The Government of India have given careful thought to economic problems facing the country. The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all the people. The immediate objective is ... to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country, increasing production and offering opportunities to all for employment in the service of the community...

(2) Any improvement in the economic conditions of the country postulates an increase in national wealth; a mere redistribution of existing wealth would make no essential difference to the people and would merely mean the distribution of poverty. A dynamic national policy must, therefore, be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution. In the present state of the nation's economy, when the mass of the people are below the subsistence level, the emphasis should be on the expansion of production, both agricultural and industrial; and in particular on the production of capital equipment, of goods satisfying the basic needs of the people, and of commodities the export of which will increase earning of foreign exchange.
(3) The problem of state participation in industry and the conditions in which private enterprise should be allowed to operate must be judged in this context. There can be no doubt that the State must play a progressively active role in the development of industries, but ability to achieve the main objectives should determine the immediate extent of state responsibility and the limits to private enterprise...

(4) The Government have decided that the manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railway transport should be the exclusive monopoly of the Central Government. Further, in any emergency, the Government would always have the power to take over any industry vital for national defence. In the case of the following industries, the State—which, in this context, includes Central, Provincial and State Governments and other Authorities like Municipal Corporations—will be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the State finds it necessary to secure the co-operation of private enterprise subject to such control and regulation as the central government may prescribe:

(1) Coal
(ii) Iron & Steel
(iii) Aircraft Manufacture
(iv) Ship-building
(v) Manufacture of telephone, telegraph and wireless apparatus excluding radio receiving sets;
(vi) Minerals Oils.

While the inherent right of the State to acquire any existing industrial undertaking will always remain, and will be exercised whenever the public interest requires it, the Government have decided to let existing undertakings in these fields
develop for a period of ten years...

X X X

(6) The rest of the industrial field will normally be open to private enterprise, individual as well as co-operative. The state will also progressively participate in this field; nor will it hesitate to intervene whenever the progress of an industry under private enterprise is unsatisfactory...

(8) Cottage and small-scale industries have a very important role in the national economy, offering as they do scope for individual, village or co-operative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer-goods like food, cloth and agricultural implements. The healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organized marketing of their produce, and, where necessary, safeguards against intensive competition by large-scale manufacture, as well as on the education of the worker in the use of the best available techniques. Most of these fall in the provincial sphere and are receiving the attention of the governments of the provinces and the states.

X X X

(10) The Government of India agree with the view of the Industries Conference that, while it should be recognised that participation of foreign capital and enterprise, particularly as regards industrial technique and knowledge, will be of value to the rapid industrialisation of the country, it is necessary that the conditions under which they may participate in Indian industry should be carefully regulated in the national interest...

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In order to realise (the) objective (of the socialist pattern of society), it is essential to accelerate the rate of economic growth and to speed up industrialisation and, in particular, to develop heavy industries and machine making industries, to expand the public sector, and to build up a large and growing co-operative sector. These provide the economic foundations for increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people. Equally, it is urgent to reduce disparities in income and wealth which exist today, to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals. Accordingly, the state will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake state trading on an increasing scale. At the same time, as an agency for planned national development, in the context of the country's expanding economy, the private sector will have the opportunity to develop and expand...

6. The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector... Nevertheless, there
are limiting sectors which make it necessary at this stage for the state to define the field in which it will undertake sole responsibility for further development, and to make a selection of industries in the development of which it will play a dominant role. After considering all aspects of the problem, in consultation with the Planning Commission, the Government of India have decided to classify industries into three categories, having regard to the part which the state would play in each of them... These categories will inevitably overlap to some extent and too great a rigidity might defeat the purpose in view....It should also be remembered that it is always open to the state to undertake any type of industrial production.

7. In the first category will be industries, the future development of which will be the exclusive responsibility of the state. The second category will consist of industries, which will be progressively state-owned and in which the state will, therefore, generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effort of the state. The third category will include all the remaining industries, and there future development will, in general, be left to the initiative and enterprise of the private sector.

11. Industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the state and will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other
relevant legislation. The Government of India, however, recognise that it would, in general, be desirable, to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When, there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the state to give fair and non-discriminatory treatment to both of them.

13. The Government of India would, in this context, stress the role of cottage and village and small scale industries in the development of the national economy. In relation to some of the problems that need urgent solution, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of national income and they facilitate and effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

X X X

15. In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. Only by securing a balanced and co-ordinated development of the industrial and the agricultural economy in each region, can the entire country attain higher standard of living.

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APPENDIX C

STATEMENT OF GOVERNMENT OF INDIA REGARDING FOREIGN INVESTMENT


The policy as regards participation of foreign capital has already been announced in broad terms in government's resolution of the 6th April, 1948. The stress on the need to regulate, in the national interest, the scope and manner of foreign capital arose from past association of foreign capital and control with foreign domination of the economy of the country. But circumstances to-day are quite different. The object of our regulation, should therefore, be the utilisation of foreign capital in a manner most advantageous to the country. Indian capital needs to be supplemented by foreign capital, not only because our national savings will not be enough for the rapid development of the country on the scale we wish, but also because in many cases scientific, technical and industrial knowledge and capital equipment can best be secured along with foreign capital.

In this context, foreign investors would no doubt wish to have some clear indication of our policy on certain matters, like the repatriation of capital, the remittance of profits, and the treatment of foreign enterprise vis-a-vis Indian enterprise. I propose to make the policy of government quite clear in this matter.

In the first place, I would like to state that Government would expect all undertakings, Indian or foreign to conform to
the general requirements of their industrial policy. As regards existing foreign interests, government do not intend to place any restrictions or to impose any conditions which are not applicable to similar Indian enterprise. Government would also so frame their policy as to enable further foreign capital to be invested in India on terms and conditions that are mutually advantageous.

Secondly, foreign interests would be permitted to earn profits, subject only to regulations common to all. We do not foresee any difficulty in continuing the existing facilities for remittance of profits, and government have no intention to place any restriction on withdrawal of foreign capital investments, but remittance facilities would naturally depend on foreign exchange considerations; if, however, any foreign concerns come to be compulsorily acquired, government would provide reasonable facilities for the remittance of proceeds.

Thirdly, if and when foreign enterprises are compulsorily acquired, compensation will be paid on a fair and equitable basis as already announced in government’s statement of policy.

Government have stated before that, as a rule, the major interest in ownership and effective control of an undertaking should be in Indian hands. They have also stated that power will be taken to deal with exceptional cases in a manner calculated to serve the national interest. Obviously, there can be no hard and fast rule in this matter. Government will not object to foreign capital having control of a concern
for a limited period, if it is found to be in the national interest, and each individual case will be dealt with on its merits. In the matter of employment of personnel, government would not object to the employment of non-Indians in posts requiring technical skill and experience, when Indians of requisite qualifications are not available, but they attach vital importance to the training and employment of Indians, even for such posts, in the quickest possible manner.

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A BRIEF EXPLANATORY NOTE ON BIBLIOGRAPHY

The scope of the research on 'The Role of Capital Formation in the Industrialisation of Planned Indian Economy' during the past two decades is wide. The treatment of the subject had to be directed on different lines, rather a little off the beaten track. Indeed, a plethora of economic literature is available on the subject presented from diametrically opposite viewpoints ranging from the totalitarian advocacy of compulsory domestic savings to *laissez-faire* concept of free economy in which the coercive methods are anathema. In between are the supporters of an egalitarian society believing in democratic values of life, who believe in 'golden-mean' - a half-way house between the ruthless suppression of individual initiative and the licentious living of a capitalistic society. In order to have a clear conception of the varied economic framework of several developed and developing countries, I had to draw upon very freely on the various official publications of the UN from 1947 to 1970. On cross verification I found this to be the most reliable guide for my research. They not only provided me with the requisite information on subjects such as conceptual and definitional aspect of capital formation, methods of
financing economic development and measures undertaken to develop these economies, but also enabled me to have an overall view of what an economic picture a developing country can produce by following a certain economic pattern.

It is difficult to dissect the bibliography chapterwise but the sources tapped can be stated at the outset. The main sources of information have been the publications of the UN, reports of the Government of India and debates in the Lok-Sabha, etc., besides certain standard books and important articles of topical interest. Further, studies of capital formation have been undertaken by the CSO, RBI and NCAER whose research and survey publications provide the main statistical framework of the subject, besides certain reports and annual Economic Survey published by the Government of India. Planning Commission publications also gave me a glimpse of the various programmes for economic development of the country. Lastly, studies made by the Bureau of Public Enterprises and Federation of Indian Chambers of Commerce and Industry and RBI publications proved to be a mine of information on capital formation in the public and private sectors. Also papers submitted by experts on the national income and capital formation to the Indian Conference on Research in National Income and certain mimeographed papers
of the Central Statistical Organisation have proved of immense value.

To sum up, the bibliography as a whole has been prepared broadly on the basis of two sources:

(1) Primary and

(2) Secondary.

Primary sources include proceedings of the Constituent Assembly, debates in the Lok Sabha, reports of the Government of India and other publications. UN official documents, reports and its other publications constitute the other part of it. Different statistical agencies and documents tapped are all covered under this category.

Under secondary sources a selected bibliography of the books consulted and selected articles from the leading economic journals and periodicals have been mentioned. At few places, the help of paper-clippings has also been taken.