

MILESTONES & MILLSTONES OF PLANNING

by

M. A. Sreenivasan *

A hopeful trend noticed in recent months is a certain unstiffening of the attitude of the country's planners and policy-makers. One seems to see an inclination in them to recognise facts and re-examine notions.

It is good to read that not long ago the Prime Minister told a conference of State Ministers: "We have made tremendous progress in planning the programme, but the implementation is not tremendous at all." It is encouraging to learn that the Union Minister for Planning also felt the need to exhort another conference "to engage themselves in a dispassionate, continuous and systematic study of all that hampers the achievement of the best results." It now seems possible to point to the millstones round the neck of Indian industry without being called unpatriotic or reactionary.

It is easy to dismiss criticism of the Government's plans by accusing the critics of being against planning itself. Plans, after all, are nothing novel. Planning is no patent or invention of any group or party. All of us make plans every day of our lives, as our ancestors did before us, and as we hope our offspring will do after us, if permitted by the Government. On the need for wise and sober planning there can be no divergence of opinion. There is also no question of any difference of opinion on what are called the main objectives of the Plans. Who can question objectives so grand and noble as the abolition of poverty, eradication of sickness and illiteracy, providing of food, clothing, housing and employment to the people, raising of the standard of the masses?

But how are these objectives reached? How does one get there? It is on the answers to these questions that there is deep and sincere divergence of opinion.

Today, there are two clearly different routes that other countries, eastern and western, have followed in their attempts to similar objectives. One is the road followed by countries like the U.K., the

U.S.A., West Germany and Japan, where the State respects and protects the sanctity of person and property, gives free scope to individual initiative and enterprise, guiding and regulating the people's activities, like traffic control on a busy highway, regulation that helps to make the flow of traffic safer and smoother. The other is the road where the citizen exists for the State that dominates and regulates his life and career; where property is taboo and where profit is sin; and the State owns or controls the country's industries and trades.

People anxiously ask, "Have we learnt from the errors and experience of the countries that have travelled the two roads?"

During the past years our country has been having one crisis after another. The latest or one of the latest—they come so thick and fast—is the foreign exchange crisis. It is now found that the earlier criticism of the Plans that they were more ideological than realistic, that their priorities were wrong and unbalanced, that they relied too heavily on foreign aid were not unjustified.

There was a time when our Prime Minister did not like India to accept gifts from foreign Governments, and preferred aid in the shape of loans. He now seems to have overcome that dislike, and willing to accept gifts as well. His visits and those of his Cabinet colleagues to foreign capitals and the growing proficiency of our Ambassadors in the art of dignified aid-seeking have resulted in massive aid, amounting to many thousands of crores of rupees in gifts and loans from Governments all over the world. Nevertheless, each approaching meeting of the exciting new Club called the Aid India Club seems to make top custodians of our nation's economy, from the Finance Minister downwards, jittery and anxious, like school children before examinations. And even a relatively small shortfall

*The author is a well-known industrialist,

between the aid expected and aid announced at the recent meeting of the Club has caused a major crisis.

In an effort to meet the crisis, steps have been taken that seem so desperate as to be almost suicidal, and will hang heavy millstones round the neck of India's industry.

To take one instance, with the vastly stepped-up generation of electricity, the demand for electrical cables and wires has gone up by leaps and bounds. To meet this demand, the existing cable-making factories were permitted to expand production, and many new cable factories have been licensed. Every one of these factories depends, for its working, on imported copper and aluminium. Till recently, copper was the metal predominantly used. But as India is deficient in copper and has an abundance of aluminium ore, the Government rightly asked cable manufacturers in the country to switch over to the use of aluminium in substitution of copper, and the cable manufacturers readily agreed to do so. As indigenous production of aluminium is not yet able to meet the demand of the cable industry in quantity or quality, the Government issued permits for the import of the metal from foreign sources.

But early in June 1962, following what I have described as the latest crisis, the Government recalled the import permits already issued and slashed them by 50 per cent. This will result in all cable factories, old and new, getting half the needs of their installed capacity—which means that costly machinery erected at great expense will remain idle or partly utilised. Cost of production goes up, pushing up the cost of electricity to the consumer. The length of cable produced will be less, resulting in the dislocation and slowing down of railway electrification, of telegraph and telephone services and a hundred other things. One can only hope that these steps may not lead to a deeper crisis demanding the import of the finished cables themselves, to meet a desperately urgent demand.

In this context, it is comforting to read in the papers the statement of the Minister for International Trade, Mr. Manubhai Shah, that "many persons were so panicky about the foreign exchange difficulties that they wanted indiscriminate cutting down of imports." He was "in a position to say categorically today that imports were already cut to the minimum, and if further cuts were effected, production would suffer."

One hopes that his authentic words will help to allay panic and avert hasty and desperate action.

A big millstone, the burden of which has increased every year, is the problem of railway transport. The trouble is serious and chronic. I remember attending an important all-India conference at Delhi nearly fifteen years ago, over which the Prime Minister presided, and at which the Cabinet Ministers were present, with their secretaries and officers. There were bitter complaints from industrialists who came to that conference that while, on one side, collieries had to stop work as stocks of coal had piled up at the pitheads, with the danger of fire, on the other side, factories within a hundred miles of coal-fields were closed down for lack of coal—all because wagons were not available.

After much noise and ado, it was unanimously resolved that the transport of coal to industry should be given "top priority" and "handled on a war footing". Apparently this Fifteen-Year War is still on! The position today is just as bad, if not worse. Only the other day I learnt that 90,000 tons of coal had accumulated at the pithead of a well-known colliery, and that no further coal could be raised with safety for lack of stacking space, while a dozen factories in the same State were facing a shut-down for lack of coal.

The factories were trying to get some coal transported by road. They could not, of course, without a permit from a Controller who, after much consideration, was good enough to permit the applicants to move some coal, in dribbles, by road. Transport by road cost the factories thrice the cost of transport by rail. The factories paid the higher cost as the only alternative was to close down. The total extra cost of getting the coal by lorry, in that region alone, amounted to several lakhs of rupees in one year.

It is sad to see the growing unpunctuality of our trains. There were days when Indian trains were known for their punctuality; and people checked their watches by the whistles of arriving or departing trains. But delays have now become habitual. Inquiry officials at the railway stations, if one is lucky enough to contact them, are either unable or unwilling to say anything about the expected time of arrival of a train except vaguely to advise that "she may be on time". As a result, people waste many hours waiting on crowded platforms. To see the contrast between this and the

trains in Europe and in Japan, which arrive and leave on the minute, makes one sadder still.

The lamentable deterioration of our Postal, Telegraph and Telephone services in the past few years has placed added burdens on industry and commerce—burdens which, though not readily recognised, are no less onerous and frustrating. Letters are delayed by days, in spite of the night air mail service. As for telegrams, did not a Union Minister for Communications coolly admit in Parliament that something like a hundred thousand telegrams were being sent by post every day? Telegrams come unashamedly franked as “sent by post”, and no refund is made of the telegraph charges collected. If you wish to communicate with some one quickly today, you know a letter will take days, so you have to think of a telegram. But as you know that ordinary telegrams are also delayed you have to send an express telegram at twice the cost. If the matter is not easy to communicate by telegram or calls for a quick reply you think of a trunk call. You book the call and wait, chained to the instrument. After an hour or two of waiting you ask what happened to your call. You are told the line is heavily booked, would you like to make it an urgent call? The result of all this is that expenditure under the head of postage, telegrams and telephones has gone up five-fold and ten-fold, adding to costs.

Many more instances can be given of new burdens seen and unseen. But I shall mention just two of the less visible ones.

Owing to the concentration of authority in Delhi from where one must get a permit or a licence, or a quota or approval before one can do anything, it has become necessary for every industry or business of any size or importance to maintain an envoy in that capital to see that the files concerned move from desk to desk and do not get held up or lost. Not long ago an observant Union Minister rightly deplored and condemned this practice. How one wishes he had also ordered an inquiry into the cause of this expensive evil! It has also become unavoidable for industrialists and business men to make frequent and costly pilgrimages to this New Kashi. The cost of these paraphernalia and pilgrimages is by no means inconsiderable. But the pilgrims have one consolation. They see that V.I.P.s like Chief Ministers,

Ministers present or dissident, frequently undertake the same “Yathra” (pilgrimage) and they imagine they must be in holy company.

Added to this is the burden of an army of clerks engaged to fill up innumerable forms, periodical statements and reports and to submit applications in triplicate and quadruplicate to various new authorities; and the costly time spent by the company directors and management on piles of books and correspondence.

As we all know, the Government is a big buyer of goods and products; and with the expansion of Statism and the Public Sector, it is becoming a bigger and bigger buyer each year. While it insists that the things it needs should be sold to it at a special “rate contract” price fixed by officials, it takes the longest time, of all customers, to pay its bills. It is now quite a familiar thing to find bills for supplies made to Government Departments and quasi-Government bodies amounting to lakhs of rupees unpaid for six, nine and sometimes eighteen months. It would be interesting if someone could calculate the burden of interest charges on industry and business caused by the chronic and now time-honoured delay in payments due from the Central and State Governments and quasi-Government bodies. Even on a rough guess of a continuing total of Rs. 100 crores delayed by an average of nine months, the burden of interest on the country's business and industry would amount, at 7 per cent, to a hidden tax of five crores of rupees a year—without benefit of Parliamentary sanction.

Every one knows that the foreign exchange problem is now an excuse for anything that goes wrong or any measure that is arbitrary. Everyone knows, too, that the way to solve the problem is to export more. But we cannot export unless the price of our product is competitive; and each added cost makes it less so. Thus the millstones I have described go round and round in a vicious circle—no export; no foreign exchange, no raw materials, or components, added cost, no export, no foreign exchange and so on.

What is the remedy? The trouble is deep-seated, and the prognosis is bad. The treatment has to be bold and drastic.

The first thing to do is to re-examine the Third Plan even at this advanced stage, coldly and dispassionately, in the

light of the recurring crises, the crippling burdens on the country's economy and the increasing privations and anxieties of the people. To ask that this should be done may sound like asking for the moon. But in doing so, I feel emboldened by three factors. First, the hopeful un-stiffening of the rigidity of attitude that I have referred to. Secondly, the example of Mahatma Gandhi, who never hesitated to admit a blunder, even if Himalayan, and was ready to retrace his steps. Thirdly, if there is one person and one party in the whole of India that does not have to worry about loss of face or prestige, that person is Mr. Jawaharlal Nehru, and that party is the powerful and deeply entrenched Congress Party.

As the Planning Commission, though distinct in name, is, in fact, closely interlinked with the Cabinet, revision of the Plan would mean the revision of the policies and measures of the Government. The manner in which such revision should be directed is given below.

(1) *Revise Plan priorities*: Out of the available resources, tied or untied, sufficient foreign exchange must be found and allocated for the import of raw materials and items essential to keep existing industries alive and working to capacity. It is a travesty of Planning that denies to manufacturing capacity duly licensed, after months of scrutiny and correspondence, as being necessary for the fulfilment of the Plans and deliberately set up to save and earn foreign exchange, the wherewithal that keeps its wheels turning, and its trained labour force employed. It is a cruel mockery, it not indeed an unpardonable breach of faith, that new industrial units, laboriously built at great expense should be starved, weighed down by idle machines and oncosts, and threatened with an untimely end. It is urgent that the desperate and shortsighted cuts recently made should be fully restored if our factories are not to become silent monuments of mis-planning and their tall chimneys stand out as cenotaphs to commemorate the country's industrial casualties.

(2) *Reduce the heavy dependence on foreign loans*: I am not against acceptance of technical and financial aid from friendly and free countries. We know that many of the most advanced countries were built—and rebuilt after war or disaster,—with the help of foreign aid and investment. But we should never let foreign aid become a crutch, without

which we cannot stand erect and walk. The latest foreign exchange crisis and panic show how heavily the Planners have leaned upon it.

To attract foreign funds in the shape of investments as equity capital is in many ways better than to seek them as loans. Loans must be repaid and interest paid as well, whether the money is wisely or wastefully used. If foreign equity capital invested in India earns no profit, the loss is the foreign investor's and not that of the nation and all its taxpayers.

(3) *Concentrate on the infra-structure of economic progress which, in our country today, would include not only Transport and Communications but also Education and Agriculture*:

It is high time that the Government which owns and runs the Railways, Posts and Telegraphs as a monopoly, minds this business and gives urgent, concentrated and undissipated attention to the job of moving coal from choked-up pitheads of shut-down factories and reducing scandalous delays in providing wagons for the transport of materials and finished products. It is time, too, that it paid attention to the habitual and increasing delay in the delivery of letters and telegrams. People are, no doubt, getting resigned to these delays. "Conditioned" is perhaps the more authentic word. Resigned or conditioned, people will still be grateful if the Government took the trouble to find out what has gone wrong and took steps to improve the efficiency of these services,—without dissipating the available stock of talent or energy in opening new offices that function poorly or do not function at all and adding more water to adulterated milk.

The Government and its Ministers rightly and incessantly talk of quality control. Is it too much to expect a bit of quality control in these Government monopolised services?

Education has not been given the priority it should get. During the Second Five-Year Plan period, expenditure on primary and secondary education was Rs. 135 crores while the amount spent on the three steel plants was over Rs. 600 crores. Steel is important, but education is surely not one-fourth as important.

It is a shame that a great agricultural country like ours should still import food and cotton. Wages of agricultural labour have declined. Their unemployment and

indebtedness have risen. The glaring disparity between rural and urban labour is admitted by the planners themselves. Agriculture is plagued and bedevilled by fanatics and political opportunists. Knowing that eighty per cent of the votes come from the rural areas, politicians have invaded land with a view to grow more votes. Agricultural land, which was always held as "Sthira"—stable, immovable, real estate—has now become the least "Sthira" of all forms of property. Title to it is a scrap of paper that flutters in each political breeze. The springs of investment in agricultural land have dried up; there has indeed been considerable disinvestment, and diversion of capital to urban property.

It is time that those who are in charge of the destiny of this country took a short holiday from politics—now that the next elections are far off—and sat down soberly and dispassionately to think how it happens that a country so industrialised and where labour is so costly as the U.S.A. is able to produce such huge surpluses of food and milk for exports and gifts. They will do well also to consider, with minds open and unprejudiced, the creditable achievement of our own plantation industry; now in the last ten years production of coffee has been more than double, and the production of tea has gone up by over 75%; now the producers of these crops have at the same time provided housing, water supply, dispensaries, creches, and canteens to the families employed on their fields; and have, in addition, earned for the Government no small part of the foreign exchange spent in importing rice and wheat.

Plantations are—or till now were—a splendid example of what Indian agriculture could achieve if only it is treated as a great basic industry and allowed to grow and develop as one. It is a sad thing that this example and object lesson is now in danger of languishment and liquidation. Hasty, shortsighted and greedy hands are being laid on the coffee plantations. At a time when the world price of coffee is going down and Indian coffee is facing an anxious time with declining earnings and rising cost, irrational excise duties and onerous interest burdens imposed by the unconscionable delays in the payment for coffee surrendered to the Coffee Board, the estates are burdened with heavily increased taxation that

will cripple and crush a great agricultural enterprise that has produced wealth and employment and earned valuable foreign exchange from what was jungle once, and can soon become jungle again.

(4) *Arrest further inflation*: Every one of us is painfully aware of the curse of inflation, and the distress and insecurity caused by it. In the last ten years the Rupee has lost more than half its value and its purchasing power is getting further eroded at over 7% each year. Inflation is a thief in the night—a wicked thief that does not rob the rich as much as he robs the poor from whom he takes away the real content not only of their earnings but also of their pensions and life insurances.

It is well known that this ugly menace is a direct offspring of the Plans and the orgy of Government spending and deficit financing they demand. The measures I have suggested—namely, re-examining the Third Plan, re-ordering of its priorities, removal of avoidable burdens and oncosts, concentrating attention and improving railway, postal and telegraph services, rescuing agriculture from political opportunism—these should help to fight inflation and mitigate its evil effects. But they are not enough.

There is urgent need also to dispel illusions and to warn against the use of quack remedies. Even more dangerous are the sweetened prescriptions calculated to take people straight to the Marxist heaven. It is necessary to point out that no small part of the higher prices we have to pay for many an article of necessity today is made up of the indirect taxes and excise duties loaded on by the very same Government that declaims against price increases; that it is quixotic—when it is not plain hypocrisy—for Hon'ble Ministers to tilt and orate against rising prices when the Government itself has generated powerful inflationary pressures and is daily adding to the pressure. From time to time, Hon'ble Ministers make speeches all over the country about their firm determination to "hold the price line", as if holding the price line were like holding some sacred thread, or a rope on which one hangs one's clothes. It is necessary to expose the futility and the ill effects of controls, in such a situation; to point out that this is a quack remedy that can benefit none but pedlars of the control-permit raj; that it

is like shaking a thermometer to bring down the fever.

Those that have actually administered controls know that controls scare people, and that a scare is more dangerous than scarcity. Control begets hardship, hardship begets resentment, resentment begets evasion, evasion begets blackmarket, and blackmarket begets corruption. It is fortunate that at least one important Union Minister fully realise this.

(5) *Halt and reverse the drift towards authoritarianism and excessive concentration of power in the hands of the State :*

I have already referred to the heavy concentration of authority in New Delhi; and to the delays and oncosts it involves. The Government has really taken too much upon itself, and is bent on taking on more. Instead of minding its own business, it is eager to mind and meddle with the business of the citizens. Each gulp of new authority goes to the head and creates the thirst for more. More power is usurped, more territory occupied. Attrition, accusation, annexation are now the familiar signposts to nationalisation. By onerous taxes, direct and indirect, and a multitude of burdens, seen and unseen, the selected object is squeezed dry, and starved of resources. Next, the victim is publicly accused of being unable to find resources for expansion of new development urgently needed for the Plans. It then follows that the State has to take over the job, for none but the State can do it!

The attrition stage is sometimes bypassed and a short-cut is found by making some cases of mismanagement or dishonesty the excuse for nationalisation of the whole business. When nationalisation does not quite satisfy the appetite, or sits awkwardly in the stomach, the next course is cannibalisation; and the Central Government takes over an industry (like gold mining) or a business (like life insurance) already nationalised by a State Government.

Archpriests of our new socialistic juggernaut have been busy, over the past ten years, indoctrinating and conditioning the peoples' minds to believe that the Government has some magic way of doing things and finding resources that the people cannot as though the Government gets its money from the sky like rain, and its talents and skills from heaven or another place. It

is necessary to debunk this myth and to lay bare the fact that the money the Government has is the money it has taken from peoples' earnings by taxation, and from their savings by nationalising banks and insurance companies; and that the only way the Government can raise money that the people cannot is by printing currency notes, and creating more inflation.

New powers inevitably bring added responsibilities. When authority is assumed, services have to be rendered. The duties and responsibilities that our Government has taken upon itself today are too vast and varied for even a highly trained, experienced, competent administration—that is not totalitarian, —efficiently to handle. For this reason, if for no other, no wise and experienced administration of any free country ever thinks of encroaching into the fields of activity of the people and taking upon itself the business and responsibilities that should rightly be placed on the people's own shoulders. It is, therefore, not surprising that under a government that for many years has consisted largely of men who, but for a few notable exceptions, are unqualified and inexperienced, except in the art of making speeches and promises—men moved more by haste than by reflection, guided more by ambition than conviction, informed more by fanaticism than by reason, inspired more by what is popular than what is right, the country goes from crisis to crisis.

Somebody has to be blamed for all this; a scapegoat must be found. So not a week passes without announcement of some desperate measure, or rumour of some panicky legislation to meet the crisis. No newspaper is opened without a castigation by one Minister or a threat by another. An Hon'ble Minister calls a meeting of manufacturers of scooters and tells them the price of scooters is too high, and that they should reduce it to a figure that they find is below the cost of production after making due allowance for the substantial excise duties levied by the Government. Or else, warns the Minister, the Government will think of nationalising your industry. Another Hon'ble Minister puts the blame for inflation and the rising cost of living on traders and merchants. Reduce your prices, shopkeepers are told. Or else, the Government will "socialise" the grain trade. Co-operative societies are a frequently

prescribed cure-all. The word "co-operative" has a special fascination these days. It is only those that have intimate experience of co-operative societies that know that you do not make people honest simply by making them into a co-operative society or *vice versa*.

There is constant threat of some new engine of taxation or control. People feel they are not trusted. They do not know what is coming next. All over the country, there is what a great and observant statesman has aptly described as

a crisis of confidence.

Our Government is an ardent advocate of total disarmament—even unilateral. Does it not seem odd that it should thus arm itself ceaselessly, unilaterally, against the people—people who placed it in power, instead of placing faith in them and setting them free to work and to prosper?

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