

SOME LESSONS OF A DECADE OF PLANNING

Prof. R. K. Amin

One can write volumes on "A Decade of Planning". I do not propose to go into various details of planning in this country, but shall restrict myself to a few important aspects. First, I propose to make an assessment of our achievements and progress in planning by comparing India's economic scene before and after the plan-period. Secondly, I shall suggest how best the present economic situation can be improved for the next ten years in the light of experience of planning so far. And, thirdly, I shall point out in what way more beneficial results could have been brought about.

First, let us review our achievements. The national income has increased quite rapidly during the last ten years. Its estimated growth is of 42% between 1950 and 1960 which comes to about 20% increase in *per capita* income. The increase in income was quite satisfactory in the First Plan but was not so in the Second. As compared to other countries with democratic planning, this is not a mean achievement. However, we have not done what we aspired to do. In regard to employment, the picture is not so encouraging. This problem was acute even before we started planning and hence it was beyond our capacity to solve it in the first ten years of planning. The backlog of unemployment and under-employment which was quite large at the beginning of the First Plan has continued to increase since then. This increase is more than what was indicated in the two Plans. The two Plans have increased employment up to 17 to 18 million in

the entire economy while the addition to the labour force may be of about 30 million during this period. The spectacular increase in population revealed in the census of 1961 makes the problem still more difficult. Probably an additional 18 million people will enter the labour market during the Third Plan period; the present Plan, with all its liberal estimates, cannot provide work to more than 14 million people. Thus again there will be an addition of about 4 million people to the backlog of unemployment which has been increasing since 1951.

Taking up various sectors of the economy, there has been considerable increase in food production, from 52.2 million tons to 76 million tons, although the food shortage has not been wiped out; there has been quite a substantial increase in industrial output, about 60%, although still we have not been able to export more and import less than before and thereby reduce our balance of payments gap. There has been considerable increase in investment in building up what is known as infra-structure or social and economic overheads, viz., roads, railways, electricity, irrigation, ports, hospitals, schools, colleges, etc. Similarly, there has come into existence quite a good number of new industries.

The economic scene in this country has substantially changed in the last ten years, especially as regards the building up of the infra-structure and introduction of new industries; bringing about

these changes was, in fact, the right thing to do for any government in an under-developed country like India. In support of this view, one has only to refer to India's economic conditions in 1948-49: the economy was then almost shattered, the food problem was a great menace, rehabilitation of refugees was absorbing a great part of our resources and management of controls covering a great part of our economy was almost ineffective. One would hardly have dreamt of taking up planning in 1951. It has now come to stay.

Let us come to the second important aspect of the work of assessment of the last decade, that is the number of changes which have been made in techniques during this decade and which are now an integral part of the philosophy, strategy and organisation of planning in this country. At the beginning of the First Plan, the country was not so much aware of the population problem as it is today. The problem was not taken very seriously; only lip-service was paid to it. To-day it is heartening to note that, if not fully, at least in a substantial way, people have begun to realise the importance of population control. All this is evident from the fact that a meagre sum was provided for the work of 'family planning' in the First Plan; in the Second Plan, a somewhat bigger sum was allotted, although it was in no way sufficient for the purpose. In the Third Plan, a sum of Rs. 25 crores has been provided. Still the question will remain very serious for some time, in view of the increasing number of women in the reproductive age group. In various studies made in regard to the attitude of the people towards family planning, the results are encouraging. In a backward area like Basti in the Eastern U.P. it was noticed that people were eager to accept family planning. Likewise, at several places the attempts to observe family

planning **Yagnas** have yielded good response.

There has been good progress in regard to the availability of statistics for economic planning. There are more reliable estimates of national income, food supply, foreign exchange requirements, input-output relationship or inter-sectoral relationship than ever before. The importance of having correct statistical information has been realised and, therefore, various organisations to collect more reliable statistics have been started. Various agencies such as universities, agro-economic centres, research programme committees and banks now try on an extensive scale to collect as much statistics as possible. Of course, many of them may not be fully reliable; yet, one cannot deny that progress is substantial and attempts to improve the position are praiseworthy.

There have been considerable changes in regard to the philosophy of planning. The objective at first was a Welfare State describing the economy as a Mixed Economy. Soon the objective was changed into a "socialistic pattern of society" and later on to a "socialist economy". Emphasis has been laid from time to time on the need for co-operativisation of various sectors of the economy. But the industrial policy has been modified in the name of a "pragmatic approach". The fervour of "nationalisation" which was at its zenith during the First Plan no longer exists to-day.

There has also been considerable change in the technique of planning. The country started with *ad hoc* planning without covering the entire economy. The targets in the beginning were flexible and were expressed in financial terms mainly. Later on, in the Second Plan, although a reference was made to the need for flexibility, the targets were both financial as well as physical. The plan was almost a total plan. But soon it was found

that such a plan was impossible to execute in a democratic set-up and now again in the Third Plan the emphasis has been shifted to flexibility. The targets in the Third Plan are more in round figures. For some sectors, they have not been mentioned except by way of putting words like "considerable increase", "substantial rate of increase", etc.

The country has gone through the process of learning and unlearning during this decade. Sometimes potentialities have been underestimated and sometimes overestimated. For example, in the First Plan, priority was given to the development of agriculture. There were no difficulties even when deficit financing was resorted to. The balance of payments situation remained quite comfortable. There was good response to government loans and small savings subscriptions. In these very spheres, i.e., in regard to foreign exchange, food production, capital receipts in government budgets and deficit financing, the country had great many troubles in the Second Plan. What an irony of fate! We got defeated exactly on those issues on which we felt much stronger at the beginning of the Second Plan.

The Government has also learnt a great deal in regard to taxation policy. After several attempts, it has realised that it is difficult to get money from the people by frightening them. Stock market is a very sensitive mechanism and will not respond properly the moment it is roughly handled. The Government has also come across the fact that controls in India do not work. It is difficult to convince people to accept them; even if they are imposed, it is difficult to manage them; and even if they are managed for a short while, it is difficult to continue them very long. The Government has realised its failure on the food front and is now more aware of the need for achieving self-sufficiency in food

than ever before. These are indeed good signs and these changes should be vigorously pursued lest the memories of these experiences slip away from the minds of those who are at the helm of affairs.

There are several other things to which the Government ought to have given thought and ought to have done something to implement. The first deficiency is with regard to the organisational set-up for planning. Time and again, because of democratic pressures in preparing the Plans, there is mis-allocation of resources. For instance, the wrong location of an irrigation project because the people of some locality have powerful pressures on the authorities concerned creates other consequential problems. Since the project has been located at a wrong place, the services emanating from it will not be utilised and hence the project will be considered uneconomic. It will get a bad name. The other place which would have been more proper for the location of this project is deprived of its services. The people of this place clamour for a similar project and either they are not given any project since the particular investment earns a bad name or, if they are given another project, there is duplication. Probably, in the end both these projects will be uneconomic! Moreover, such things induce people to exert more and more "political pressure" on planners with the result that planning ends in chaos. It is, therefore, very necessary to set up an organisational machinery which will work purely on technical considerations. Democratic pressures can work only on politicians who are to keep away from such expert organisations although the final say will rest with them. To achieve this, the Planning Commission should act only in an advisory capacity. It should include only experts—technicians, economists, statisticians and administrators—but not politicians. Since there is already a National

Development Council and a Cabinet of the Union Government, which can be entirely composed of politicians, the final decision may be left to these bodies as representatives of the people. At present, since the Cabinet, the Planning Commission and the National Development Council claim a say in the final shape of the Plan, and at every level political considerations influence decisions, it is difficult to find out what was right on technical considerations and what was done due to "political pressure". True, there is always room for non-economic considerations in the final choice, but such instances should be few and far between. Such non-economic considerations should be sufficiently known so that there does not remain an incentive to bring more and more such non-economic or non-technical considerations in economic development.

This suggestion has many far-reaching implications. Let us look at the working of the Panel of Economists of the Planning Commission. Does this august body really give advice to the Government? Economists are known for their habit of disagreeing. It is said that where there are five economists, there are always six opinions! Yet, in all the three plans, we have no minority report of this Panel excepting the Note of Dissent by Prof B. R. Shenoy. Probably, their consent is taken for granted.

To appreciate the deficiencies in our planning, one has only to consider the utterance of one of the members of the Planning Commission. He lamented recently that statistics available were not very reliable. To say this even after ten years of economic planning is really surprising. The frequent revisions in the size of the Plan is also a sad commentary on the type of planning done in our country. The location of several projects becomes a matter of bargaining. It is amusing to witness the manner in which State Chief Ministers bar-

gain with the Prime Minister for the State Plans.

The second important change required for the effective working of the Plan is to establish a separate statutory organisation for collection of statistical information. Today, it is not known what statistics are available with the Government, how they are being collected, how they are being processed and presented to the country. This machinery ought to be a completely autonomous organisation whose work it is to collect the statistical information and publish it. If this is done, the statistics will not continue to lie in obscure corners of Government offices; there will be free access to statistical information to all and then alone will the mistakes of the Planning Commission be detected much earlier than at present, i.e., before it is too late. The public will have a more realistic picture of the economy as well as of the economic policy.

There is urgent need on the part of the Government to accept a willing restraint in undertaking various activities. At present, it undertakes too many things without being able to do justice to all. Probably, it is better to confine for some time to a clearly demarcated sphere, and try to make a success of it. The Government will render more useful services if it consolidates its successes so far achieved and increases its activities only in those directions. There is already a heavy load of work on Government servants to-day. For example, the District Collector has no time to meet people, nor even his own subordinates; he is busy with his routine work. There is not even time for review of work done. So is the case with most of the M.P.s and M.L.A.s. Before receiving adequate training, many people have been called upon to accept responsibilities to which they cannot do full justice. This should be avoided. The people no doubt desire rapid progress, but not at a

breakneck speed which will end in suffering and misery for all.

The question of techniques and strategy of planning is also very important. First, the structure of the Plan should be altered. There are still many imponderables in our so-called planned economy. We cannot fix by ourselves the amount of foreign aid which we may receive, nor can we know the probable level of exports and imports because they largely depend on world situation. In the domestic sector, there is no machinery of controls and rationing which would give correct estimates of consumption, production and manpower. The co-operation of people differs considerably from place to place and from time to time. The plan has too many uncertain factors. It is, therefore, better to make the plan sufficiently flexible. Such flexibility is not in the sense in which it has been used in the draft outline of the Third Plan. By "flexibility" is meant that the country ought to have three or four alternative Plans ready. In the event of original expectations not materialising, it should be possible to adopt another Plan from amongst the various alternatives available. For example, if the "core" of the Plan had been ready at the beginning of the Second Plan, it would have been easier to change the pattern of investment without undue haste in 1958 when the problem of foreign exchange became very acute. If there are alternative Plans prepared on the basis of various estimates regarding the availability of foreign aid or on the basis of different levels of national tax effort, in times of difficulties the best alternative available could be adopted.

Then there is the question of resources. Should the Plan be necessarily bigger than the resources available? In a way, it has been considered desirable to have a Plan bigger than the resources available in order to obtain large

foreign aid or to raise people's efforts to the maximum extent possible or to enthuse the people for harder work. Most of the unfavourable effects of a Plan which is not commensurate with resources can be avoided by making expenditure more purposeful than at present. In the absence of alternative Plans, such ambitious Plans involve misallocation of resources. It is advisable to remain within limits. Otherwise, low-priority investment will be immediately undertaken, essential raw materials will be used up for inessential purposes, and many projects will remain half finished. Consequently, there will be no planning at all, not even the planning of the market mechanism. The words of Edmund Burke are very relevant in this context. He said: "My opinion is against an overdoing of any sort of administration and more especially against this most momentous of all meddling on the part of authority; the meddling with the subsistence of the people."

Another trouble spot in our planning is deficit financing. Here again, monetary stability will be better for rapid economic development than any adventure in deficit financing. The words of Lord Keynes are most significant in this context. "There is no subtler, no surer means of over-turning the existing basis of society than to debase the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

For fruitful planning, the importance of building up adequate social overheads even before providing economic overheads cannot be overemphasised. A small investment on D.D.T. brings considerable returns. A slight improvement in health increases labour productivity a great deal, and importance of educating the general masses cannot be overlooked. Even the

classical thinkers realised the importance of health and education. For instance, Bentham had a plan for a Ministry of Health. Even Adam Smith wanted to subsidise education of the masses. In his view, it was essential if the effects of division of labour were not to be disastrous for the quality of the people. McCulloch even went out of his way to include the dexterity, skill and intelligence of the mass of the people in his definition of national capital and to make this the pretext for a warm eulogy of the contemporary movement for popular education.

It is also desirable to change the investment pattern and even the Plan strategy so as to give a high priority to the solution of the problem of employment. The problem can be described as explosive. If it is not tackled in time, it will soon corrode the economic and social foundation of our society.

This brings us to the main controversy: the philosophy of planning. Should we have the system of economic freedom or state enterprise covering the entire field of the economy? A great deal of confusion has been caused by unnecessarily branding persons as *laissez faire* economists and socialist economists. No one would say that the system of economic freedom should lead the State to what Carlyle described as "an anarchy plus the constable" or that the State should be "the night watchman". The classical thinkers never stood for such *laissez faire* economy. What we should do to-day is to follow the maxim of the classical economists for reasons also given by them. We should follow their tradition. No less a person than Lord Keynes has said that "the tradition of the classical economists has been marked by a love of truth and a most noble lucidity, by a prosaic sanity free from sentiment or metaphysic, and an immense disinterestedness and public spirit." Lord Keynes also wrote: "The important thing

for Government is not to do things which individuals are doing already and to do them a little better or a little worse, but to do those things which at present are not done at all." Adam Smith, for these reasons, wanted the State to attend to roads, canals, harbours, education, health etc. Prof. Viner emphasised that the "agenda" and "non-agenda" for the State differ according to historical circumstances.

It should be remembered that the classical thinkers were in favour of universal benevolence well developed in the society. According to the classicists, in the imperfect development of morals we rely on self-interest and not on egoism or socialism. There is nothing true for all times except that we shall decide everything on the basis of our experience of normal human behaviour. If we learn this truth and keep it in mind always we may not fall in the net of doctrinaire approach; we will remain practical. That is what is needed to-day.

As to the ideas on "equality", the experience of implementing that idea, especially equality of income and wealth, has revealed its many pitfalls more than its benefits. Equality before the Law or equality of opportunity are acceptable objectives to almost all the people living in democratic countries but absolute equality of income and wealth is more harmful because it is impractical even in totalitarian countries. In Bentham's view, such an equality can only be preserved "by the same violence by which it was established. It would require an army of inquisitors and executioners." India has paid lip service to that ideal but has not tried seriously to realise it because it is impossible to do so. It is better to create more opportunities for all and especially the downtrodden rather than pursue the mirage of equality.

We cannot do away with the system of private property. It has to be kept also on considerations of utility. The classical economists supported it on the same considerations. For example, Hume writes: "You can conceive circumstances in which the institution of property would be unnecessary or in which it would have to be superseded: in a state of abundance it is not called for, in a State of siege it breaks down; a state of universal benevolence would render it superfluous." Surely socialism may work in a state of universal benevolence: but, have we attained that stage? If not, then the country should work with the system of private property which cannot allow equality in the egalitarian sense as the socialists conceive it.

It is necessary to make one more thing very clear about the classical economists. It is generally believed that they stood for the mercantile community alone and were in fact the advocates of their interests. This is incorrect. The system of economic freedom they advocate benefits all. It is not exclusively in the interest of one class or community. It is advocated on practical considerations.

It is interesting to speculate what would have happened to our economy if we had adopted since 1951 a correct economic policy as

indicated in our discussions. Probably we could have by now checked considerably the growth of population; at any rate in the next five years, the increase in population would have been much smaller. Secondly, we could have built up the social overheads completely with the result that the productivity of labour would have increased manifold. The quality of workers would have been improved, extension work would have been much easier, and the Community Development schemes could have brought about capital formation on a larger scale. We could have avoided wasteful use of our resources. We could have surely solved the problem of food by now with the result that we could have started with much more industrialisation than what has been planned for in the Third Plan. We could have avoided the frightening of the public which has led to apathy and inefficiency in the working of the plans at various points. We could have attained probably a much greater economic welfare for the people with more commodities to consume, with more resources used for capital formation, with greater degree of employment and stability, than at present. However, it is never too late to mend affairs. The sooner these lessons are accepted the better it will be for this country.

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

Based on a speech delivered under the auspices of the Forum of Free Enterprise in Bombay on April 13, 1961

Forum of Free Enterprise

235 Dr. Dadabhai Naoroji Road, Bombay 1

HAVE YOU JOINED THE FORUM?

Annual membership fee is Rs. 10/-
only.

Bona Fide students can get our
literature for a year by becoming
student associates on payment of
Rs. 2/- only.

Published by M. R. PAI for Forum of Free Enterprise, "Sohrab House", 235
Dr. Dadabhai Naoroji Road, Bombay 1, and printed by P. A. RAMAN at
Inland Printers, 55 Gamdevi Road, Bombay 7.