

PLANNING AT CROSS-PURPOSES

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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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by

S. BHOOTHALINGAM*

I am honoured by your invitation to deliver this lecture arranged to honour the memory and services of A. D. Shroff. I met him for the first time in 1946 when I was a Joint Secretary in the Ministry of Industry and Supply. If I remember right, the occasion was a meeting to discuss measures for the setting up of one or two more steel plants in the country. During the next few years, I got to know him better. We served together in one or two committees where I was witness to his virtuosity in the marshalling of facts and arguments, his quick reactions and good humoured repartee, and generally the rapidity and incisiveness of his mental processes. In the truest sense of the world, he was a man of enterprise. Whether one agreed with him or not, any discussion with him was both refreshing and stimulating. As founder of the Forum of Free Enterprise, his name is associated with a particular kind of outlook on economic and political problems. Whether one shares this outlook or not, there can be little doubt that A. D. Shroff contributed a great deal to stimulate thinking and public discussion of current economic problems. The most fitting way of nurturing our memory of him is naturally through the public discussion of economic problems.

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In a rash moment, I gave out the subject of my talk as Planning at Cross-Purposes. I am not in the least sure whether this is an appropriate rubric. But I could think of nothing better. What I actually propose to do is only some loud thinking on some features of our planning and the economic policies supposed to subserve it — features which give cause for worry. The course of Indian planning, like the path of true love, never seems to run smoothly. We are today in the midst of one of those periodical and prolonged crises in Planning to which we have almost become accustomed. To any ordinary straight-thinking mind, planning would mean deciding in advance what to do. But our Fourth Plan, even in a near-final draft, comes out only months after the Plan is supposed to have been launched. The Annual Plan for the current year gets a final shape only when we are nearly half way through the year. Meanwhile there is widespread fear, even among the planners, that the Plan has already become out of date or out of tune with reality. Some of the assumptions seem to be dissolving before our very eyes, and no one seems to be able to do anything about it. It is not as if this is quite a new experience. We have gone through all this before, during the mini crisis of the Second Plan, and during the prolonged malaise of the Third. A three-year pause was then accepted, to regain breath, and to put the wheels on the right track. The Fourth Plan has thus had a longer gestation period. But this does not seem to have helped much. The new baby has proved no sturdier and is suffering from the same old ailments. We are now engaged in the same old diagnosis, and I shall not be surprised if we do not end up by prescribing the same old medicines possibly from the same old bottles. More allocations to lagging sectors, more attempts or exhortations for mobilising

resources, more controls, regulations and slogans for treating superficial symptoms, in short, more gimmickry. These unsurprisingly, are the remedies likely to emerge and one does not need to be very far seeing to predict that they will be just as ineffective.

Let me say all this again in more concrete terms. Heart searching begins when things obviously don't go the way they are planned. Railway traffic, for example, was expected to go up by 3.6 per cent per year and on that basis massive investments are planned. But this year, far from growing, it has actually been less so far. In April-July 1970, it was 3 million tons less than the same months of 1969. It is the railway deficit which has gone up. And with it has vanished part of the resources meant to finance the railway programme. Industrial production fails to grow at anything like the expected rate, may be for good reasons, but for reasons assumed away in planning. With few exceptions, Plan schemes cost much more, take longer to complete, and when completed take even longer to yield their results. And even then, results are less than expected. Targets of production and performance — which in this Plan are expressed cautiously as indicative only — have already been found to be quite unreal, improbable of achievement in many cases, and likely to be exceeded, for quite unplanned reasons, in others. The consumption of fertilisers, for example, has not grown and is unlikely to grow at anything like the rate which it was *lese-majeste* to question a couple of years ago. That the production of fertilisers from existing factories and the completion of new schemes is also lagging behind gives little cause for consolation. In steel, on the one hand, active motions are made to increase capacity over the long period, while on the other, scarcity is increasing not so much because of demand growing

faster than expected, but by the limping of production from the existing facilities. In agriculture, the production of foodgrains has been responding satisfactorily though not quite in the way expected or planned. But the rest of the agricultural sector seems almost impervious to growth. However, the mobilisation of resources, at any rate by the Central Government, goes on nearly as planned. But much of what is so raised has had, time and again, to be diverted to other purposes. Surplus from current revenue as a resource for planning seems to slip out of our hands. A good record of resource raising thus remains unmatched by commensurate Plan benefits. When gaps between planning and expectation on the one hand, and performance and the course of events, on the other, are thus becoming so numerous and so wide, it is only natural that there should be widespread questioning both of the assumptions and nature of planning and the techniques of implementation.

Let us, therefore, consider for a while the real nature and scope of Indian Planning. There used to be a general impression that planning in India is as comprehensive and total as it could possibly be in a country with a democratic form of Government. Such an impression is superficially strengthened by the diffuse and encyclopaedic nature of the Plan documents. Practically every aspect of economic activity, and indeed of life, comes in for mention somewhere or other in the Plan, be it cow protection, fighting the desert, or helping the handicapped. Much of this may be merely expressions of hope or of vague intention. But enshrined in the Plan documents, these get invested with a kind of illusory concreteness. In reality, however, Indian planning is much more limited than what its detractors or devotees think it to be. It is nothing more than public investment in certain

sectors and the management of economic activities springing therefrom, and an attempt through economic policies, regulations and a rudimentary allocation of resources, to influence the rest of the economy to act on desired lines. This combination of direct economic action in certain spheres and indirect management of developmental activity, is really not very different from what prevails in many other countries which have hardly any pretensions to planning. The difference is only one of degree. This lies mainly in the greater emphasis on the direct action of the State in the field of industry. It is clear therefore that planning in India is merely part of the management of the economy with a view to secure growth and development. Planning in this wide sense is a necessity; indeed it is inherent in all modern societies. Whatever be the terminology used, the modern State has to carry on the management of the economy, well or ill. The object of such management is always economic growth and all-round development. Obviously it must be done on an imaginative and forward looking basis with clear, long-term objectives and not on an *ad hoc*, day to day, hit and miss basis. The choice, therefore, is not between planning and no planning, but only between different kinds of planning or between good planning and bad planning.

The nature and techniques of planning in India have to be consistent with the democratic form of Government, and, one hopes, the democratic way of life. The vast majority of Indians claim that they believe in democracy and cherish a free society. The preservation and nurturing of freedom itself demands not only the rule of law in the old fashioned sense of the word, but the free acceptance of certain restraints and disciplines without which the complex forms of

organization which a modern growing society requires cannot be sustained. But these restraints and disciplines need not degenerate into regimentation. The essence of freedom is the faculty of choice from which alone can spring initiative, energy and enterprise, which are the motivating forces for growth and development. Forms of organization and the restraints and discipline which are essential should seek to nurture choice and enterprise rather than to choke them. A planning system which seeks to attain the objectives of growth and development through harmonising the direct economic activity of the State with the guidance and inspiration of private effort, organized or individual, through appropriate economic policies, is entirely consistent with the form of Government and social organization in a democratic society. Our basic concept of planning is, therefore, both sound and suitable. Yet we seem to have lost our way in translating this concept into reality. Here lies the malaise of Indian planning. For lack of a better or more elegant expression, I have chosen to call it planning at cross-purposes. What I wish to highlight is that we have lost our way through confusion between ends and means, through failure to match the means with the ends and to harmonise the means among themselves. In the process, some of the means have themselves become sacred cows while some of the ends have been equally neglected.

One main reason why this has come about is that from the outset we have had at the same time too much planning and too little of it, to use the word in a loose sense. We have ignored in practice the fact that planning is an integral and inseparable part of total economic management. We have tried to divide economic activities into almost water-tight compartments—Plan and non-Plan. We have pretended, even

believed, that our planning is more total than it is or could be. Planning has thus seemingly obtained an importance and position which it does not have in reality. Because of this false belief, more hopes and expectations have been raised, only to be shattered by the course of events.

Let me start with objectives. No one will dispute that in general terms the principal objective should be rapid economic growth — rapid enough to double the standard of living in a decade or so. Other countries have shown that this degree of rapidity need not be a dream. But growth by itself can never remain the only or over-riding priority in the sense that everything else must give way to it. It is understandable and legitimate that there should be other objectives. Social justice, reduction of inequality, a wider spread of development among the various regions of the country, self-reliance, international or regional co-operation—each of these, taken by itself, is a legitimate objective. Over a period of time, they could be consistent and reconcilable with each other. But these main goals have, in their turn, to be achieved through a number of more specific objectives. But these, in the short run and, may be, even in the medium run, are often bound to come in each other's way. Sometimes there could be a head-on clash. No one but a single-minded fanatic will argue that any one or other of these objectives must have absolute priority. Equally it is clear that indiscriminate and simultaneous pursuit of too many will simply result in frustrating every one of them. What is needed is a harmonising of these objectives. This has been singularly lacking. One must admit that perfect harmonising is extremely difficult, if not altogether impossible. But one can at least avoid loud and shrieking false notes. We want more saving, but also more consump-

tion even when the national income is not growing fast enough for both. We want to increase exports at all costs but not at the cost of any inconvenience to any section of the domestic economy. We want more employment and in that name we continue wasteful employment, even when it comes in the way of productivity and progress which also we want. We want the latest techniques and the glittering rewards of the economy of scale but we equally want the opposite. We want secondary education to have a more practical and utilitarian bent but we also want more and more of the very kind of university education which in other contexts is condemned as wasteful and futile.

Another kind of disharmony comes from the confusion of objectives with means. Some of the means tend to get treated in course of time as objectives in themselves. One example is the mobilisation of resources. This is fundamental, but yet only a means. How those resources are employed is altogether more important. This tends to be put aside, but all the same the mere raising of resources becomes an objective in itself. Some forms of exchange control and import control have almost attained this status. In a good part of the administration of Company Law, it is difficult to discern any objective except the continued activity of the administration at its slow and majestic pace. In this sense, it has become truly autonomous and self-contained. Instances can be multiplied. The point is that if this process is not checked we could get altogether lost among the means.

The economy, even of India, is a highly complex organism. Every action inevitably produces consequences, some expected, some not. These in turn produce other consequences. Thus many of the means adopted go counter to some other objective or, sometimes, to the intended objective itself. The field of

taxation is replete with such examples. Even in the best laid schemes of mice and men, a few things are bound to go wrong. When that happens some corrective action is taken, generally in the shape of more detailed regulation and control. The search for the basic reasons which have led to or created the need for corrective action is postponed or neglected, and with it the search for better and more enduring solutions. The development and pursuit of these regulatory measures themselves become a major objective and tend to overshadow others for a time. Thus the inevitable concentration of heavy investments in particular areas, as for example, steel factories, may, for the time being, increase regional disparities. Emphasis is at once shifted to the problem of evening out these disparities and this is encouraged by regional claims often backed by political agitation. Once deflected from the main path, further investments are made with insufficient regard to the essential criteria needed to secure their best use. In this process, even the good management of investments already made tends to be neglected. More and more investments then reveal themselves as unviable and these in turn lead to corrective action in the shape of even more adventurous use of resources. This vicious circle of distortion becomes difficult to break.

One of the major causes of our difficulties is the divorce, in practice, of what is called planning from the totality of economic management. The classic example is the virtual acceptance by everybody of the distinction between Plan and non-Plan. Plan expenditure which includes an element of current expenditure on development, and non-Plan expenditure (which includes a considerable amount of capital investment) are neatly separated on paper at the beginning of a Plan, and thereafter one proceeds as if

they are in fact separate compartments. The level of non-Plan expenditure is settled on a number of assumptions. Some of them are known to be unrealistic from the outset and others are not wholeheartedly accepted by those really concerned. Little thought is given to the hard fact that a great deal of single-minded and energetic economic management is required to make these assumptions come true. On this paper arithmetic, resources available for Plan activities are determined and they are launched on the assumption that these are realities. Experience has shown, time and again, how hollow many of these assumptions were.

The predictable effect of all this is that almost every time there is a conflict, the non-Plan wins. To a great extent this is understandable. The ordinary business of Government and the continuance of development activities already initiated must of necessity take automatic priority. Irrespective of resources, irrespective of planning, these activities exercise prior claim on resources. But the quality and effectiveness of these activities are not subject even to the rudimentary scrutiny which Plan activities obtain. Growth in this sector, and with it the growth of expenditure goes on in a completely unplanned manner and falsifies from the outset the hopeful assumptions on which Plan investments and the means of financing them are arranged. To put it simply, resources painfully mobilised for Plan investment get diverted to other activities. This has happened in every Plan and increasingly so.

The experience of the first two years of the Fourth Plan is no different from that of the past. In fact, people have almost come to believe that it is easier to do something outside the Plan than within

it. The unconcern, even the abandon with which many call for undertaking development activities outside the Plan is a dark portent when it is remembered that these include highly placed and influential people both at the Centre and in the States. This attitude amounts to a negation, a mockery of planning. It means the giving up of even the pretence of the exercise of priorities. All this does not in the least imply that activities which go on in the non-Plan sector are unnecessary or undesirable. On the contrary, they are in a sense even more important than Plan activities. Thus the maintenance and running of our schools and hospitals and the improvement of the quality of the services they render are at least as important, if not more, than building new schools and hospitals. All that I wish to urge is that these activities, because of the very fact of their importance, and their claim on a large chunk of resources, need to be planned as much as new activities for the better equipment and productivity of the country. Confusion of objectives and means in this sector does as much as or even more harm than similar confusion in the field of planning. What is more, it eats unseen into the resources and makes the path of new planning rougher than it need be. Planning at the highest level, therefore, should be much wider than what it is. In fact, at this level it must be comprehensive and total. It must concern itself with the entire problem of the management of the economy, of the entire problem of the disposition of resources whether by direct action in the public sector or by indirect influence and regulation in the private sector. The raising of resources by the State, the deployment of all the resources so raised, whatever be the purpose, the manner of raising the resources and the modalities through which their deployment in the desired way is sought

to be secured, and the complex of economic policies which have to be designed to lead or induce people to act in accordance with the Plan objective — these form an indivisible whole, the very core of planning. Only so can the numerous objectives be harmonised with each other and with the means through which they are sought to be achieved. At this level what we need is far more planning and not less. Equally, such planning should be of a kind appropriate to the level, and should not get lost in a welter of detail.

Planning at this level has to be undertaken by the Central Government, and can be successfully undertaken only by the Central Government. The Planning Commission should be fairly and squarely regarded as only one of the organs of the Central Government. The belief that it is in some way different and independent only causes confusion and helps evasion of responsibility by organs of Government which must be deeply involved in Planning. Divorce between planning and implementation should be ended. The confusion in this regard comes from the fact that the organs of implementation, which are the departments of Government or agencies controlled by them, regard themselves — and, under present circumstances rightly so — as responsible both for Plan and non-Plan activities. The Planning Commission is, however, supposed to keep its hands off the non-Plan sector. There is thus an in-built internal contradiction within the very authority which alone is capable in the last resort of attempting the task of total planning at the highest level. This contradiction can be truly ended only when the distinction between Plan and non-Plan is removed. There should be no more reserved spheres. Wherever and however resources are employed we must have best value for money spent.

Until we move a good way in this direction, we shall continue to plan and act at cross purposes.

In its ordinary meaning, planning simply means thinking and deciding in advance how something should be done. Unless in the event it is actually so done planning loses its meaning. Carrying out the various activities included in Plan — or implementation — is, therefore, inseparable from planning. Indeed it is an integral part of it. The real concern of a good planner, like that of a good manager, should, therefore, be to organise and arrange things in such a way that things are done in the sense of the plan. He should not try to do it all by himself. But the planner is not a real individual but an abstract and impersonal body consisting of and working through many individuals some of whom are apt to mistake the tree before them for the wood. Inherently, therefore, there is the danger of too much involvement in detail in the field of implementation.

The Plan, as I have said earlier, consists of two parts, each requiring different treatment. The first is the field of the direct activity of the State or the public sector in the broad sense. The second is the field of all other activities or the private sector in the larger sense of the word, consisting not only of private industry but the whole of agriculture, a greater part of trade, a good deal of transport, most services and so on. The techniques of implementation in this sphere have necessarily to be quite different from those in the field of direct action. In the field of direct action, that is to say, the public sector, the key lies in the development of the right kind of organizations and agencies. After the selection of the appropriate investments in the first stage of planning, these organizations and agencies

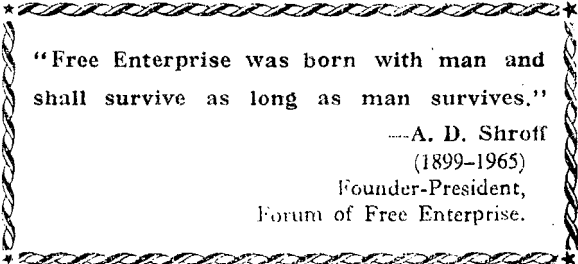
must be capable of carrying out the Plans efficiently, and managing them well later on. Here, the problem is not intractable. I say this in spite of our not very encouraging experience. Historically the machinery of the State has become accustomed to certain procedures and methods of work which were appropriate enough when the activities were limited and embraced very little of the economic sphere. They were, however, designed mainly to secure justice and equity, to secure like treatment in like situations, and to prevent abuse, rather than to secure efficiency or speed of action. Such methods continue to be valid even now in certain spheres. But obviously these are neither appropriate nor enough in the economic sphere. It is widely recognized that in their preoccupation with preventing the wrong thing being done they are likely to stifle all action. In spite of this recognition, it is understandable that there should be resistance even from unexpected quarters to the adoption of more efficient and sensitive forms of management. The process of adaptation may take some time, but with clarity of objectives and steadfastness in direction the interval need not be too long. Outside the field of the direct action of Government, however, techniques of implementation are far more difficult to perfect because the whole complex of human behaviour is involved. Both the carrot and stick have to play a part. The carrots include exhortation, education, communication, many forms of inducements and incentives and even direct assistance. But the carrots do not grow on hedges and themselves make a claim on resources. Controls and regulations of varying rigour are the sticks. These are good enough instruments if the objective is merely to stop somebody from doing something for some time. But they become less useful when the objective is growth and development. Yet controls and

regulations have their legitimate place. The problem here is to devise the right kind of controls bearing in mind that almost invariably they bring in their train unexpected consequences which have then to be faced. They are easier to introduce than to administer and most difficult to remove; and because of this, they constitute the most prolific mother of vested interests. When you cannot do something yourself you are tempted, if you have the power, to stop anyone else from doing it except by your grace and permission. You then begin to enjoy it and will not give it up easily. An important and continuous preoccupation of planning should, therefore, be to eliminate those controls which have become otiose, ineffective, or harmful, and to ensure all the time that they do in fact subserve the main objective. There is no universal or sovereign test, but the nearest to a good rule of thumb which I can imagine is this — that a good control should seek to work through economic forces, should seek to canalize them, and not run altogether counter to them. One should use controls as the sailor uses the winds. Therefore, regulation and control should, to the maximum extent possible be general in character and not require the exercise of individual discretion by a large number of functionaries. The regulations and controls now in force including many which are called informal, come nowhere near answering this test. Most of them, therefore, need recasting, even transforming. Where the objectives are still valid it is quite possible to meet them in simpler, tidier, and altogether more effective ways. Nowhere is the need for radical reform greater than in the field of import control and the detailed regulation of industry. Reform of controls would release intellectual effort and ingenuity now wasted in a perpetual game of hide and seek in a dark and ever-growing jungle, for use in more constructive

channels. It would equally enable millions of people to get on with the job of development.

I shall now gather the various threads. The basic objective is the development of human personality in a free society through economic growth and social justice. This has to be reached through the wise management of the economy towards clearly perceived goals. This requires comprehensive planning at the highest level. While the main objectives may be consistent and reconcilable in the long run, the path has to be through a variety of minor and more specific objectives and through the choice of the right means. In the short run these can often come into conflict with each other in varying degrees. The harmonising of objectives and means, which is a continuous process, must, therefore, be the main preoccupation of planning. The means chosen, whether in the development and management of the public sector or for influencing action in the private sector, must facilitate and not hinder the display of constructive energy and initiative. spurts of energy can be no substitute for clarity and steadfastness. Without them, planning will continue to be at cross-purposes.

*The views expressed in this booklet are not necessarily the views of the
Forum of Free Enterprise.*

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

—A. D. Shroff

(1899-1965)

Founder-President,
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