A REVIEW OF CURRENT ECONOMIC PROBLEMS

FORUM OF FREE ENTERPRISE
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> "People must come to accept private enterprise not as a necessary evil, but as an affirmative good."
>
> —Eugene Black

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I

WHITHER INDIAN PLANNING?

Sir H. P. Mody *

Since 1951, we are living in a state of planned economy. We are having a succession of Five-Year Plans, and the process is to continue until the "take-off stage" is reached. How long it will take us to reach that blessed stage, no one knows. For the moment, our economy seems to be ground to a halt, inspite of an expenditure of thousands of crores of rupees on all manner of projects; and who can tell when it will start moving? Agricultural and industrial production is stagnant—there have even been signs of a recession—and there are shortages in practically every commodity and service. But that does not seem to dampen the enthusiasm of the Planners who, as soon as a plan is nearing its end, are ready with another. They work to a pattern—each plan has got to be substantially bigger than the one that has gone before. It matters not if targets, resources, estimates, production schedules and the like have proved hopelessly wrong. The motto seems to be: the greater the failure of the existing plan, the larger the size of the next.

Another notable feature of the plans is that, after a round of conferences and consultations with all manner of people, they emerge in much the same shape as the Planners had originally conceived them. It only shows what a wonderful unanimity can be achieved by a careful selection of economists, professors, statisticians and other such "experts."

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* The author, a former Governor of Uttar Pradesh, is an eminent industrialist and banker with a long record of public service.

In a developing economy, the need for planning cannot be questioned. The limited resources of the country have to be conserved and directed into the right channels for an orderly development. But it is of the essence of planning that resources should be carefully estimated, targets properly determined and priorities systematically laid down. What we have, instead, is a succession of grandiose schemes which, whatever their importance to the industrial structure of the country, tend to ignore the immediate aad basic needs of the people and place an intolerable burden on the present generation. The admittedly poor performance of the large-scale public enterprises set up in the last few years has aggravated the situation and accentuated the shortages. The importance and urgency of the one remedy for most of the ills we suffer from, namely, increased production, has failed to be realised, thanks to the muddled thinking of our Planners and policy-makers. In the result, we have shortages on a scale and to an extent never known to this country.

Let us take the food front. Over the last few years, enormous sums have been spent on foodgrain imports and schemes for agricultural development. Yet, production is more or less stagnant and prices keep on going up. The consumer, who wastes hours in endless queues before fair-price shops, has to pay a good deal more than the official price if he is to satisfy his hunger. The supply is inadequate and the distribution faulty, and it was only a little while ago that near famine conditions prevailed in many parts of the country. Considering that an average middle-class family spends over 40% of its income on food, and the poorer sections about 60% or even more, the hardships inflicted by shortages and high prices can well be imagined.

No amount of official statistics or assurances, nor attempts to shift the blame, can alter the situation. How does it interest the "common man" to know who is responsible for his troubles —the Centre, the State, the wholesaler or the cultivator? He wants food, and he knows that that is what an all-powerful Government has failed to give him. With the vast amounts spent on agricultural development, there can be no excuse for the extremely low productivity of Indian agriculture. Conditions in even some of the poorest countries in the world are

better. For one thing, there is as wide a gulf as ever between the agriculturist acd the Government, which all the Community Development Projects and Extension Services have not been able to bridge. Our ability to secure vast imports of foodgrains from countries like the U.S.A. has blunted the sense of urgency and aggravated our troubles. The position continues to be serious and drastic changes in our policy are needed to prevent it from turning catastrophic.

It is the same sorry tale with regard to a host of other essential needs, whether it be water supply, housing, medical relief or transport. Vast numbers of human beings are living in hutments unfit for cattle, and thousands of villages are without any facilities for drinking water. Postal and telegraphic services, so essential to a country of vast distances, have woefully deteriorated. The Union, Minister in charge had recently to confess in Parliament that in 1962-63 as many as 2.3 million telegrams had to be despatched by post! Bus queues seem unending, and thousands of people have to travel on footboards of trains. Everything seems to be in short supply; most things are under the strictest control.

The tax burden has reached staggering proportions, and as that eminent authority, Mr .N. A. Palkhivala, has demonstrated in his latest book,* India is the most heavily taxed country in the world. Mr. Ashok Mehta, Dy. Chairman of the Planning Commission, blandly stated a little while ago that 1981 might bring some relief. If it is a joke, it is a pretty poor one; if it is a forecast, the authorities must stand condemned.

Is there a way out? Not until the present concept of planning is abandoned and realism takes the place of ideology and reckless experimentation with the resources of the country. The least the situation demands is to spread the Third Plan over another year or two, a remedy which no less a person than our Prime Minister has suggested. The way to salvation lies through consolidation of our gains at this stage and, unless our Planners get rid of their obsession with "gigantism," disaster must inevitably overtake the country.

* **"The** Highest **Taxed Nation."**

II

INDIA'S FOOD PROBLEM

Prof. B. R. Shenoy*

It has become fashionable to condemn the foodgrains trade for the food crisis. We are told that the rise in food prices and the scarcity of food supplies are the result of hoarding by the trade; and of an "unholy alliance" between traders and farmers to withhold from the market the "bumper" kharif crop with a view to holding society to ransom when food scarcity is destined to become more acute in the coming months, and also to "defeat" the procurement programme of the Food Corporation in the South and of the State Governments elsewhere. The Presidential Ordinance of 6th November 1964, which was later incorporated in the Essential Commodities (Amendment) Act, 1965, and which provides for the summary trial and conviction of "delinquent" traders, is based upon this theory.

But hoarding by the trade and the farmers is not the cause of the price rise and of the food crisis. Even as the cause of the floods is the torrential rains, not the law of gravitation which rolls forward the flood-waters, the cause of the price rise is the physical shortages of foodgrains and inflation. Physical shortages of foodgrains are the outcome of the misdirection and wastage of resources, in the name of planning, in the so-called infra-structure industries; and of the prodigalities of Government spending. The largest bulk of the available resources being, thus, diverted elsewhere, this has resulted in the neglect of agriculture; as 67 per cent of agricultural production is foodgrains, neglect of agriculture has starved food production. Notwithstanding heavy imports of foodgrains, since 1957 the total supplies of foodgrains have lagged behind the growth of population.

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Inflation has resulted from deficit financing. Despite the mounting taxes and colossal amounts of foreign aid, Government outlays have mounted higher still and disbursements have exceeded receipts; we have been covering the gaps through resort to the printing press. In recent years, the pace of inflation has become more rapid. The expansion of money in the 3½ years since 1960-61 has been 33 per cent; in the preceding four years it was 23 per cent.

With inflation and physical shortages, prices must rise, regardless of the moral standards of the traders. The responsibility for the price rise and the food crisis is, therefore, that of the Planning Commission, the Ministry of Finance and the Reserve Bank of India, though traders and farmers are being made scapegoats. The Planning Commission misdirects and wastes resources; the Ministry of Finance and the Reserve Bank of India are inflating monetary circulation. Once prices rise there will be hoarding; and hoarding will lead to price acceleration. The one will lead to the other automatically and there is no way of stopping this, even as there is no way of stopping the working of the law of gravitation. Any action against one set of hoarders—traders and farmers—if successful, will lead to the stocks they may release being hoarded by the householders. There may thus result a shift in hoarding; but hoarding as a social phenomenon will continue.

To solve the food crisis, we must resort to other measures than a futile battle against hoarding. We have to adopt a two-tier remedy, short-term and long-term. The foregoing analysis suggests the short-term remedy. It lies in, first, a complete stop to inflation; and, second, importing of sufficient foodgrains to cover the physical shortages.

We have taken steps to cover the physical shortages. The PL-480 agreements of 30th September and 31st December and the arrangements for private imports by the trade from Burma, UAR, Thailand, Cambodia and Pakistan provide for total imports of over six million tonnes in 1965. Seeing that the annual average imports of the past seven years were 3.6 million tonnes, these imports should be abundant to see us through the crisis. Indeed, it is possible that, as these imports commence flowing

in, the rise in foodgrains prices might get retarded or even tend downward. This would, however deperd on further irflation being avoided, procurement for stock-piling by the Food Corporation acd the State governments being abacdoned; and the division of the country into food-zones being abolished. If inflation continues, part of the imports would disappear into hoards; procurement by the State would have the same price effect as hoarding; the food zones confuse the food supply situation by creating undue scarcities in the deficit States and undue abundance in the surplus States.

The long term remedy lies in the increased domestic production but is handicapped by the short supply of farm credit to purchase the production needs of the farmers — better seeds, more fertilizers, better irrigation, better storage, better marketing facilities, and so on. The availability of farm credit has suffered drastically since the commencement of planning. First, about 70 per cent of the supply of investment resources, comprising domestic savings and foreign aid are appropriated by the public sector, though the public sector contribution to the national product has been about 5.6 per cent. Somebody, therefore, has to go short of funds and, in the Indian context, that somebody is the farmer, always the most neglected part of the economy with regard to the supply of credit and other production needs.

Secondly, agricultural legislation, though designed to "protect" the farmer and the tenant against usury, and tenants against exploitation by landlords, has, on the one hand, obstructed the flow of savings and credit into agriculture and, on the other, crippled the credit-worthiness of farmers and tenants. They have added to the risks, and have reduced the profitability, of the business of agriculture credit. The bankers and the most respectable among the money-lenders, who provided the essential link between the money market and farm finance, have switched over to other trades or have migrated, with their funds, to the urban areas to participate in the rapidly expanding, though artificially created, industrial activity. Efforts to fill the resulting farm-credit vacuum have not met with much success.

The credit starvation of agriculture is reflected in the fantastic interest on farm credit. *The Rural* Credit *Survey,* 1954, places

these rates on secured loans at as high as 88 per cent, per annum. Since the date of the Survey the Public Sector appropriations of investment resources have risen steeply and even less funds than before are now available for agricultural finance.

No lasting solution to the food problem is possible unless, first the colossal public sector appropriations of investment funds — the financial counterpart of the steel mills and the other so-called infra-structure industries — are drastically reduced to permit a larger flow of these funds into agriculture; and, secondly, the legislation now crippling the buiness of agricultural credit and impairing the credit-worthiness of farmers is suitably amended. The remedy to this problem does not lie in more liberal allocations of funds to the "agricultural" projects in the public sector; expenditures on these projects neither add to the supply of agricultural credit nor improve the credit-worthiness of the farmers, which constitute the more urgent requirements for stepping up food production.

III

THE FOREIGN EXCHANGE CRISIS

P. S. Narayan*

For a developing country such as ours, whose import bill necessarily exceeds its export earnings, a deficit in balance of payments is inevitable. The resultant foreign exchange scarcity should not cause alarm unless it persists and leads to stringency and then develops into a critical state. Unfortunately, we are today faced with such a critical situation. Our balance of payments have lately slipped precipitously into the red. Our annual import bill is around Rs. 1,200 crores, while exports have been almost stagnant at around Rs. 850 crores. Thus there is an external deficit of Rs. 350 crores. This would have been much worse but for PL 480 imports, the payment for which the United States accepts in rupees, and those rupees stay here. As the Union Finance Minister plainly put it, the requirements to meet our imperative needs, incuding those of defence, have been larger than the resources available to us. He rightly said that the nation cannot spend more than it produces.

Just at the end of world war II, we had an enviable foreign exchange reserve, including over 1,000 million sterling to our credit. We used this up rapidly for post-war development during a period when foreign aid, in any significant measure, had not come into vogue. At the beginning of the Third Plan, these resources had dwindled to such an extent that they were hardly sufficient to tide over the normal fluctuations in our trade fortunes ; and we started drawing heavily from the International Monetary Fund (IMF). Government's efforts to boost exports and increase exchange earnings hardly succeeded because of the enormous imports of food and fertilisers, coupled with huge defence expenditure which entailed a heavy exchange drain. During 1964-65 this trend continued unabated, and, furthermore, considerable outlays of foreign exchange had to be effected for import of raw materials and components to meet the urgent requirements of industries. Our exports have not been looking up despite various incentives. Most of our traditional export items are inelastic, and competition in overseas markets has become intense.

India's reserves declined from Rs. 188 crores in March 1964 to Rs. 116 crores in March this year—a fall of Rs. 27 crores in one year. This forced us to seek the help of the IMF again and we were given a standby credit of 200 million dollars. As against this, as the Union Finance Minister, Mr. Krishnamachari, has revealed, we stand to repay during the period March 1965-March 1966, as much as 175 million dollars. One can, therefore, understand how precarious the position is. The question that has arisen is : Whether we can live within our own export earnings and safely depend upon adequate foreign aid—which had already totalled up to Rs. 2,934 crores upto the end of the Second Plan and to Rs. 1,715 crores during the 3½ years of the Third Plan. We are also told that our service obligations on our external debts cause a drain of Rs. 100 to Rs. 140 crores annually. Naturally, our capacity to service existing debts is causing increasing concern both to us and to our friendly creditors.

Even the U.K., a traditionally exporting country, is today faced with the problem of "earning its keep," as was pointed out recently by Mr. George Cyriax, the Economic Editor of the London "Financial Times," in an analytical assessment of the "deep-seated nature" of Britain's external deficit. He showed that "the formation of export bodies and the improvement in export credits have not stopped the steady erosion of the U.K.'s share of world trade." If this is so for an advanced country like Britain, are we justified in expecting any miraculous results to emerge from our Government's slipshod imitation of such incentives? There can be no short-cut to bridging the gap. We must get at the fundamentals.

No doubt our Government has recently announced certain steps such as credit curbs, stringent import restrictions and export credit certificates, to mitigate the crisis. But are they not mere palliatives? Are they not *adhoc*, piecemeal measures? Has there been any integrated thinking on the crisis? Has

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anyone in authority cared to know why our exports have failed to keep pace with the expansion of world trade? Has there been a coherent strategy between the Finance Ministry and the Commerce Ministry? Unfortunately, No. The Reserve Bank is asked by the Finance Ministry to issue a variety of orders by fits and starts, giving a jolt to the banking system and to the trade and industry. It has still not occurred to the Government that an expert body, like the National Council of Applied Economic Research, should immediately go deep into this economic malaise and recommend how a breakthrough can be achieved.

The first ad *hoc* measure this year was the raising of the Bank Rate, followed by the imposition of the 10 per cent so-called regulatory customs surcharge on all imports — except food and defence materials. Then came the deliberate delay of about 4 months in announcing the import policy which hit established importers. Thereafter came the credit squeeze — controls on bank advances. The latest is the compulsory deposit, equivalent to 25 per cent of c.i.f. value of imports, prior to dispatch of goods to India. Dispassionate observers have rightly questioned the appropriateness of the Finance Ministry relying on piecemeal monetary measures alone, while cost inflation, attributable to a much wider area of fiscal measures, remains almost untouched.

Credit squeeze as a weapon to fight inflation is good to a certain extent. So long as consumer goods are in short supply and it takes time to catch up with demand, it is desirable to exercise a certain degree of control over the available finances. But if this is overdone, the very objective of encouraging production without inflation will be defeated. The Reserve Bank's present policy of coming in the way of the natural forces of demand and supply is having the opposite effect. Instead of inflation being arrested, production is being affected and, when goods become scarce, inflationary tendencies are likely to become uncontrollable whatever fiscal measures are enforced.

Established industries are already finding it difficult to keep up even normal production for want of essential raw materials which have to be imported. Government's control measures should aim at full utilisation of installed capacity. This will give us quick returns on crores of rupees worth of capital lying idle today. Small and medium scale industries will be particularly hit by the Reserve Bank's credit squeeze and compulsory deposit scheme on imports. The pegging of credit limits as on June 25, 1965, has robbed these units of the only source on which they depended for payment to their creditors and workmen. It cannot be forgotten that small-scale industries are labour-intensive and their closure would aggravate the unemployment situation. The 25 per cent import deposit has meant considerable lock-up of funds for the small-scale sector, as the deposit amount cannot be adjusted against the value of the imported goods the moment the shipment is received. It is no consolation to be told that the deposit will be realized by the Reserve Bank in due course, as it only means that the small-scale industrialists will have to wait for quite a few months to obtain refund of their deposit amount. Few small-scale industies can today pretend to possess enough funds for this compulsory deposit.

The Finance Minister is, however, to be complimented on the step he has taken to stop the gross abuses of export incentives — the abuse of the Export Promotion Scheme licences. The other day, Dr. A. Ramaswami Mudaliar referred to the extent to which import entitlements were being abused, and cited the Reserve Bank's disclosure that as much as Rs. 90 crores remained unrealised against an estimated export value of Rs. 794 crores during 1963-64. The Government did a big mistake in allowing advance issue of import entitlements acd the unbridled hawking of import licences at fantastic premia. There was no foolproof system to ensure that the foreign exchange had, in fact, been received by the exporter from the foreign buyer. This being the case, the Finance Minister has done the right thing in deciding to grant import entitlements only on the production of a bank's certificate of foreign exchange having been actually realised. This step will not only expedite the bringing in of export earnings but also eliminate the scope for malpractices. The Government's contention that import substitution is a proper remedy for conserving foreign exchange, to the extent that it leads to an acute shortage of many basic raw materials and components so direly needed by industry, cannot be conceded. There are serious limitations to such selective weapons as import substitution and import curbs. With the prevailing poor standard of indigenous materials

available, andhtghproduction costs, in not a few cases imported products would continue to be less costly than the import substitutes. Domestic industries cannot be placed on an efficient footing by enforcing an artificial process of indigenous substitution.

There seem to be only two ways by which the present economic malaisecan be mitigated. Firstly, by planning and pursuing avigorous exportpromotionpolicy, and, secondly, by drastically curtailing the enormous, unproductive public expenditure by the Government. It is true that prospects of increasing exports of traditional items like tea, jute and jute manufactures and textiles are far from bright in view of increasing competition in overseas markets ard the emergence of a buyer's market abroad. We must, therefore, turn to non-traditional items like engineering goods and subsidise them wherever necessary. Instead of dtsguised export subsidies (which the types of incentives provided, in effect, are) let the government resort to a well-thought-out programme of export promotion, after making a foreign market study of sales prospects of our exportable products. Every effort should be made to reduce our production costs. For this, it is necessary to take positive relief measures in respect of heavy taxation and theincreasing cost of inputs such as labour and raw materials. As long as inflation at home is more than a match for inflation abroad, our selling prices will remain out of parity in overseas markets. Fiscal measures should be so recast as to make export-oriented industries more attractive than industries which cater to the internal market. It will not be out of place to mention here that there has been much negligence on the agricultural front. Agriculture provides the base for industry and yet adequate emphasis on boosting agricultural production has not been given in the plan projects. It is also to some extent true that we have been suffering from a sense of complacency as a result of the mounting PL480 imports which have been steadily effected for the past several years. The attitude of glossing over our internal food deficit is fraught with dangerous consequences.

We should also give serious attention to develop tourism which is a substantial and elastic item of invisible export. As is well known, a significant share of exchange earnings of countries like France, Switzerland and U.A.R., comes from tourism, which they have turned into a commercial proposition. It is a pity that not much headway has been made in promoting tourism in an ancient and vast country such as ours, with its numerous hill stations, temples, mausoleums and other historic places. More centres of tourist attraction must be opened and more hotels must be built to handle tourist traffic. Even what look like minor irritants to tourists, for instance, baggage rules, customs examination, liquor permits, etc., must be considerably relaxed, if not completely removed. I would even recommend the scrapping of prohibition. Surely, foreigners do not come here to learn the virtues of teetotalism or vegetarianism, but to enjoy a happy holiday. They must also be saved from harassment by our army of beggars. As it is, most foreign tourists take with them anything but happy memories of their sojourn in our country. Our external publicity also needs rejuvenation.

The second point is drastic cut in Governmental expenditure. Few will dare deny that drastic curbs are overdue in the huge infructuous Public Sector projects and in the ever-expanding administrative apparatus. Unless public expenditure is drastically slashed, there is little hope of arresting inflationary pressures. It is surprising that neither the Finance Minister nor any other Central Minister has come out with a candid comment on this vital issue. The Government is studiously keeping out of the public's knowledge the fact that the administrative mchinery and, with it, the civil expenditure, go on expanding like the ever-expanding Universe. Apparently it is afraid of the political repercussion of revealing this disquieting fact and effecting economy in public expenditure. But the Government must practice what it preaches. Its spokesmen are only talking of the need for us to live within our means. Why not show it in practice? I would repeat that unless and until the Government effects economy in bloated administrative expenditure and in the construction of plan projects, which consume huge capital outlays and do not yield worthwhile returns for several years, we cannot solve the problem of inflation effectively.

The Finance Minister has ruled out the prospect of the Government of India either devaluing the rupee or asking its foreign creditors for a moratorium. It is generally agreed that

devaluation will not solve our exchange deficit. Our exports will fetch less and imports will cost more. Our most pressing need for, enlarging the base of domestic industrial production will get a jolt by the sharp increase in the cost of all imports which will follow devaluation. Further, having regard to the inelastic nature of most of our exports, reduction in export-prices will not lead to any considerable increase in the quantum of value of our exports. In any case, the various *ad hoc* measures launched in recent months to step up export earnings and slash import bills are alternative expedients to straight-forward devaluation.

Regarding moratorium, although the Finance Minister emphatically declared that the Government would not ask for it, he qualified his statement with something which has the effect of a moratorium. He said that in seeking long-term financial aid from friendly countries and international financial institutions, our Government will ask them *to take our debt obligations into account.* What does this mean? In the latest fortnightly report of Chitra & Co., the position is commented upon as follows: "On the question of meeting repayment obligations of foreign loans, it is soothing to know we shall ask for no postponement, because we are, after all, taking a fresh World Bark loan, the bulk of which will be adjusted towards our amortization obligations in the current year. The repayments are not possible out of foreign exchange accruals resulting from balance of payment credits. This cuts back on exchange availability for plan implementation."

When I was in London last year, I was invited to a luncheon party attended by a number of leading businessmen ard financial editors of the City. In the course of informal talks, some of them expressed concern about Irdia's mounting external obligations and suggested that the time had come for India to take stock of her debt position before taking on fresh burdens in her own long-term interest. They felt that one of the feasible ways to tackle this problem was funding—amortisation—of debt. The creation of amortisation funds or sinking funds as a means of debt settlement is not new in the realm of international finance. My immediate reaction was that, while the idea by itself was not unwelcome, so far as India was concerned, it was necessary to see how far funding could be put into practice.

In respect of the foreign loans received by India from the World Bark and the Governments of the U.S.A., U.K., West Germany, Japan, etc., it is as well to remember that two or three points arise for consideration. The first is that except the World Bank loans, all the other loans can, in fact, must be paid back only in foreign currencies obtained through export surpluses or export of Indian services. It has to be remembered that the interest on these loans, which is fairly high (ranging from 5.5 per cent to 6.5 per cent), has just to be paid for. In the second place, the equated instalments have also to be provided for amortising the loans. This means that we shall have to build up foreign exchange at a level considerably higher than what can be done through a foreseeable increase in our exports.

The second point is that any Public Sector project takes considerable time for utilisation of these foreign loans and for completing the projects and bringing them to a stage of remunerative working. This depends naturally on the receipt of equipment from abroad such as turbines and other items of machinery in respect of hydel damns, steel plants, and other projects. Between the initial borrowing and the final stage of production, the time taken is often five years in a quickly implemented project, and even more years in others such as the D.V.C., Hirakud, and Bhakra-Nangal.

In the case of Private Sector projects, the time taken is often three years or over. A distinction has to be drawn between a unit of economic activity going into production and its walking gainfully. Here again the interval may be anything like three years. Meantime the interest burdens on foreign loans go on accumulating. This means a commuted payment of interest for a period during which the money cannot be employed and it adds to the burden of instalments. Insofar as both interest and instalment obligations have to be met, the earning power of a project or an industrial unit in reality becomes mortgaged for several years in the event of foreign loans being funded. With a tax system like the present in India, it may be easy to pay interest because interest is allowed as an item of expenditure, but contributions to an amortisation fund have to come out of net profits which have shrunk considerably as a result of recent taxation. This of course applies only to Private Sector borrowings.

India has had her teething troubles in regard to industries owing to non-availability of spares and, therefore, it has become necessary to import them on a large scale. Frequent power cuts and labour difficulties have also to be reckoned with. It is as well to realise that these adverse factors would have to be surmounted if India is to arrange for the funding of her foreign loans. But these very factors are enough to justify apprehensions in the minds of our creditor governments and institutions about the future of the loans already provided and still to be provided, even though our earnestness is not held in doubt. If the creditor governments agree to funding, one effective means of implementation will be to make equated payments on a logarithmic scale, so that after a fixed number of payments, the entire funded debt would be completely discharged.

We must call a halt to new expansion programmes for tne next few years. Even the Prime Minister has suggested this. No one has advocated cessation of economic activities, but only consolidation. As Mr A. D. Shroff has said, the proper and wise course is to devote maximum attention to the completion of the projects already taken on hand. There should be a concerted endeavour to stablise our economy by correcting the imbalances. Most of the production goals (physical targets) mentioned in the Third Plan have not been reached. For the Fourth Plan, an outlay of Rs. 21,500 crores has been proposed, including Rs. 3,000 crores for raising additional taxation. A plan of this size, under the parlous state of our economy, will be beyond the capacity of the country to implement in an atmosphere of economic and political instability. It is incumbent upon our planners to take a leaf out of past and present experience, and forge a plan that can be financed out of really available resources. The Finance Minister, a few days ago, said he would like to have a fresh look at the controls. I do hope he will also have a fresh look at the Fourth Plan outlay and targets with a sense of realism.

The views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise

"Free Enterprise was born with man and shall survive as long as man survives."

—A. D. Shroff

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