(a) Planning and Developing Nations

The fulfilment of the objectives of a socialist pattern of society against the background of India's social conditions and the context of the Indian economy presents a very complex proposition, particularly when there is the desire to secure the same through democratic processes, and, what may seem at first glance a contradiction in terms, on a planned basis.

There are many facets to this problem and even the circumstances that compel us to go in the direction of radical changes operate as impediments in the way of the progress of society through the fulfilment of the radical goal. We have an illiterate mass, with 75 per cent or more of the people working under conditions of privation and low nutritional standards. There is unemployment and semi-unemployment at all levels, while social security is in the initial stage and in some parts of the country almost at a primitive level. The economy is fundamentally agrarian and backward, but all the same sustaining the load of feudalism and a lopsided capitalistic structure.

The socialist pattern of society which India has accepted as the goal of her economic and social order is capable of widely varying interpretations and, in fact, is
differently interpreted by different persons, groups and political parties. The Communists take it to require, at a minimum, the end of capitalism. The socialists regard it as a weakened form of socialism and, at that, a rather slow moving process. They are against the undue gradualness implicit in the concept. To the capitalists, on the other hand, it may cannot no more than a mixed economy, with a private sector also functioning, subject to certain conditions. These differences in interpretation and in connotation have led to considerable criticism of the concept and correctness of a socialistic pattern. A socialistic pattern of society is not merely an expression of the economic organization of the country but includes basic social and political aspects as well.

One of the merits of the socialistic pattern then is that it looks beyond the purely economic goal. The Indian Constitution surely had this wider purpose in view. It provides 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".

The Constitution also states that "the State should direct its policy towards securing that the citizens have the

1. Constitution of India, Article 38.
right to an adequate means of livelihood, and that the ownership and control of material resources of the community are so distributed as best to subserve the common good and the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

What are the minimum ingredients of the concept of such a pattern of society? The Second Five Year Plan has tried to give concreteness to this phrase. Essentially this means that "the basic criterion for determining the lines of advance must not be private profit, but social gain and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in an appreciable increases in national income and employment, but also in greater equality in incomes and wealth."

One ingredient necessary for the socialistic pattern of society is definitely social purpose and social gain.

A second is the reduction in the inequalities in income and wealth. Yet another essential ingredient - equality of opportunity - is at least as important as reduction of inequality in income and wealth.

The most effective method of acquiring them is by broadening the basis of education and by ensuring as much vertical mobility of labour as possible. Nothing is more destructive of hopes than the feeling that an accident of birth with a poor start in life is likely to obstruct the rise of an able individual.

A third ingredient involves shouldering a definite responsibility by the state for creating conditions under which economic activity will not bring about increased concentration of wealth or power. In the West, industrial development has always been associated with increased profit-making and ploughing back of the profit for further investment, but India can not afford the luxury of permitting the urge for private profit to run wild and thereby aggravate economic inequalities.

It is, therefore, essential that the expansion of the public sector should play an increasingly dominant part in the economic development of India. The expansion of the public sector is both a logical and functional necessity.

Planning for all the economic and social ends which govern India's policy is a major factor in bringing about a socialistic pattern.

Among all the underdeveloped countries seeking to develop their economy, India occupies a key position because it seeks to make progress within the framework of a series
of well-considered, co-ordinated plans, while remaining a democracy. Although India borrowed the idea of economic planning from Russia, she is using non-totalitarian methods for implementing the plans within a democratic framework. From the success or failure of this experiment, dozens of other developing countries will be able to draw the conclusion whether poor nations can afford democratic methods of planning or not because for people who remain on the verge of starvation the democratic system does not stimulate them to appreciate its values and importance for a better life.

Indian economic development has often been compared to that of China. Both countries started from about the same economic level in the early 1950's. Since then both have made every effort to increase agricultural as well as industrial production. The significant difference is that while China continues to use totalitarian methods, India relies on democratic means. The totalitarian view, justifies its methods and holds that it is difficult to get the work done by the people without the use of compulsive methods, while the democratic view finds it more practical to direct, co-ordinate and plan the economic life of a country by giving to the people equality, freedom of choice and freedom of expression. Though it is possible that in a democracy one or more sections of the population may not find a particular
planning policy of a Government favourable to them and get a plan concocted according to their wishes finally acceptable to Parliament.

The necessity for planning has become almost a dogma and anyone rash enough to question it, or to suggest that in the long run, unfettered private enterprise might produce better results would at once be labelled as reactionary and regarded as lacking social consciousness. The foundation for it is the belief that with a planned economy India can, within a few decades or so, raise her productive capacity to the level of western countries and yet avoid the social evils which accompanied the industrial Revolution in Europe. In this context, India has rejected the doctrine that inequality is a condition of progress, and aims simultaneously at an expansion of production and an equitable distribution of wealth. In the First Five Year Plan it has been laid down, "The urge of economic and social change under present conditions comes from the fact of poverty and inequalities in incomes, wealth and opportunity. The elimination of poverty cannot obviously, be achieved merely by redistributing existing wealth nor can a programme aiming only at raising production remove existing inequalities. The two have to be considered together, only a simultaneous advance along both these lines can create the conditions in which the community can put forth its best

4. (i) Slums, (ii) employment of young children in the factories, (iii) contacting disease in an unhygienic atmosphere.
e forts, for promoting development.

In the industrially advanced countries, broadly speaking, the emphasis of planning is on correction of the shortcomings of the system of private enterprise through changes, which would secure a more equal distribution of the benefits of economic development. For countries relatively underdeveloped, the problem is to promote rapid development and, at the same time to see that the benefits of this development accrue to all classes of the community. The last half century has witnessed an increasing emphasis on social ideals. The economic system is now expected to provide, in increasing measure, freedom from want and from insecurity, not to a few but to all. The problem of economic development under modern conditions has, therefore, a social content very different from the one that countries in the 19th century had to face. To begin with, there is now a greater sense of urgency, secondly, there is greater awareness of, and insistence on, certain basic values. Economic progress is, therefore, interpreted to mean much more than the building up of an efficient apparatus for the production of material goods. It means also the provision of social services, the widening of opportunities for the common man and social equality and justice. Such all-round progress can be attained neither without planning nor within a short period of time.

When the Planning Commission was set up in 1950, it had to face a situation in which prices in India had risen since 1939 faster than incomes, the per capita consumption of foodgrains was lower than before the war, the housing shortage was acute, and the relief and rehabilitation of over seven million displaced persons was a major and apparently insoluble problem. The Planning Commission's first task, therefore, was to strike a balance between the country's present and future needs. It soon realized that, 'maximum production', full employment, lower prices, greater equality of income—all these could, under certain conditions, together. It rightly decided that in spite of the widespread belief that under a 'colonial economy' the primary need was the expansion of industry, its first task was to deal with the shortage of food and raw materials and to counter inflation and consequently it formulated a plan in which 44 per cent of the available resources were to be devoted to the improvement of agriculture, irrigation and community development, while only 8.4 per cent to industrial development.

Planning, as understood in India, is the complete reversal of ordinary commercial practice. The businessman takes stock of his resources, including credit and does what is possible within the limits thus imposed. The planner, on the other hand, begins by considering what is desirable and fixes targets accordingly. The authors of the First Five

6. It was First Five Year Plan.
Year Plan thus began on the assumption that the per capita income must be doubled in about twenty years. This led to the conclusion that the rate of saving as a proportion of the total national income should go up from 5 per cent in 1950-51 to 20 per cent by 1967-68 and although it was recognized that this would involve hard work and austerity, it was taken for granted that it could be done.

This doctrinaire approach did not, however, put a limitation on the plan to the extent it might have been expected. The Planners had to learn a new technique, and moreover, they had to produce their plan in an impossibly short space of time. They were, therefore, glad to take a large number of isolated schemes prepared by different authorities and give them some kind of cohesion. The Plan was little more than a combination of separate proposals each of which had been considered practicable by a body of experts and was given a suitable priority. It has generally been observed that the priorities were right, but the target estimates were inaccurate though there is no uniformity of opinion about it. It is true the rise in the national income was not properly estimated, the expectations that the plan would involve an adverse balance of payments was completely falsified by events and the prediction of the possible rate of expansion of the economy and the tempo of execution of many important planned
projects had little relation to reality.

(b) **Plans and Development**

In the First Plan the agricultural section was remarkably successful on the whole, production in the public sector fell below the target, progress in the iron and steel and heavy electrical industries was disappointing and investment in the private sector was about that estimated. The private sector, in fact, reached the target's fixed while the public sector could not.

Nevertheless, much of the justification for the belief in planning must lie in the possibility of the moderately accurate prediction of the rate of development and, judged by this task, the case for planning in India is not yet proved. India being an underdeveloped country her needs for planning are different from those of the developed countries and such needs are to be fulfilled. The late Prime Minister Jawaharlal Nehru remarked in one of his speeches:

"A Plan of this type does not merely mean establishing a number of factories or increasing production in some instances. That, of course, is necessary, but something with a deeper significance, something that aims at the gradual development of a particular structure of society has to be achieved."

The plans considered in retrospect were drafted with

the definite aim of changing the structure of Indian society in many ways. The extent to which success has been achieved is a different matter.

An important feature of the First Plan was the dynamic rural development and extension programme which brought nearly one fourth of rural India into its vitalizing range. This was the programme of community development projects initiated on 8th October, 1952, when fifty-five of such projects were launched.

It represented an attempt at self-help amongst the rural population, covering many spheres of village life, including the building of local roads, embankments, schools and hospitals, reclamation of virgin and waste lands, helping the 'Grow-More-Food' campaign and encouraging public health, education and literacy.

The success of this programme led to a supplementary undertaking known as the National Extension Service (N.E.S.) which aimed at creating a permanent organization for rural development linked with the administrative set up. Each service unit of operation is the development block which represents on an average 100 villages, and during the First Plan 1200 such blocks were created, comprising 1,22,957 villages. Of these blocks about 300 were taken under the community projects scheme and 900 under the N.E.S. Of the

8. Gandhi's birthday.
latter, after a period, 400 development blocks have passed into the relatively more intensive phase of development represented by the Community Development Programme. These programmes aim at providing both means and knowledge for self-help in agriculture, sanitation, public health and literacy to the vast illiterate rural masses of India. In the words of the report of the Congress Committee, "This means our deliberately aiming at a new type of society, the chief purpose of which is the welfare of the people." 

The Second Five Year Plan laid down four objectives: firstly, an increase in the National Income of about 25 per cent; secondly, rapid industrialization; thirdly, a large expansion of opportunities; and fourthly, the reduction of inequalities in income and wealth. Each of these objectives must modify the other. For example, it is recognized that the expansion of heavy industry - which is perhaps India's greatest economic need - will absorb much capital without a commensurate increase in employment. Nor will it, in the immediate future, enlarge the supply of consumer goods. Unequal concentration on this aspect of development would thus run counter to the social concept underlying the plan, to provide suitable employment and better living to more people. Some counterpoise had to be placed on 'labour intensive' industries. Again, it is laid down that the basic criterion

for determining the lines of advances is not private profit but social gain. Major decisions regarding production, consumption and investment must be made by agencies imbued with social purposes. The state must take a wider responsibility than purely economic considerations would indicate. This principle is developed in some detail and it is made clear that the exploitation of minerals and basic capital goods industries, which are major determinants of the rate of growth of the economy, must be a matter for the state. The logic of the situation is, in fact, inexorable. Once the premise of planning is admitted, state control in all important departments and the economy is inevitable and private industry inspite of the lip service paid to it as collaborator with the planners, must be relegated a more and more minor role.

The Third Five Year Plan sought to give more precise content to the social objectives of the Constitution and represents a large advance towards their realisation. It also had taken into account the successes and the failures in the first two Plans and had set the task to be fulfilled in the perspective of development over the next fifteen years and more, so that India's economy must not only expand rapidly but must at the same time become self-reliant and self-generating. This long-term approach is intended to provide a general design of development for the country's natural
resources, agricultural and industrial advance, changes in the social structure and an integrated scheme of regional and national development. The Plan had set large objectives and targets for the five year period.

"The general pattern of development followed in the Third Plan necessarily flows, in large part, from the basic approach and experience of the Second Plan. However, in some important respects it represents, a wider view of the problems of development and calls forth, both for more intensive efforts and a greater sense of urgency. In particular the Third Plan will be directed towards strengthening the agricultural economy, developing industry, power and transport and hastening the process of industrial and technological change, achieving marked progress towards equality of opportunity and the socialistic pattern of society, and providing employment for the entire addition to the labour force."

The Third Plan, like the earlier two Five Year Plans, reveals more concentration on objectives at the cost of method. The public sector programme for agriculture, irrigation and community development entails an expenditure of over Rs. 1,700 crores, as high as 25 per cent of the total budget for the Third Five Year Plan, compared to an expenditure of Rs. 950

crores of the total budget spent on similar items in the Second Plan.

In the first two years of the Plan, the annual rate of growth has been 2.4 per cent as against the target of 5 per cent growth per annum. The estimated output of foodgrains in 1962-63 was 77.5 million tons, i.e., even less than the Second Plan target. In other words, the outcome is a lower rate of economic progress by spending much more under the Third Plan.

While such a programme aimed at increasing the rate of growth in the agricultural sector to an average of 6 per cent a year, the Planning Commission itself was not sure how the aim was to be achieved. It proclaimed that the development targets could not be reached by the organizational approach followed in the first and second Plans, yet while stressing the need for new detailed planning at the village and district levels, it offered no proposals as to how such planning should be undertaken. The conclusion is inescapable that the Government is once again embarking on a project which will consume vast resources in terms of men and money but which will be impossible of fulfilment in the absence of the appropriate methods. Apart from this, the Planning Commission's treatment of the foreign exchange issue was also significant since the bulk of India's foreign exchange was spent often unproductively in the space of the Second Plan, and whatever
essential machinery and raw materials India had to procure
under the Third Plan could be procured only through a
favourable balance of trade.

The estimates of costs of projects, foreign-exchange
requirements and behaviour of price fluctuation are going
wrong by wide margins.

Economic Planning in India, Shri Nehru declared, was
being done not only under a democratic Constitution but with
certain democratic objectives in view. "Therefore, howsoever,
much we may socialise our economy we do want to keep democracy
there. There is an obvious tendency in too much collectivism
for democracy to go by the board. " Shri Nehru was determined
that this should not happen in the case of India. He pointed
out that the Planning Commission had to function under the
self-imposed democratic set up enshrined in the Constitution.

It is true that under this type of socialist
planning a certain form of industrial complex is present,
which laid down the foundations of a modern developing
economy, but, at the same time, economic planning in the
country is surrounded by a number of myths that need to be
subjected to a rational analysis and dispelled.

One of the myths is that our planning is not really
socialistic. It is contended that socialism is more of a
political slogan than a concrete objective for the ruling

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party in this country. It is no doubt true that the ruling party has never clearly expressed an intention to eliminate altogether the private sector. Nor would it like to force co-operative farming on unwilling peasants. Similarly, there has been all along a certain ambiguity about what is meant by socialism and this ambiguity has not been altogether devoid, of political utility. But to conclude from this that the ruling party has not been seriously pursuing socialism as a goal would be questionable.

Since independence the ruling party (Congress) has fully or partially nationalized important sectors of the economy, such as, in Banking (The Imperial Bank of India), Life Insurance, transport, ship building, aircraft manufacture. To facilitate further nationalization, the Constitution has been amended and the amount of compensation payable for nationalized property is no longer a justiciable issue. Most of the important industries have been reserved for the public sector, but it is also entering into those areas of economic life, that have not been reserved.

In the successive Five Year Plans, the proportion of investment in the public sector has been steadily and substantially increased. In the agrarian sector, the development of joint co-operative farming is the objective of the Government and specific targets had been fixed in this respect for the Third Plan period.
The financial and foreign exchange budgets of each Plan are worked out and an attempt is made to co-ordinate the different sections of the Plan. Nevertheless it is difficult to say that we have planning in the country in the real sense of the term. To put it differently, it cannot be said that through planning we are making a better use of resources for economic development. Planning presupposes reasonably correct anticipation of developments and projection of performance, but in both these respects our planning has proved to be utterly inadequate. Moreover, this inadequacy is not being corrected but is getting worse with the passage of time. Since 1957, development has fallen consistently below targets. The Second Plan aimed at a 25 per cent increase in income. The actual increase was 18 to 19 per cent. As against a target increase of 64 per cent in industrial output, the actual increase was only 42 per cent, while the output of minerals which was to have increased by 50 per cent actually increased by only 22 per cent. In that period savings were 20 per cent less than what was expected according to the Plan and the external payments deficit 107 per cent more than what it should have been.\(^{13}\)

During the Second Plan period, the foreign aid India received was 84 per cent more than the targets fixed. Even under the Third Plan the incoming flow of aid was comparable

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13. Figures are based on the Five Year Plans
to what had been planned. While the number of factors beyond the control of the planners was not as large as is sometimes imagined, it is true such factors like drought, chinese invasion, did adversely effect the implementation of the Plans. These apart, there were few other reasons, which were responsible for the shortfalls in the developmental efforts. These were, firstly, the failure to take into account the increase in the requirements of raw materials; secondly, incorrect assessment of the components and spare parts of machinery needed for a particular pattern of industrial development; thirdly, under-estimation of the requirements of power and transport. But, all these factors cannot absolve the planning machinery from its responsibility of having not been able to reach the targets fixed. It is noted that no concrete and effective steps have even so far been taken to improve the efficiency of the machinery for implementing the Plans. No such improvement has been noticed and yet the plans continue to be progressively larger in size.

CONCLUSION

It has been aptly remarked that the 'Indian Five Year Plans are less programmes for disciplined development than an intricate exercise in wishful thinking.' Planning in India suffers from three major melodies. Firstly, the Plans are

absolutely unrelated to the resources and capacities of the country. Secondly, they are completely divorced from the traditions of the country. Thirdly, there is an utter apathy and lethargy on the part of the administrative machinery responsible for implementing the Plan programmes.

The period of the First Five Year Plan started from the 1st April, 1951, and the Third Plan was to finish by the 31st March, 1966. This completed a decade and a half of planning in India. What were the net gains? Disappointing, as compared to the money invested and keeping in mind the priorities of the needs of the nation. In the enthusiasm for planning we completely forgot whether we could afford such expensive Plans. The Plans continued to be bigger and bigger in size without the least consideration that begging and borrowing does not make anyone rich, unless one has the capacity to repay. Mr. Ashoka Mehta, Deputy Chairman of the Planning Commission, made a significant admission in his inaugural address at the six-day seminar of the officers of the Planning Commission's programme evaluating organization. He not only agreed with Dr. V.K.R.V. Rao that the implementation of the Plan was defective but also went a step further and characterized planning itself as defective. The fact that despite high expenditure on development involving infinite suffering to the people, the country had still to depend upon

15. The Tribune, August 7, 1964, p. 4.
large-scale food imports to meet its requirements of foodgrains, the prices of essential consumer goods continued to mount, the unemployment situation has been deteriorating and economic inequalities are as pronounced as ever, constituted a grave indictment both of the Government and the Planning Commission. Scientific planning in a democratic country necessitates utilisation of money judiciously and economically so that the burden of development is equally distributed and is not unbearable and development simultaneously leads to greater employment opportunities, better distribution and a higher standard of living for the common people. That point has not been sufficiently kept in view with the result that the country is facing a grave economic situation.

The future Five Year Plans of India could serve a useful purpose only if the Planning Commission learnt lessons from its earlier mistakes and the Government creates an administrative machinery fully capable of implementing development schemes and achieving the targets realistically framed. It is not difficult to see that one major cause of the soaring prices is the huge development expenditure incurred. The aim of planning is human welfare and if the people continue to starve, be without houses or remain miserable, planning would be considered a failure even if something big had been achieved in the shape of new plants or dams. Had this point been kept in view, progress in the
agricultural sphere, in the provision of the social services and in the expansion of employment opportunities would not have been so disappointing. The fact that, despite years of planning, unemployment has continued to increase and prices even of the basic necessities of life have continued to spiral provides an ironic comment upon the economic policies of the Government of India. Planning appears to be a mockery and a farce.