bring out the strong (so-called) point of Fourier's analysis in his statement: "But Fourier is at his best in his conception of the history of society. He divides its whole course: thus far, into four stages of evolution - savagery, barbarism, the patriarchate, civilization. This last is identical with the so-called civil, or bourgeois society of to-day - i.e., with the social order that came in with the 16th Century". 8 He proved that the so-called civilised society revived every vice perpetrated and executed by barbarism, in a simple fashion, into a highly complex form, and which was equivocal and hypocritical. In his view under civilisation poverty was an offspring of superabundance itself.

Enriques Cabet, influenced by the theories of Owen, published "Voyage en Icarie", a famous romance, in which he worked out a plan of agricultural colony and national workshop. He favoured the imposition of income-tax, and the abolition of inheritance tax. He wanted to make education

education free. He believed that the reformation of society was possible through education.

During the period between 1830 and 1848 the working class of Europe demanded a share in the benefits of economic development. They believed that society should control land and capital, regulate industry, and provide facilities for education. The workers of England demanded political democracy. They formed Working Men's Association, forced the House of Commons to draw up the People's Charter, and demanded the extension of franchise and the right of representing the working class in the Parliament. Their movement ultimately made way for the Reform Acts of 1867 and 1884.

Louis Blanc of France launched an agitation for social workshops to be set up and supervised by the State, but managed by the workers. According to his theories man had the right of subsistence and the right to work. He should produce as per his ability but should receive according to his needs. He wanted the replacement of the capitalistic monarchy of the time by democracy.

The Italy movement, the formation of Germany Society founded by German refugees in Paris, and the growth of Young Europe Association were nursed by socialistic ideas of the said sort. Another movement in the middle of the 19th Century hatched, was developed, and carried out by Catholic Political Parties. They insisted that the rich should do their duties by the poor on the line of the teachings of the Bible. These parties were popularly known
known as Christian Socialists. They believed in co-operation in lieu of competition. Selfish motives formed and nurtured by the individualistic doctrine and the doctrine of scientific socialism were decried by them as anti-christian. They visualised the creation of a society in which all were brothers. The then Social Catholics wished to forge an understanding between the church and Democracy.

While the Christian Socialists were active, a Social Democratic Party sprang up in Europe. It derived inspiration from the ideals of Karl Marx. Rodbertus, Ferdinand Lassalle, and Edward Bernstein, the German Socialists, revised the Marxian philosophy. Their object was to have a milder form of social but democratic reforms. Rodbertus advocated that the State should have a better distribution of production. In opposition to Marx, he held that the theory could be achieved without violence or force or bloodshed. He was opposed to the free play of natural laws. He preferred State-direction to natural liberty. He was also in favour of constitutional monarchy, the policy of which should reconcile with a practical socialistic programme. He also laid emphasis on deficiency in the purchasing power as the cause of the economic crisis. He propounded a theory of falling wage quota in an increasing national income. The iron law of wages formed the basis and foundation of his theory. He held that the wages of the workers were rigidly tied down to the subsistence level so that any increase in the national income went to fill the coffers of the capitalists.
Rodbertus' business cycle theory is, however, incomplete and inadequate. It throws no light upon the causes of the crisis. He could also not clearly indicate the causative factor in his theory of over-saving. Another noteworthy point in his theory of crisis was its emphasis on economic imperialism as an inevitable outcome of the capitalist system of production.

Ferdinand Lassalle who organised the Universal German Working-Men's Association believed that workers should control the State, and that the State Government should direct the economic life. It was for the State to better the lot of the working class and to make them cultured. While Rodbertus and Lassalle were responsible for the formation of a democratic society in Europe, Edward Bernstein played a role in adding to the importance of democracy. According to Lawrence C. Walfisch, Bernstein differed with Marxian Philosophy. "(1) There is no evidence to support Marx's belief that the collapse of capitalism is imminent. (2) The opposition of class to class is not so acute as that depicted by Marx because social conditions have not eliminated the middle class. (3) A social reaction has set in against the exploiting tendencies of capital which has ameliorated the condition of the working class without the need of violence. (4) There is a greater chance of lasting success in a steady advance toward social reform rather than in the possibilities offered by a head-long rush on an all or nothing basis." His main and distinct objective was

was to secure political rights for workmen who should also have the right of organising unions and safe-guarding their interests. He disagreed with Marx as far as the final aim of socialism was concerned, but he believed that a real democracy might emerge from the conflict of interests of workers and capitalists.

It will not be out of place here to note Friedmann's remarks: "The split between the forces of the Second and Third International goes back to the end of the nineteenth century, although Communist parties as such did not come into existence until 1917. On the European Continent, which has been far more subject to Marxist influence than the Anglo-American world, a 'revisionist' Socialist Wing, led by Bernstein, Jaures and others, reflected the growing strength of the Trade Union movement in industry, and of the Socialist Party in Parliament. It believed in the victory of Socialism through evolution and gradualism. The main objectives of Socialism remained substantially unaltered. But strategy came to differ more and more decisively from that of the radical Marxists. .......

The British Labour movement, supported on the industrial side by the Trade Union movement and on the political side by the Fabian Society, never adopted Marxism as its theoretical basis. Its great spiritual inspiration was the religious and ethical humanitarianism of the nineteenth century, the Radical Liberalism of thinkers like T.H. Green and Hobhouse, the idealistic Socialism of men like Owen and Morris. The Fabians preached the attainment of Socialism through political and social reform". 10

10. Friedmann: op. cit., p. 77. The
The views of some other Socialists also deserve no less attention. Guild Socialism is a theory of industrial self-government through a democratic system of National Guilds. The Federation of Guilds represented the producers, and the democratically organised State represented the consumers. They were to regulate production and consumption respectively. The Guild Socialists did not believe in violent methods and means. As evolutionists, they supported the evolutionary transformation of society. They sought to harmonise syndicalism with collectivism. They wanted to extend the democratic principle to any and every form of social, political, industrial and economic actions and affairs. It is Guild Socialism which unites "the medieval craft with the French syndicat". The early advocates of this socialism were Hobson, Penty, Orage etc. Besides, G.D.H. Cole is another great champion of this theory. He has written a book on Guild Socialism and the name of that book is "Guild Socialism".

The doctrine of Collectivism states that society is a product of, and subject to, evolution. Socialism should be established by the introduction of a number of reforms in a democratic State. This school is branded as democratic, and this socialism as evolutionary socialism or State socialism. It aims at securing by the action of the democratic authority a better distribution and, in due subordination thereto, a better production of wealth than now prevails. This theory has its association

association with the notion of political democracy. The State-Socialists or the collectivists seek to remove the evils of capitalism through the peaceful method of parliamentary actions.

Fabianism is nothing short of an English version of evolutionary socialism. Fabianism may be regarded as socialism redefined 'in harmony with new conditions'. On January 4, 1884, the Fabian Society was set up by a group of intellectuals. Bernard Shaw and Sidney Webb were its two great advocates. The Fabians aimed at the reorganisation of society. They wanted to emancipate land and industrial capital from the individual and class-ownership. Land should be vested in the community for the general welfare and benefit. The Fabians accepted the State as an instrument of socialism. It should have the content of a decentralised democracy. They did not subscribe to the Marxist method of class-war and revolution. They thought that socialism was a logical conclusion of democracy.

The early advocates of this fabianism were inspired by Mill, Marx and Henry George. Bernard Shaw rejected the labour theory of value. According to him, community creates value. Therefore, the logical consequence is the social-ownership or the control of community-created values. In his Essay in Fabian Socialism, Bernard Shaw wrote: "A democratic State cannot be a social democratic State unless it has in every centre of the population a local
local governing body as thoroughly democratic in constitution as the central parliament". The socialisation of rent is to be achieved. Rent and interest should be gradually transferred in a democratic State. The Fabians favoured the technique of introducing reforms "slice after slice and step by step". They believed in decentralisation of power.

Theories and ideas of the different types of evolutionary socialism, as envisaged in the foregoing pages, have paved the way for the modern concept of democratic socialism which, in turn, has done the spade work for the democratic theory of planning. Evan Durbin, Carl J. Godrich, Ernest Barker, Bernard Shaw, Bertrand Russell, G.D.H. Cole, Lord Beveridge, Labour Party of Great Britain, Barbara Wootton, Laski and others are the staunch supporters of the democratic type of planning. They have enriched the literature of the democratic theory of planning also.

State intervention in the different sectors of economy, nationalisation of industries, and socialisation of the factors of production are the principles adhered to and followed in democratic socialism. Equality of income is another principle. Equal employment opportunities for all are also provided for. But socialism in its pure form is hardly found in democracy. Nevertheless, the necessity of economic planning and State-intervention in certain sectors of the economy is felt and admitted by democrats. Full equality of income cannot be achieved in a democracy in view of the urgency of maintaining economic liberty.

liberty. But modern democrats (e.g. of India) are eager to reduce the inequalities of income and wealth and ensure an even distribution of economic power instead of allowing the State to be simply a legal order in which some dominant economic interests secure the benefit of political authority.

Democracy is not a society of similar persons but of equals in which each individual forms an integral and irreplaceable part of the whole. In socialism, too, the welfare of individuals constituting the society is maximised.

"Democratic Socialism" may be regarded as an Order or a Society in which the fundamental tenets of democracy are adjusted to social requirements with a due consideration of the economic interests of the society as a whole. It does not mean that private enterprise will have no free play in such a system. This can be properly assessed by a look at certain Mixed Economies of the present day world. In India, the State is wedded to the policy of establishing a socialist pattern of society or socialism. Planning in this country has been considered to be democratic in character. A detailed discussion hereafter will go to show the Indian planning system as a model of democratic planning.

The idea of democratic planning originates from the ideals of evolutionary socialists. A "democratic" planning does not signify that the State should do every thing,
thing, and that the people will have nothing to do. Socialist economy is a means, and not an end. Planned economy is a means for regulating "free" private enterprises. To strike a balance between communism and capitalism, the concept of democratic socialism has been developed, and the theory of democratic planning evolved. A democratic socialist State may also be termed as the social-welfare State. Democratic socialism is a form of democracy under social pattern. This socialism is a golden means of democracy and socialism. It is a socialism which embraces the virtues of both the theories. This socialism shows that socialism may be achieved in partnership with political liberty. It is limited socialism. To achieve socialism we need democracy. The democratic method is the essential method for the achievement of socialism. Democracy now needs planning. The recurrent cry of the day is for a democratic socialist State and no less for a planned economy. To establish an economic democracy, planning is needed badly. Therefore, democracy without democratic planning is like a ship without a rudder - a mere form without any substance, a body without soul. Democratic planning goes a long way in bridging the gulf between "have" and "have-nots" in a democratic country. Friedmann is, thus, justified to observe: "Another result of the increasing complexity of society, which is reinforced by the ever-widening call for greater social equality and justice, is the necessity for more and more Government. The trend towards the planned society
society and the social-welfare State is to-day worldwide. Friedmann evidently refers here to democratic planning.

The "Beveridge Report" (Report on Social Insurance and Allied Service, 1942) and Beveridge's work on "Full Employment in a Free Society" are important steps towards the development of the theory of democratic socialism. This theory has developed the idea of a Welfare State. According to Hobman, Welfare State is based on the fundamental theories of private enterprise. It is a compromise between socialism and unfettered individualism. A Welfare State guarantees a minimum standard of living to its citizens and a limited redistribution of income by means of gradual taxation. It does not pursue any policy which may prove a damper to private enterprises. The idea of a Welfare State finds its exquisite expression in that part of the Indian Constitution which deals with the Directive Principles of State Policy. It is stated therein that the State "shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic, and political, shall inform all the institutions of the national life".

13 Friedmann : op. cit., p.63.
In the opinion of Sir Ernest Barker, a distinguished authority on political science, a precondition of the successful operation of democracy is that there should be a sufficient level of material existence. During the British rule India was facing, and still faces, acute problems in this respect. Material resources and man-power in India have not been fully utilised and mobilised yet. Till now the standard of living of the Indian people is alarmingly low. Democracy cannot function properly, effectively and fruitfully in such a country.

India has, therefore, taken recourse to planning. She is now engaged in a great endeavour to bring about a planned development of her resources. All out efforts in the direction are very likely to result in the material improvement of the nation's economic standards. In the pre-independence era as well, the national leaders of India thought of planned efforts for her quick economic development. S.R. Sen rightly observes: "The idea of a co-ordinated
co-ordinated or planned effort for promoting rapid development of the economy was an integral part of the nationalist thinking in India long before Independence. Ever since 1876 when Dadabhai Naoroji published his paper on "Poverty of India", Indian leaders had criticized the economic policy followed by the then ruling power in India as one of the main causes of the economic decadence of the country and urged that it was only co-ordinated action for economic development taken by a popular Government in the interest of the people of the country that could develop the economy and lead the people out of grinding poverty. As the struggle for national independence progressed, its social and economic aims became more definite. A comprehensive economic programme was adopted in 1931. In 1938, soon after popular Governments were formed in the various provinces when they were granted a certain measure of autonomy, the Indian leaders got for the first time the opportunity of putting their ideas into practice and decided to set up a National Planning Committee with Jawaharlal Nehru as its Chairman ..................

Even before the final transfer of power, the Interim Government that was formed in 1946 decided to appoint the Advisory Planning Board soon after it came into Office. An important recommendation of the Board was the appointment of a Planning Commission to devote continuous attention to the whole field of economic and social development". 1

In

In India three Five Year Plans have so far been put through, and a fourth plan is in the process of execution. The plan-makers of India state: "Planning was adopted as a process of economic development in our country eighteen years ago. This was done with the objective of raising living standards and opening up to the people new opportunities for a richer and more varied life. A specific aim was to double the per-capita income by 1977-1978, i.e., roughly within the span of a generation. Within this broad objective, each successive Five Year Plan has a distinctive role to play. The first two plans have helped augment the national income to the tune of a little more than 40 p.c. The net result of perspective planning comprising two more five year plans is expected to be an increase of per-capita income from Rs.330/- at the end of 1960-1961 to Rs.550/- in 1976. During the same period (at 1960-1961 prices) the national income was expected to increase from Rs.14,500 crores to Rs.34,000. Through a perspective planning the Indian economy is also to be made self-generating and self-reliant. This implies that the economy of India will be progressively made independent of external aid. It is, therefore, stated that "...progressively external aid will form a diminishing proportion of the total investment, and by the end of the Fifth Plan the Indian Economy will be strong enough to develop at a satisfactory pace.

space without being dependent on external assistance outside the normal inflow of foreign capital." 3 Regarding the perspective planning, S.R. Sen observes: "The long term and perspective plans give a general idea of the goals to be reached in, say 15 or 20 years' time. They do not go into questions of finance, except very generally. Their main concern is with an assessment of needs and of technological possibilities. ........ Usually a distinction is made between a long term plan and a perspective plan in the sense that the former relates only to one sector and seeks to have a vertical harmony overtime while the latter covers all the sectors of the economy and seeks to have a horizontal harmony as it were ......... the perspective plan is a long term plan for all the sectors of the economy and is a combined exercise by economists, technicians, and administrators. ................. It is against the background of the perspective plan that the five year plan is formulated ........ The perspective plan pays more attention to physical targets rather than to financial targets." 4 India is, thus, found to tackle energetically the economic hurdle to the success of her democracy. It may be hoped with justification that this obstacle will be progressively removed in the years forging ahead.

A proper appraisal of the basic features of India's plans of development from the democratic standpoint should be attempted. Planned development has been effected with efficiency

efficiency and vigour in some of the totalitarian or communist countries of the world. In highly advanced capitalist countries as well as in underdeveloped countries, the method of planning has also been adopted in varying degrees. India is a vast country with a stupendous man-power. Her democratic planning is sui generis. The success of her great experiment, if and when achieved, will be magnificent, indeed. At the same time it will be considered to have heralded a great triumph of the democratic cause itself. That India has by now made a remarkable progress through planning is a fact. The first five year plan furnished an interesting statistical account of the relative shares of the public and the private sectors in their respective ownership of productive capital just before the First Five Year Plan was launched. The makers of the plan made the observation: "We should like to emphasise here that, as far as the ownership of productive capital assets (other than in agriculture, small-scale industry and transport, and in residential housing) is concerned, the share of the public sector is already large. The book value of gross fixed assets owned by the Central and State Governments, together with the working capital in the enterprises concerned, amounted to over Rs.1,200 crores at the end of 1950-1951 (as compared to about Rs.875 crores at the end of 1947-1948)." On the other hand, the picture in regard to the private sector was as follows: "The value of productive capital assets in the private sector (again excluding agriculture, small-scale industry and transport, and residential housing) in 1950 was not perhaps
perhaps more than about Rs.1,500 crores”. The major portion of the assets in the Indian public sector was held in railways, irrigation works, communication and broadcasting. On the contrary, the private sector held a predominantly large portion of assets in factory establishments.

The plan-makers of India observe further:

"When the First Five Year Plan (1951-1956) was formulated, our economy was in a very bad shape. It had undergone great strains during the Second World War. The First Plan, therefore, aimed primarily at rehabilitating the economy. Besides, it aimed at building up institutions which were necessary for developing the economy in the desired direction.

"The Second Five Year Plan" (1956-1961) sought to carry this process further. It aimed at accelerating the rate of growth and initiating a strategy to bring about the necessary structural changes in the economy. While agriculture continued to get high priority, there was due emphasis on industrialisation. A "socialist pattern of society" was explicitly accepted as the goal of the country’s programme for social and economic development. This meant, in the words of the Second Plan document, "that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater quality in income and wealth. The benefits of economic development must accrue more and more to the relatively less privileged classes of society,

5. The First Five Year Plan; p.32.
and there should be progressive reduction of the concentration of incomes, wealth and economic power."

"The Third Five Year Plan (1961-1966) raised the sights and set the achievement of a "good life" for every citizen as the ultimate goal of socialist society that the country had already accepted. It defined the immediate task as laying down the foundation of a self-reliant economic growth. The Third Plan was conceived as the first stage of a decade or more of intensive development leading to a self-reliant and self-generating economy."

"The First Plan achieved considerable success. The performance during the Second Plan was also satisfactory. The Third Plan period, however, turned out to be very abnormal in several respects. ..................

"During the Third Plan, national income at 1960-1961 prices rose by 20 per cent in the first four years and registered a decline of 5.7 per cent in the last year. .......... Therefore, the per capita real income at the end of the Third Plan was about the same as it was at the beginning."

"The performance of agriculture during the first three years of the Plan was not satisfactory. In 1964-1965, the fourth year which was a year of favourable weather conditions, a record harvest was raised, .......... .... The production in 1968-1969 is expected to be marginally higher than in the previous year. Thus the food-grains production which stood at 82 million tonnes in 1960-1961
1960-1961 fell to 72 million tonnes in 1965-1966 and was expected to be 98 million tonnes in 1968-1969.

“Production of organised industry increased by 8 to 10 per cent during the First Four Years of the Plan and by 4.3 per cent in the last year - the year of the Indo-Pak conflict. Over the Third Plan as a whole, the growth rate was 7.9 per cent compared to the target of 11 per cent”. The relative importance of the public sector and the private sector is, thus, presented in the Third Five Year Plan: "In the generation and distribution of electric power, the public sector has now the principal share and is being rapidly enlarged. Its share in transport has also steadily increased." As compared to 1950-1951, by the end of the Third Plan the contribution of the public sector will increase from less than 2 per cent to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production. In the two very important fields of manufacturing industries and mineral production, the shares of the Public enterprise at the end of the Third Plan amounted to approximately 25 p.c. and 33 p.c. respectively. The big role that private sector has yet to play in the national economy is, therefore, self-evident. What is most important is that both the public sector and private sector are intended by the authors of plan to serve a democratic purpose and objective. The public enterprise, it is hoped,

hoped, will remove certain basic deficiencies in the economic structure. It will also at the same time reduce "the scope for accumulation of wealth and large incomes in private hands". Regarding the private sector, it has been observed: "......... the major aim of policy is to ensure broad-based ownership in industry, diffusion of enterprise and liberal facilities for new entrants, and the growth of co-operative organisations". All these steps are hoped to strengthen the democratic base of India's economic structure.

The objectives of the Fourth Plan have been detailed as follows: "The Fourth Plan has to provide the next step forward in attaining the accepted objectives of planning. In formulating it, we have to keep in view our experience during the first three Plans. The most notable lesson learnt by us is that the current tempo of economic activity cannot provide productive employment to all. Unless we increase the tempo, we cannot also bring about significant improvement in the living standards of the people. The second lesson is that even this moderate rate of growth cannot be attained if there is instability. Two most important factors responsible for instability have been (i) weakness on the food front, and (ii) too great dependence on foreign aid.

"During the Fourth Plan, our aim will be to increase the tempo of development in conditions of stability. Safeguards will be introduced against fluctuations of agricultural..."
agricultural production as well as the uncertainties of foreign aid.

"In the field of agriculture, besides undertaking programmes of increased agricultural production, efforts will be made to build up of a sizeable buffer stock to even out the supplies of foodgrains. Besides, other measures will be taken to stabilise foodgrain prices and the price-level in general.

"In regard to the financing of the Fourth Plan, emphasis will be laid on the maximum mobilisation of internal resources without giving rise to inflationary pressures. Dependence on foreign aid will be reduced to the minimum and the country will do away with PL 480 imports by 1970-1971. Imports will be kept within manageable limits and exports will be increased by about 7 per cent a year.

"Special attention will be paid to the working of the public sector undertakings. Steps will be taken to increase their efficiency and profitability so that they can yield resources for development.

"One of the main objectives of planning in India is to ensure that the benefits of development are evenly distributed and the disparities in income are reduced. In implementing the Fourth Plan programmes, the weakest will be looked after first and the benefits of development will flow in the underdeveloped regions and among the more backward sections of the community.

"To
"To prevent concentration of economic power, resort will be taken to monopolies legislation, judicious use of Government's power of licensing and allocation and the social control of banking.

"Detailed action will be taken through regional and local planning to help the very large number of smaller and weaker producers.

"With the scheduled castes, the problem is of social integration within the rural community in which they live. Specific programmes meant for them which will help in removing their relative backwardness will be undertaken.

As regards landless labour, programmes will be undertaken for turning some of them into producers, as through animal husbandry enterprise or by distribution of land. The local plans, apart from their other objectives, will take into account local needs for creating employment opportunities.

"Efforts will be made to correct imbalances between the States as also between the various regions within a State.

"The Fourth Plan will attempt to provide free and compulsory education up to the age of 14 years to the extent the resources of the States permit. In the field of health, all the rural area blocks will be covered with an integrated form of medical services with the primary health centre at its base. It is also proposed to take vigorous steps to control and eradicate major communicable diseases."
"Outlay on family planning will be many times more than the outlay in the Third Plan.

"The Fourth Plan will try to create more employment opportunities in the rural and urban sectors on an increasing scale. In the rural areas, this will be done through labour-intensive schemes such as minor irrigation, social conservation, private house building, etc. Extension of irrigation and multiple cropping would also result in a considerable increase in the demand for agricultural labour in many areas.

"Plan investments would generally lead to the growth of employment in the urban sector

"With the shift of emphasis to district and local planning, the importance of Panchayati Raj institutions will increase. There will be a greater participation by them in the formulation of district plans. It is also proposed to make them responsible for implementing local programmes and schemes.

"All round growth of co-operatives embracing all activities and co-ordination between various types of co-operative organisations are very important for planned development. Autonomous functioning of State and national federations will be encouraged", 10

The size of the Fourth Plan and its pattern of outlay have also been duly considered in the Draft Fourth Five Year Plan 1969-1974: "A total outlay of Rs.24,398 crores is envisaged for the Fourth Plan. Of this, the public

public sector outlay will amount to Rs. 14,598 crores while the investment in the private sector is anticipated to be Rs. 10,000 crores. Out of Rs. 14,598 crores earmarked for the public sector, Rs. 12,252 crores have been provided for investment and Rs. 2,146 crores for current outlay. The total investment for the creation of productive assets, thus, aggregates to Rs.22,252 crores compared to Rs.10,400 crores in the Third Plan. But the size and the outlay of the Fourth Plan have been changed afterwards. The changed outlay of the Fourth Plan runs thus: "The National Development Council (dated 22.5.70) approved the revised Rs. 24,882 crores Fourth Plan, accepting by general consensus also the contentions Rs. 800 crores to Rs. 850 crores, interest free 'special accommodation' by the centre to states incurring overdrafts on their non-plan expenditure. The Prime Minister warned, however, that the quickening of the pace of growth from a mere 3% to 3.5% to between 5% and 6% from the enlarged plan outlays could not be taken for granted.

"The States, she said, would have to do much both by way of taxes as well as by ensuring the anticipated raising of resources from savings. "He (Dr. Gadgil) explained that the 'accomodation' now sought to be given was different from what the State had all along received. The difference would be that it had to be foreseen over the five year plan period after

11. Ibid; p.11.
after careful scrutiny of the State's finances. The scrutiny would now be continuous, and faults in financial management emerging from it would be corrected.

"He said that Rs.800 crores to Rs.850 crores expected to be needed for such 'accommodation' would be from the entire Plan period ...........................................

"Dr. Gadgil also emphasised the point that the divisible pool of Rs.3,500 crores indicated in the draft plan had remained in tact and that far from any State's Plan having been pruned, most of them had been enlarged".12

The reports on the Fourth Plan of India, published in The Statesman, are as follows: "Though the final Fourth Plan document, as presented to Parliament to-day (dated 18.5.70) makes no change in the over-all outlay of Rs.24,632 crores and the dominant role given to the public sector, it contains some 'adjustments' in targets and investment.

"But by far the most interesting chapter is that on perspective planning in which it urges a substantial increase in savings and investment, with the aim of raising the over-all growth rate during the Fifth Plan period to 6.2%.

"The Fourth Plan's target for the growth rate remains the same at an aggregate of 5.5% made up of a 3% annual rise in agriculture and an 8% to 12% rise in industrial production. But the sights for the Fifth Plan

Plan have been considerably raised and the document suggests the need to lay the basis for this during the current Plan period.

"In fact, the document suggests that the basic strategy outlined could lead to a growth rate of 7.2% if the targets for 1980-1981 could be advanced by two years, even though this would involve better planning, greater savings, stringent economic discipline and larger foreign exchange resources.

"This apparently is acceptable since the document and Dr. D.R. Gadgil at a press conference held to-day (18.5.70) - points out that social justice remains the yard-stick of planning for development. But Dr. Gadgil was careful to point out that the Fourth Plan has so far provided funds only for 'experimental' projects to remove inequalities. Should these prove to be promising, specific projects would be taken up.

"This Plan remains substantially the same as the original draft despite the increase in the number of pages, but several 'adjustments' have been made in the outlays envisaged in the original draft, with more funds being made available for small farmers, dairy farming and the like.

"There are also changes in some targets in the light of the experiences gained in the last two years and scaling down of expectations. Among the major downward changes are those for fertilisers which now have a production capacity target of three million tonnes in place of the 3.3 million tonnes envisaged earlier. Alloy Steel has also been scaled down.

"But
"But over-all investment in the industrial sector remains the same because of increases in the production targets of several other items such as petro-chemicals, diesel engines, gas cylinders etc.

"The targets for the rate of growth depend, of course, on price stability and the degree of self-reliance achieved - two aspects reiterated in the final document - and Dr. Gadgil today (18.5.70) declared that he was not unduly worried by the recent trends (the over-all price rise in 1969-1970 was 3.5%). But he promised suitable steps to contain prices should these be necessary". 13

A few comments from K. Rangachari's article on "The Fourth Plan" are noteworthy: "Now everything has changed. The Ministry of Finance being more "committed" than before, it has been possible for the Planning Commission to secure blanket endorsement of its ambitious calculations of resources. The Commission has now given its critics a resounding slap by further raising the public sector outlay by 10% after making an equivalent reduction in the resources assured earlier as available for the private sector ............. Three plausible reasons can be given for the latest decision to raise the outlay in the public sector. The first is bank-nationalisation, which is expected to increase bank-deposits at a compound rate of 11% a year and cause a corresponding increase (of Rs. 555 crores) in the contribution of banks to Government loans and borrowing by financial

financial institutions and public sector enterprises. The second is the satisfactory rate of industrial revival which has encouraged the commission to raise the target of additional taxation by the centre from Rs.1,600 crores to Rs.2,100 crores. Lastly, the commission may be more hopeful about avoiding inflation because of the high level of agricultural production for the third year in succession and the prospects of maintaining this achievement. These resources, however, may only have facilitated the political objective of cutting the private sector down to what the Government may, under the impulses of its new found radicalism, regard as its proper size. The commission can show that the private sector has been dwarfed by granting it only 36% of the total plan outlay. (Presumably the authorities will be satisfied if this sector’s contribution to employment and production is also correspondingly smaller). The corporate sector has been assured that the internal resources available for its expansion will not be reduced but will actually be increased. Apart from these considerations, there is the larger issue of the feasibility of an outlay of Rs.15,902 crores in the public sector during the plan period. The additional draft of Rs.1,280 crores on private savings may take the form of taxes and loans.

In India planning has not yet interfered considerably with the pricing system of market mechanism. The pricing system works or acts freely in regard to the final products, and also in respect of the factors of production.

India

India has a Planning Commission of her own in addition to a National Development Council. S.R. Sen says:

"......... The planning machinery in India comprises the Planning Commission and all these bodies. Among the latter mention may be of the National Development Council comprising the Prime Minister of India, Chief Ministers of the States and Members of the Planning Commission at the highest level, the planning cells in the Central Ministeries and the planning departments in the State Governments, the various working groups, advisory bodies and research and evaluation agencies associated with the Planning Commission and the programming units at the levels of districts, blocks and public enterprises.

"The character of the planning machinery in India has been largely determined by four important factors. First, India has a federal system of Government in which the jurisdictions of the Centre and the States are clearly demarcated and it is important to evolve a system which can ensure the fullest co-operation between different constituent units of the country without impinging upon the autonomy. Secondly, India has a democratic system of administration in which it is essential to associate the people at every stage of planning and implement the plan that may be formulated through a process of persuasion and not of coercion. Thirdly, India has an economy in which the public and the private sectors exist side by side and the market forces operate within certain limits set down by State policy. Fourthly, India's
India's goal is to achieve a socialist pattern of society and a self-sustained and self-generating economy within the period of a generation so that there is need, on the other hand, gradually to expand the public sector and, on the other, to lay greater emphasis on such kinds of investments as would help to make, the economy self-sustaining within this time horizon. The fact that India has an economy of a continental character, as it were, with different regions which are complimentary to character and with a large variety of basic natural resources, has also influenced considerably her approach to and machinery for planned development. 15

Again, S.R. Sen dwells at length on the planning procedure in India: "Planning in India, as elsewhere, is essentially a backward and forward process—an exercise in successive approximation as well as successive co-ordination. In the light of the basic political and social objectives of the Government, the Planning Commission lays down tentatively certain general goals for a relatively long period, say 15 or 20 years, after a careful study of the various technical possibilities the needs of the economy and alternative patterns of development. After the long-term perspective represented by these general 15 or 20 year goals are approved by the Government, certain broad five year targets are tentatively formulated keeping this long-term picture in view. These broad five year targets are then given as purely provisional guidelines to a number of specific projects and programmes on a dispersed basis for implementation during the five-year period."

number of working groups, one for each important sector, comprising usually the concerned technicians, economists and administrators in the Central Ministries and the Planning Commission, who carefully examine the implications for their respective fields. The Planning Commission prepares a short memorandum on the Five Year Plan which it places before the cabinet and the National Development Council. After the cabinet and the National Development Council approve the memorandum, a draft outline of the Five Year Plan is prepared and published several months before the plan is to come into force.

The draft outline is also discussed widely in the Press, Universities, and other interested organisations. At the same time the Planning Commission undertakes detailed consultations with the State Governments and the Central Ministries. In the light of these discussions, and consultations the final plan is formulated and presented to the cabinet, the National Development Council and Parliament for final approval. Unlike certain other countries, in India the general approval of Parliament is considered to be sufficient and no separate law has to be enacted for giving a statutory authority to the plan. The plan as approved by Parliament goes back to all the concerned authorities from the Central Ministries downwards for the implementation of their respective programmes and projects.

The formulation of the Five Year Plan is, however, just the beginning of the work. It is one of the duties of the Planning Commission to study continuously various changes in the economic and social
social situation and modify the plan as and when necessary. 
It is the practice in India to break a five year plan into 
a series of annual plans". 16

S.R. Sen has also many a comment to make on 
‘planning in the Private Sector’ : "Since India has an 
economy in which the private sector has an important 
role to play, the Planning Commission makes it a point 
to consult the representatives of the organised industry 
in the private sector, both in the formulation and imple­
mentation stages of the plan. For instance, in the 
course of the formulation of the Third Five Year Plan, 
the Planning Commission not only had detailed discussions 
with the representatives of the Federation of Indian 
Chambers of Commerce of India, and the All India Manufac­
turer/s Organisation, but also met separately the repre­
sentatives of 23 important private sector industries". 17

Regarding the State plans, S.R. Sen remarks :
"............ there is a State planning department directly 
under the Chief Minister. This department is responsible 
for liaison with the Central Planning Commission and the 
various departments of the State, co-ordinating their 
programmes for development and formulating the develop­
ment plan for the State as a whole. As in the case of 
the Central Planning Commission, the State Planning 
Department usually works through the system of working 
groups ................. An attempt is being made to 
carry the process of planning further down to the village 
level

level and it has been also tried out in certain areas. But it has not yet become an integral part of the planning process in the country*. 18

Hanson Observes: "In what essentials, then, does the Indian approach to economic development differ from the Russian? The most obvious difference is the political one. India is a democracy, Russia is not ....

"In the field of economic policy, India's difference from Communism are also profound. In agriculture the present emphasis is on peasant proprietorship, and the transition to new, collective forms of agricultural organisation, to the extent that this is considered desirable, is scheduled to take place by gradual, voluntary process, through the extension, with State assistance, of rural co-operative institutions. In industry, it is the State's clear intention to occupy the 'commanding heights' ......... but private enterprise is by no means ruled out - small private enterprise, indeed, is being actively encouraged .........". 19 In this connection, a few more observations from S.R. Sen's book deserve consideration: "....... the nature of the country and its economy had necessitated the development of a decentralised machinery of this kind in India. An essential feature of planning in India is its democratic character.

"Although experts and administrators may help, it is essential that adequate opportunities should be given to

to the people to participate at various levels". He continues arguing further: "Planning in India is different from that in countries like Soviet Russia in one important respect. India has what is popularly called a mixed economy. While there are important sectors of the economy where the Government plays an important role, there are large areas where laissez faire is the rule. Moreover, India is not a closed economy. It is an open economy subject to all the pressures of international economic forces. Because in India we have to work in the context of a mixed economy and political democracy, the process of planning has necessarily to be somewhat of a backward and forward character in which the technicians have an important role to play, but the ultimate decision is not just the result of a technician's analysis and far less the arbitrary decision of a supreme political authority but a series of adjustments between different politico-economic considerations - within, of course, the four corners of the broad social and economic ideals of the ruling political authority." The above argument is substantiated by the fact that the Indian planning system is 'democratic'. Democracy, in its strictest sense, must be political, social as well as economic. Political democracy exists in India. She has resorted to the path of planning in order to establish economic democracy. Planning in a democratic set up should also be democratic. Herein lies the significance of the politics of planning in India. In a democratic country planning
planning cannot afford to be authoritarian. India has, therefore, followed the path of 'democratic socialism'. She is still pursuing the path of mixed economy. There is an equality of scope for both the public sector and the private sector in India. Indian political leaders believe in the evolutionary theory of socialism. The planning system of India is, therefore, based on the principles of evolutionary socialism and democracy.

The theoretical and historical background of the democratic theory of planning received an adequate attention in the previous chapter. The planning system in India may be regarded as the best model of democratic planning. The politics of democracy controls and regulates her planning system. Friedmann remarks: "Of the newly independent countries of South Asia, India is by far the most populous, industrially the most developed and ambitious, and politically the one most dedicated to achievement of her goals by democratic processes. At the same time, India faces problems of almost unbelievable magnitude, in seeking to improve the minimum standard of living, the health and the education of her vast population, which, according to the most recent surveys, increases by some 8 million every year (at a geometrical rate), and still lives overwhelmingly in a State of poverty and illiteracy. The attempt to achieve all these aims without recourse to dictatorial Government or strong-man methods is one of
of the great human and social enterprises of our time. It deserves sympathy and support for its own sake, ....

"Politically, India has, since independence, scrupulously adhered to parliamentary democratic methods and achieved amazing success in the degree of participation by her people, in the national and regional elections". 22

T.B. Bottomore's comments very well answer the purpose of a relevant conclusion: "....... The extent and forms of planning vary from one society to another ........ The Indian constitution of 1950 defined the purposes of the new political system as being to establish social, economic, and political justice, liberty of thought, expression, belief and worship, equality of status and opportunity, and fraternity. The Government Planning Commission, established in the same year, was conceived as a major agency for achieving these purposes". 23  