TOWARDS A SELF-RELIANT ECONOMY: LESSONS OF THE PAST

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> **"People must come** *to accept* **private enterprise** *not* **as a necessary evil, but as an affirmative** *goad."*
>
> **—Eugene Black**

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by

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Gopal Krishna Gokhale, the great economist-statesman, had said in 1907 : "We are at a stage of the country's progress when our achievements are bound to be small. and our disappointments frequent and trying. That is the place which it has pleased Providence to assign to us in this struggle.........It will, no doubt, be given to our countrymen of future generations to serve India by her successes; we, of the present generation, must be content to serve her mainly by our failure."

That opportunity which he prophesied is before us. Although the country is passing through a trying period, lessons of over 14 years of planning, reinforced by example of experience of other countries, are before us to convert our difficulties into opportunities which is the hallmark of genius.

Since Independence, the quest for rapid and large-scale economic development has led us to adopt planning. Economic experiments have been initiated under planning. Communist Chinese aggression in 1962 added the perspective of defence; the rising prices in 1963 emphasised the need for economic stability with defence and development; and the Pakistani aggression in 1955 has underlined the need for a self-reliant economy.

In an increasingly inter-dependent world, self-reliance does not mean self-sufficiency or autarchy. That would be pot only impossible, but also suicidal. It merely means strengthening the economy to such an extent that we produce as many things as we need for defence and civilian consumption, and produce things which other friendly

* Presidential address at the ninth annual general meeting of the Forum of Free Enterprise in Bombay on November 22, 1965.

nations want, to obtain from them in exchange that we cannot produce economically. In other words, it boils down to the **maximum utilisation** of our own scarce resources. This is precisely what our Five-Year Plans were meant to do since 1951. An investment of about Rs. 20,000 crores has been made so far towards this end Therefore, a review of planning results is essential to chart our future course.

Since planning was initiated, national income has increased from Rs. 8,850 crores in 1951 to about Rs. 15 000 crores in 1965. Agricultural production increased in the same period from 54.9 to 87.2 million tonnes. The index of industrial production jumped from 73.5 to 179.5. In industries like steel, cement and sugar production increased by 300 per cent. The industrial base widened considerably and even sophisticated engineering products like sewing machines are being manufactured and exported to industrially advanced countries.

Progress has been recorded in other directions such as education where the number of pupils in elementary stage by 1966 will be 51.5 million, and at college level 1.1 million, nearly threefold increase. But in spite of all this progress, there is an economic crisis in the country. The entrepreneur and the employee, the planner and the politician, and above all the common man feels a sense of disappointment. As aptly summarised by the Reserve Bank "Report on Currency & Finance for the Year 1964-65", there are three major problems facing the economy: (a) crisis of rising prices, particularly of foodgrains, (b) crisis in the investment market, and (c) crisis of foreign exchange. There are all-round shortages.

The wholesale price index has risen steadily from 111.8 at the beginning of the First Plan to 166 in October 1965. The directors of the Reserve Bank pointed out in their 1965 Report, "The upsurge in prices which commenced in December 1963 gathered considerable momentum during the lean season of 1961 and during the three months, July-September, prices rose by nearly 8.2%." The rupee has lost over a third of its value since inception of the Third Plan in 1961.

The developments on the food front are more distressing. The increase in index number from 112.5 at the beginning of the First Plan (1951) to 170.5 on October 16, 1965, does not give an accurate picture of the hardships of the common man. Owing to the zonal system, organised markets have been dislocated and availability of different varieties of foodgrains in all parts of the country has been affected.

The capital market, whose health is a **sine qua non** of economic growth, has been in the doldrums. The Unit Trust of India investments suffered a depreciation of 1.6 per cent in market value over their book value. Net market borrowings of the Central Government in 1965-66 were only Rs. 97.32 crores as against a target of Rs. 270 crores. In recent years, the public borrowing targets could be achieved only by considerable support from the Reserve Bank. By subscribing to the portion unabsorbed by the public, the Reserve Bank in effect was increasing deficit financing as the Finance Minister acknowledged in his 1965-66 Budget speech.

With industrialisation of the country, apart from foreign exchange for Development Imports, i.e., the building up of new industrial capacity, the requirements for Maintenance Imports, i.e., raw materials and spares and components to utilise the installed capacity, have also increased. Although we started our Plan with Rs. 951 crores of foreign exchange reserves, today, allowing for Rs. 200 crores as the statutory minimum (which includes gold valued at about Rs. 134 crores), we have reached the bottom of the bucket. As a result, the growth and tempo of the economy have slowed down, and many industries are running well below their installed capacity owing to shortages of imported raw materials. In this connection, the Gold Bond Scheme of the Government to mitigate the foreign exchange crisis by mobilising idle gold is to be commended as a step in the right direction. However, its success will depend on the scrapping of the Gold Control. It is also important that the Government should not send this gold abroad but only pledge it with the International Monetary Fund.

The clue to our economic crisis is to be found in the **strategy** of Plans. The second and third Plans emphasised the "inirastructure industries", i.e., heavy industries, to the neglect of agriculture, our basic asset, and consumer goods industries. The infrastructure industries are capital intensive and have a long gestation period. The result was that agriculture and consumer goods industries were starved of the necessary capital and production of these vital items needed by the public lagged behind demand. In the meantime, the huge expenditure on heavy industries became purchasing power in the hands of the public. The pressure on consumer goods, and particularly on foodgrains, increased. thus pushing up prices.

The following figures worked out by Prof. P. C. Mahalanobis, Statistical Adviser to the Planning Commission, graphically bring out the relative advantages of investment in heavy industry, consumer goods industry and agriculture :

One crore of rupees

Invested in	Produces additional resources	Generates employment
Heavy industry	Rs. 14 lakhs	500
Consumer goods industry	Rs. 33 lakhs	1,500
Agriculture	Rs. 57 to 69 lakhs	4,000

In spite of a record crop of over 87 million tonnes in 1964-65, the food crisis has become more acute than in the previous years. This has awakened the authorities to a sense of urgency, which is a welcome development. A word of caution, however, is called for in handling the food situation. While the emphasis on heavy industries will have to shift to agriculture in our future Plans, any miraculous results on the food front are to be ruled out. Years of neglect cannot be mended overnight. In the meantime, as in the past, energies of the administration should not be dissipitated over distribution — state trading — of foodgrains instead of helping farmers to increase production.

The equitable distribution of a basic necessity of life like food, and looking after the interests of the weaker sections of society are no doubt essential. But all-out state trading is not the way to achieve these objectives, as experiments in the past have clearly shown. For instance, in April 1965, the Parliamentary Estimates Committee expressed surprise at the loss of Rs. 32.57 crores incurred by the Union Food and Agriculture Ministry during 1962-63 in distributing foodgrains. The Committee was perturbed that lack of care in weighing bags at the time of loading resulted in an avoidable loss of Rs. 62 lakhs According to the Comptroller and Auditor-General of India, between 1943-44 and 1963-64, the loss on account of state trading in foodgrains was Rs. 164.67 crores.

In addition, huge losses have been sustained by state governments. The West Bengal Audit Report for 1964 points out that during 1959-60 transit and godown losses of rice and wheat worked out to Rs. 70.39 lakhs. In June 1965. 3000 maunds of rice, wheat and wheat products valued at Rs. 1 lakh were damaged by rain water seeping into a godown which was not attended to for five years in spite of drawing attention of the authorities to the waterlogging problem. Another recent instance is that over 50% of a consignment of 2,250 bags of wheat received at Ranchi railway station on July 30 was found unfit for human consumption. The report explained that the consignment was exposed for over six weeks at Vishakapatnam Port yard as the Railways could not provide the wagons.

Another aspect of planning which needs change is that of inflation as a development strategy. The current rise in prices is not to be wondered at considering that it is part of the strategy adopted in the Second and Third Plans. Not only is there an emphasis on heavy industries in these Plans, but the targets laid down are quite beyond the available resources or genuine savings. Of these sources, first, taxation, direct and indirect, has been so heavy that the phrase "the highest taxed nation" coined by eminent tax authority, N. A. Palkhivala, has passed into popular parlance.

As the Directors of the Reserve Bank of India, in their 1965 Report, point out, "The additional taxation at the Centre in the last four years up to 1964-65 which is expected to yield Rs. 2,025 crores over the entire Third Plan period, has already exceeded substantially the target of Rs. 1,100 crores fixed for the Third Plan......The ratio of total Central and State tax revenue to national income in 1965-66 is expected to rise to 14 per cent as against 9.6 per cent at the end of the Second .Plan."

The second source, public borrowings, has likewise reached the saturation point. The third source, profits of Government's commercial and industrial undertakings, does not yield enough resources. The fourth source, external assistance, which in effect is other people's savings made available to us, has obvious limitations although in 14 years of planning we have secured Rs. 5,208.5 crores (authorised), and used about Rs. 3,731 crores of it. When all these sources of genuine savings are exhausted, and the targets of development require more resources for fulfilment, deficit financing is resorted to. This takes place in a number of ways such as issue of ad hoc Treasury Bills —IOUs— to the Reserve Bank which creates, against these fictitious assets, moneys for the Government to disburse on its Plan expenditure. In short, money supply in the country is increased without any proportionate increase in goods and services. A leading authority on monetary economics. Prof. Milton Friedman, has pointed out the effect of such increase in money supply on the economy. A part of the supply is absorbed by the public which technically means that it is subscribing to a public loan at zero rate of interest. The unabsorbed portion automatically begins to reduce the purchasing power of the money already in circulation. In other words, it becomes a tax on the cash holdings of the community. Figures explain this. When we started Planning, the money supply with the public was Rs. 2,016 crores. In March, 1965, at the end of 14 years of planning, it was Rs. 4,080 crores, an increase of over 100%. Over the same period, national income, i.e. goods and services which that money can buy, increased by about 65%. As a result,

prices have shot up. The Government benefits in two ways by this.

First, as people find that their real incomes do not increase even as money incomes increase, they are forced to reduce or cut out many items from their budget — a form of compulsory austerity. Second, Government liabilities on account of life insurance, a state monopoly, pensions, provident funds and market borrowings, small savings, etc., get reduced. The Government gets rupees while they are higher priced, i.e., their purchasing power is more, and returns lower-priced rupees. Thus, inflation is a way of transferring public savings into state coffers in the strategy of planning adopted in Second and Third Plans.

Contrary to expectations of planners that the cornering of public savings for development through the Public Sector would increase national wealth, in reality the economic situation has worsened. Money which would have fructified in the hands of the public has not yielded good returns in the Public Sector where it was diverted.

According to the Comptroller and Auditor-General of India, on an employed capital of Rs. 1,573.59 crores in 1963-64 in Central Government undertakings, the net result of operation was a loss of Rs. 55.55 lakhs.

This discouraging performance is due to a number of factors. One is that government officers, who may be good administrators, do not possess the requisite industrial background and temperament. The fact that power is divorced from accountability only makes matters worse. As Sekou Toure of Guinea, known for his pro-communist leanmgs, admitted after a disastrous experiment with nationalisation: "The private trader has a greater sense of responsibility than civil servants, who get paid at the end of each month and only once in a while think of nation or their own responsibility."

The profit or loss figures do not give an adequate idea of the functioning of the Public Sector. The analysis presented in reports of Parliamentary ,Committee on Public Undertakings is perturbing. Situation reports like the following from a Bombay daily in March 1965 furnish further proof :

"All is not well with the Rs. 175-crore HEC projects at Ranchi, not to speak of the Rs. 33-crore sprawling new township at Jagannathpur which is fast taking shape around the plants.

"The Rs. 42-crore Heavy Machine Building Plant, designed to produce machinery and equipment for a million-ton steel plant every year, is unable to utilise a production potential of 15,000 tons already established for want of orders and the orders it has on hand it is unable to execute because castings of requisite tonnages and quality are not available either from the adjacent Foundry Forge Project or other indigenous sources."

A report from London said that "the first big Indian effort to export finished steel to a Western country has come to grief because of inefficient packing and lack of care in dispatch. As a result, 3,000 tons of reinforced bars shipped by the Hindusthan Steel Ltd., to a British firm had reached in such damaged condition that the shipment had been rejected."

The tale of state government enterprises is no better. According to a survey of their industries, the following is the position in the three Plans:

	Capital invested during Plan period	Result
I Plan	Rs. 26.9 crores	+ 0.2 crs.
II Plan	Rs. 68.8 "	— 1.1 "
III Plan	Rs. 149.9 "	— 0.1 "

The losses are understandable if one studies individual cases. The Estimates Committee of West Bengal Legislature described the Rs. 44-crore Durgapur Project as a series of instances of "defects in planning, economies and administrative set-up." A press report on Estimates Committee observations said:

"The project authorities, it was stated, did not take into considefation the market position with the result that some of the by-products, in great demand, were not produced to the full-rated capacity while a few others, with little market, came out of the plants in abundance.

"Mr. Baidyanath Banerjee, the Committee Chairman, explaining the main features of the report, said the administration, already top-heavy, lacked 'commercial outlook' and was run more on the 'hierarchical pattern' than like a business organisation.

"He admitted that the Committee failed to secure the project report or its copy which neither the DPL nor the Government could produce. He was surprised that with five locomotives and 33 hours for loading and unloading (private firms got only five hours), the project should not be able to clear the wagons and would have to pay demurrage at the rate of a lakh of rupees a month. The situation had improved since."

The Orissa Audit Report reported that between April 1963 and January 1964, the State Exchequer lost Rs. 5.77 lakhs on nationalised text-books whereas a profit of Rs. 9 lakhs had been anticipated. The Bombay Municipal Corporation owned BEST services as well as State Transport services elsewhere drew heavy fire of public criticism. For instance, the Andhra Pradesh State Road Transport Corporation, sustained a huge loss of Rs. 20 lakhs, during 1963-64. The Mysore Government spent Rs. 35,000 to produce goods worth Rs. 666 in a factory. For producing fish worth about Rs. 2,300, the West Bengal Government spent over Rs. 3 lakhs. The Maharashtra State Farming Corporation, comprising profit-making sugarcane farms of sugar factories taken over under land ceiling legislation, lost Rs. 19 lakhs in the first year!

Consumers of Public Sector units were always the worst sufferers. For instance, the Parliamentary Committee on Public Undertakings pointed out in April 1965 that premia rates fixed by the Life Insurance Corporation in 1956 were on the high side. That there were over 64.000 complaints from policy-holders in 1963-64 was "a sad reflection" on the service of LIC, it observed. It commented that the total outstandings on death and maturity claims at Rs. 15 crores were very high, and regretted that not a single case of delay had been inquired into nor disciplinary action taken against defaulting officers. No wonder even the Speaker of the Lok Sabha mentioned in the House in April 1965, while several members complained against LIC, that his application for a housing loan had elicited a reply after six months asking him to furnish particulars of his caste!

The Management Group Committee of the Planning Commission made the following revealing observations in a recent memorandum:

> "If the development of Public Sector undertakings is reviewed in detail, it becomes apparent that a large number of the projects are taking longer in construction and to reach full production than originally envisaged and at a cost much in excess of the original estimates.
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> "In addition, increases in the scope of the project part way through the construction phase often leads to alteration or abandonment of previously constructed features, with consequent increase in the cost. A poorly laid out and incomplete plan work will not only lead to an inaccurate estimate for the project, but also will make the subsequent control of the construction work more difficult to execute.
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> "Another problem that has been injuring the Public Sector is that of under-utilised capacity. There are in the country today a number of projects which are not working at the capacity originally planned. Insufficient or poorly organised management is a common reason behind this problem, but an important reason has been a poor analysis of the demand for the product."

The small car project, in offing since 1950, is typical of the way planning in Public Sector takes place. By April 1959, three inquiries on its feasibility had been held, a fourth ordered. In August 1961. an announcement in "four to six weeks" had been promised in Lok Sabha, a year later

another minister had promised Rajya Sabha to announce a decision "soon". In November 1965, the project was suffering from "low priority".

The plight of employees in the Public Sector has occasioned rethinking among many of them and labour leaders on the efficacy of nationalisation and state enterprises. In March 1965, for the first time, in a nationalised undertaking, Class I & II officers of LIC went on a strike. In an interview in October 1965, Mr. Gulzarilal Nanda, a veteran trade union leader and Union Home Minister, confessed that he was "a disillusioned socialist." The report added: "Mr. Nanda said that by widening the sphere of the Public Sector one could not bring about socialism. In fact, officials drawn from the secretariat and made head of projects did not evoke confidence for equitable distribution. They were indeed sometimes more rigid and bureaucratic than ever. Many workers had told him that they preferred the Private Sector to the public."

Mr. Manohar Kotwal, General Secretary of the Hind Mazdoor Sabha, said at a convention of Oil and Natural Gas Commission Workers' Conference in November 1965, that the bureaucratic management had made the Public Sector the worst enemy of socialism to such an extent that the people would lose faith in socialism if the rigid bureaucratisation of Public Sector was not curbed in time.

Another prominent labour leader, Mr. Khandubhai Desai, wrote, in January, 1965, as follows: "What about industrial relations in Public Sector undertakings? I am constrained to say that they are far from satisfactory. Their approach to labour is outmoded, and they are 20 years behind the Private Sector in this matter. Executive officials of Public Sector undertakings do not deal with labour sympathetically and they have not changed with the times. It is our duty to re-educate them so that Public Sector industries might become model employers."

In his presidential address at the annual session of the Indian National Trade Union Congress, premier trade union organisation, Mr. Kashinath Pandey, M.P., frankly expressed his fears of nationalised industries. He said that as the welfare of workers in Public Sector was neglected and consequently they were dissatisfied, he could not stand up to justify the Public Sector without his legs trembling. Whenever there was talk of nationalisation of an industry, its workers felt as if someone were throwing ice cold water on them, he added.

Thus while on various scores the inordinate prominence given to the Public Sector under the present strategy of planning has not been justified, purely from the economic viewpoint also rethinking on them is necessary if we are to learn from our past experience to build up a self-reliant economy. A report of a committee set up by the All-India Board of Technical Studies in Management has brought out startling facts: For instance, the Tata Iron & Steel Company, for a production of one million tonnes of steel, employed 101 production managers (1960-61) whereas. for producing three million tonnes. the Public Sector Hindustan Steel employed 1,795. Another instance is that of Jessop & Company and Guest Keen Williams Ltd., on the one hand, and four units of the Public Sector Heavy Engineering Corporation on the other. In 1960-61, the former employed 160 managers for a combined labour force of 18,000 whereas the latter had 150 managers for only 3,600 workers.

Even to champions of private enterprise, it gives no pleasure to point out these serious deficiencies of the Public Sector. But public interest, because of huge public stakes, demands the performance of such an unpleasant task. A constructive approach to the problem would be to allow, as socialist countries elsewhere are realising, competition between public and private sectors on fair and equal terms. The Union Minister for Petroleum and Chemical Industries, Prof. Humayun Kabir, rightly said in July 1965: "I am against monopoly in any sector—private or public ... I want the oil companies in the Private Sector for competition which, in turn, will raise the standards of efficiency."

Another aspect of Plan strategy which needs revision is the intricate set of controls over productive private enterprise. These controls have reached a point where their

operation, instead of ensuring best use of scarce resources, is leading to wastage of such resources, slowing down the tempo of growth and introducing serious distortions in the economic structure. These evils are in addition to the social cost of corruption and black money they have given rise to. Some of these controls have no relevance to the fast-changing Indian economy. For instance, credit squeeze measures on commercial banks are really hurting the productive industrial sector. The busy and lean seasons of the Indian economy are fast disappearing, there being intensive economic activity throughout the year. Similarly, the increase in bank rate does not have the same effect on our economy as it does on the British economy.

It is cheering to note that governmental thinking on controls is also changing. The decontrol of cement is a step in the right direction. In this as also other economic measures, recent changes in Communist Russia need serious study.

In May 1965, the Soviet Government lifted price controls on privately-raised farm products to stimulate greater production. For some time now, Soviet authorities had come to realise the futility of persisting in centralised comprehensive planning, which incidentally our planners had copied in 1956. Starting with Prof. Liberman's celebrated article in "Pravda" in 1962, criticising the central planners and arguing in favour of profit motive, numerous criticisms had appeared in the Soviet Press. A widely circulated report by a young economist, Mr. Aganbegyan, attacked "the backward and chaotic conditions" of Soviet industry. He had referred to the drawbacks of centralised comprehensive planning whereby targets were arbitrarily fixed without taking into consideration needs and conditions of regions concerned. He maintained that the quality of goods produced was so shoddy that nobody wanted them and godowns were crammed with them. Another economist deplored that unemployment had become a general feature of the Soviet economy — ranging from six per cent in Moscow and Leningrad to 25% in Siberia.

Writing in "Pravda" in March 1965, Soviet economic theorist, Mr. L. Leontiev, emphasised "the law of value" as opposed to rigid centralised planning. He reinforced the trend towards granting of material incentives to producers. "For millions of people, it is insufficient to have an abstract conception of their role in the productive process; they need a directly felt and perceived form of link between labour expended and reward accruing to it."

The Soviet authorities have not shirked these issues, but realistically accepted their presence. In November 1964 on the 47th anniversary of the Soviet Revolution, Mr. L. Brezhnev, Party Secretary, declared: "We know that the quality of many goods we manufacture is below the level of the best and that the supply of goods and services for the people are far from satisfactory. The economy has to carry a big overhead because of the slow realisation of the capital invested, because building lags behind schedule and because new machinery and advanced methods of work are introduced too slowly. Farm produce is still insufficient to satisfy the grcwing needs of society in full" He attacked "subjectivism and arbitrary decisions", which is another way of decrying bureaucratic centralised planning, and declared that "today, as never before, there is an obvious need to apply economic incentives for the development of production."

The biggest official change in this direction came in September 1965. Reporting to the Central Committee of the Communist Party of the Eoviet Union, Mr. A. N. Kosygin, outlined a series of measures to fulfil "objective laws of economic development." The following passages from his speech deserve study:

> "We are aware that in the not-too-distant past quite a few errors were committed in planning, and a thoughtless voluntaristic approach prevailed in solving important economic problems. This led to the upsetting of the necessary proportions between the different branches of the economy. For a long time, we have not had the correlation between the development of agriculture and the development of industry. The lag in agriculture has resulted in a slowing down of the rate of development in industry, and especially in the branches producing consumer goods...
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> "The work of construction organisations must be evaluated not on the basis of how much money they have spent but by their output, i.e., by the enterprises and housing actually made available...
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> "The economic initiative and rights of enterprises are cramped and their area of responsibility is insufficient."

He advocated scope for "economic initiative of enterprises", a proper system of "material encouragement" to workers, correlation of production with public demands. He quoted Lenin to allow enterprises to "work on the paying basis" to earn a profit. He gave an example of success of this new economic policy applied on an experimental basis to two Moscow road transport organisations. In four months, their empty runs had been reduced by 15%, freight turnover increase by 34%, labour productivity increased by 31% and profits more than doubled!

These changes, i.e., introduction of free enterprise principles, even in a Communist country which had for nearly five decades experimented with socialism and centralised comprehensive planning reinforce our own experience. That nearly 20 to 25% of all Soviet enterprises were failing to fulfil the plans laid down for them was an indictment of the failure of planning techniques which our planners borrowed in 1956. The conclusions of an eminent Sovietologist. Dr. Margaret Miller, are worthy of study. In her excellent book, "Rise of the Russian Consumer", she said:

"Perhaps the most intractable obstacle encountered not only in Russia but in other communist countries is man himself. Despite the idealistic hopes aroused by the revolution of the emergence of an entirely new kind of human being, communist man remains in many respect much as he has always been in Russia and elsewhere, inconsistent, wayward, stubbornly resistant to official pressure, averse to change, addicted to self-interest. It is by no means far-fetched to read into the current reforms governmental recognition of this truth and an endeavour to reshape the economy so as to take account of it."

Developments in some other countries is also significant. The Prime Minister of Czechoslovakia, in a report in January 1965, not only called for a study of free enterprise ways of production and distribution, but also management techniques. As regards interest, production costs, profitability, profit and other economic indicators which had been ignored so far, he urged: "We must not only respect these categories, but, we must, primarily, learn how to use them effectively." In Yugoslavia, a communist leader, Mr. Vladimir Bakaric, insisted that his country's economic difficulties can be removed only by adopting "laws of free market". He opposed interference with the working of the market. "When faced with the possibility of earning more or less, the 'producers' as a whole, would increase production, and would also strive towards cheaper production, which would be necessary to increase his personal incomes."

In Belgium, Socialist Chairman, Mr. M. Leo Collard. recently said that nationalisation was an out-of-date socialist approach to Socialist organisation. His party in the Coalition wanted the State merely to dictate the "Orientation and management" of private capital.

In socialist United Arab Republic, the new Premier, Dr. Mohieddin, announced in October 1965 extension of the Five-Year Plan to seven years, and a phase of consolidation. Emphasis was shifted to greater production and efficiency, and the streamlining of the administration to give "prompt response to the daily problems of the masses". In the Republic of Kenya, a remarkable Government policy document entitled "African Socialism and its Application to Planning in Kenya", stated: "The use of a range of controls also has as its counterpart the premission of varying degrees of private participation and initiative ... The State, therefore, has a continuing function to perform not in subordinating the individual to society, but in enhancing the role of the individual in society. Individuals derive satisfaction not only from the goods they consume but also from those they accumulate. If human dignity

and freedom are to be preserved, provision must be made for both activities by the individual — consumption and accumulation."

It rejected indiscriminate nationalisation, and stated in pragmatic terms an economic truism: "It should be recognised that if the nation's limited capita1 is used to buy existing land, livestock, buildings, machinery and equipment, the nation has no more productive assets than before — only their ownership has changed. What may be lost are the new resources that could have been purchased otherwise — the new schools, hospitals, roads, water supply, irrigation schemes, rolling stock, land surveys, housing, lodges, airports and harbours development — and the employment opportunities and added output these new developments would create." The document said that inefficiently operated nationalised enterprises were not worth the trouble unless it was a service vital to the people which the Government should provide as part of its responsibility. It declared, "If taxes must be used year after year to subsidise its operation, the nation has gained little if anything by the act of nationalisation."

In Ceylon, Mr. Dudley Senanayake, soon after assuming'Prime Ministership, said in March 1965, that he had utmost faith and confidence in the Private Sector. In a country where 67% population depended on agriculture, any plan must have a predominant place for agriculture, he added.

Remarkable planned progress has been achieved in Malaysia and Formosa. After surveying planning in a number of Asian countries, Douglas P. Paavw wrote: "While planning in Malaysia and China (Taiwan) does not yet compare with India and Pakistan in comprehensiveness, sophistication and national support, development planning in these countries shows real promise. In both there is a clear predisposition to lean basically upon private enterprise to provide the vehicle for economic growth and development. Hence the role of planning is construed to be one in which the government will stimulate the growth dynamics of the private sector by providing social overhead capital, financial stability, and technical guidance. particularly for the benefit of lagging sectors in the economy. This realistic quality has imparated a problem-solving nature to planning activities of these countries ... The rural emphas's in early development activities has had a positive impact on promoting productivity in what might oherwise have continued to be a lagging growth sector ..."

In view of all this, and the lessons we have learnt in 14 years of planning, we should reorient our economic policies. Fortunately the Prime Minister, Mr. Lal Bahadur Shastri, himself has indicated broad lines of policy which eschew ideology. Mr. Shastri has declared: "To my mind, socialism in India must mean a better deal for the great mass of people who are engaged in agriculture, the large number of workers who are engaged in the various factories and the middle classes who have suffered much during the period of rising prices."

The Government should give up ideology and adopt realism in economic policies as other countries are doing. In the present context, both short-term and long-term remedies are called for. The former include (a) a drastic cut in Government expenditure, particularly on non-development projects and administration; and (b) consolidation of existing projects. The Prime Minister has supported these steps. "I feel that it is necessary to make sizeable cuts in Government expenditure, both at the Centre and the States," he has said. Also, "I definitely consider that it would be wise not to dissipate our resources by starting too many fresh projects at this stage and instead to concentrate all available resources, on the speedy completion of the projects already under construction."

The scope for these measures could be guaged from only a few of numerous instances. Considerable amount of governmental expenditure is wasteful. For instance, a Calcutta report pointed out that 75 per cent of tube wells sunk in that area during the last 10 years, costing about Rs. 2 crores. were in near-derelict condition. The U.P. Public Accounts Committee Report (1965) condemned the Education Department which had proposed in October 1956 to

publish 2 reference works in six months at a cost of Rs. 18,700. It had not completed the job in 7 years, after spending Rs. 97,000. "If the time and amount spent on actual work done is calculated, it comes to about Rs. 51,0100 and five man-days per page of the manuscript prepared." the Report noted.

Rajasthan Audit Report (1964-65) said that according to a test check, accounts for Rs. 3.54 crores disbursed under Community Development programmes were incomplete. The Audit Report (1963-64) of Gujarat listed an instance of a chowkidar guarding a dilapidated, roofless and floorless Government building declared beyond repair for 15 years. The expenditure on his salary far exceeded the assessed value of the building. The Chief Minister of Madhya Pradesh, in a reply to a Assembly question, disclosed that a Government weekly had only 139 subscribers and in 1963-64 cost Rs. 25,000 to the tax-payers.

According to a Public Accounts Committee report to Parliament, the Bharat Sewak Samaj had not submitted accounts for Rs. 3.26 crores given to it by the Central and State Governments till 1964-65. If a proper scrutiny is made, substantial sums of public moneys could be saved yearly. Red tape and delay dog even the planning process, thus entailing more waste. For instance, the Planning Commission found that States' draft plans for educational programmes in the Fourth Plan were not according to the Commission's guidelines. Reason: the guidelines reached states only after the States proposals had been received!

The other short-term remedy, consolidation, means merely the extraction of best results from ill-digested projects. In irrigation, for instance, only 80 per cent of potential is expected to be used by the end of the Third Plan. There are also cases such as that of Rajasthan where there have been delays of 2 to 13 Years, cost increase of 50 to 100% and yet the irrigation projects are incomplete, as the State Public Accounts Committee has noted. A loss of Rs. 4 lakhs could have been avoided in Madras if only the godowns had been fully utilised by the State Warehousing Corporation. In Punjab, irrigation projects built at a cost of Rs. 155.54 crores had run at a loss of Rs. 2.70 crores in 1964. A canal built in 1957 at a cost of Rs. 66,000 had not been used even for a day! A 50-bed hospital in West Bengal was lying idle, serving only out-door patients, because a supplier of food had not been found for 3 years. If only attention could be given to these apparently minor items and existing investments fully utilised in every direction, inflation could be checked and the economy would be ready for a phase of rapid expansion.

The long-term remedy is the change in planning strategy. Giving up present comprehensive centralised planning in favour of realistic indicative planning as in France is highly desirable. The Government should concentrate its energies on defence, law and order, provision of infrastructure of the economy (such as roads, postal facilities, etc.), provision of basic amenities (such as water supply) and regulation of private enterprise in social interests. This is a big enough job for any Government. The dynamism of the Indian people, once the economy is put on the right lines, will take care of the rest. A self-reliant economy can only emerge in a nation where the people can exercise their initiative and enterprise within the framework of realistic economic policies. This is, therefore, an opportunity for the Government to learn from the past to give a chance to the present generation "to serve India by her successes."

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

—A. D. Shroff

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