

Whither Indian Planning?

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FOREWORD

It became known only recently, from an entry in his father's diary, that the late M. N. Roy was born on 21st March 1887. The Indian Renaissance Institute then decided to celebrate the 21st of March every year as M.N. Roy Birthday by organising a lecture in Delhi of an eminent authority on a topic of public importance. The first lecture in the series was delivered by Dr. B.N. Ganguli, former Vice-Chancellor of the Delhi University on 21 March 1973. The lecture was published as an Indian Renaissance Institute pamphlet under the title "Rationality of Development Planning", and was widely appreciated. In the present pamphlet is published the second lecture in the series delivered on 21st March 1974 by Dr. B.S. Minhas, who recently resigned in protest from the Indian Planning Commission. I have no doubt that the views and ideas expressed by Dr. Minhas will be found by the readers to be highly stimulating.

In 1943, on the eve of the publication of the Peoples' Plan of Economic Development, M.N. Roy declared in a press interview that agricultural development ought to be the first priority of planning in India. I remember that this view was widely criticised by the nationalist press, which was then under the impression that the first priority in Indian planning must be given to industrial growth. It is not a mere matter of coincidence that the views now expressed by Dr. Minhas in this lecture fully vindicate what M. N. Roy had declared more than 30 years ago.

V. M. Tarkunde.

NATIONAL planning is a difficult business, technically complex and politically exacting. Requirements for its success are rigorous indeed. Only a few tough socialist regimes have made success stories of it. For a decade and a half in the Nehru era we ran a bold, new experiment in national planning. It was bold in the sense that a poor, agrarian economy of continental dimensions, with tremendous diversity of culture, language and resource endowments, was expected to be transformed into a self-generating modern economy in a period of 25-30 years; and new because the experiment was to be conducted in the context of a democratic, federal system of representative government. In spite of a good measure of national enthusiasm for planning and complete hegemony of the Congress party in the country, there was room for serious doubt concerning the chances of its success in India.

Objective and Strategy in the Nehru Era

This experiment in national planning was launched in good hope. The basic premise of our Five Year Plans, particularly of the Second and the Third Plans, was "development along socialist lines to secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of the values and attitudes of a free and equal society." In order to meet these objectives, a strategy of planned economic development was elaborated.

The salient operative elements of this strategy are worth highlighting.

(1) Aside from a mild programme of land reform and ceiling legislation which was in various stages of implementa-

tion, no basic alteration in property relations was envisaged. In other words, the objective of "reduction of disparities in income and wealth" and "prevention of concentration of economic power" were sought to be achieved not through redistribution of property and wealth but through other means.

(2) A self-generating economy, capable of fast and self-sustained growth, was to be ushered in by "building of economic and social overheads, exploration and development of minerals and promotion of basic industries like steel, machine building, coal and heavy electricals." For "rapid industrialisation and diversification of the economy," the development of "basic industries and industries which make machines to make machines needed for further development" was considered crucial (Second Plan, pp. 24 and 25). The provision of infrastructure investment and development of basic industries were to be the direct responsibility of an ever-expanding public sector. The rapid expansion of an efficiently operated public sector was expected, among other things, to achieve three principal objectives:

- (i) to remove basic deficiencies in the economic structure,
- (ii) to generate substantial surpluses for its continued growth, and
- (iii) to reduce the scope for accumulation of wealth and large incomes in private hands.

We have had a measure of success in the first objective, but have failed in the latter two.

(3) The private sector of the mixed economy was to function "within the framework of national planning and in harmony with its overall aims." There was a large area of economic activity in which it could develop and expand but its activities were seen to be essentially complementary to a rapidly growing public sector. Any accentuation of tendencies towards concentration of economic power in this sector was to be countered by widening opportunities for new entrants and for medium and small-sized units and through effective exercise of Government's powers of control and regulation and use of appropriate fiscal means. The size difficulties of small producers in industry and agriculture were to be overcome by organising them on cooperative lines.

(4) A fast and concerted development of education and other social services was to be an important means for ensuring greater equality of opportunity to different sections of the population as well as for achieving a measure of redistribution in the consumption of basic necessities such as health and medical care, sanitation, water supply and cheap housing. Scheduled tribes and castes and other backward classes were to receive favoured treatment under special programmes. Except for some development in the field of higher education (this has been lop-sided and bristles with problems), this element of our strategy failed to get off the ground. Universal primary education, which according to our Constitution, for instance, should have been achieved by 1960, may elude us for yet another decade.

(5) To help create "the values and attitudes of a free and equal society," a process of democratic decentralisation was started. The spread of community development movement and the creation of Panchayati raj institutions in rural areas were to help this process. These institutions were not enabled to deliver what was expected of them. Until this day they remain ineffective. They have failed to become live instruments of social and economic change in rural communities.

(6) In spite of a number of references in the Plans to the employment problem, creation of employment opportunities was seen more or less as an adjunct to or a by-product of the development strategy outlined above.

Balance Sheet of Performance

On the credit side of the ledger of our planning in the Nehru era one has to count a fair measure of success in the field of public investment in major and medium irrigation, power, transport, basic industries and, to some extent, in the extension of higher education. The development of a diversified industrial complement in the private sector was another result. A degree of success was also achieved in pushing up the rate of savings in the economy. Gross domestic savings as a proportion of gross domestic product (in 1960-61 prices), which stood around 10 per cent in 1954-55 had grown to about

15 per cent in 1964-65. Our record on the price front during this period, except towards the end, was not bad.

The elements of success noted above owed as much to the genius of Pandit Nehru as to the objective circumstances of his time. He was able to endow the planning process and the Planning Commission with great authority which was not allowed to be flouted. The National Plan broadly defined the parameters of policy within which the process of detailed economic decision-making was protected from the vicissitudes of day-to-day politics. The defects in the overall development strategy notwithstanding, he was able to use the Plan as an instrument to discipline the rash urges and short-run pressures of the political process. This assured a degree of credibility to the planning process, which in retrospect will have to be rated as the chief source of strength of our Plans in the Nehru era.

In contrast with these successes, on the negative side, one would have to note the following failures. The most conspicuous, which has proved extremely harmful, was the failure to develop the agricultural sector to the requisite degree. The operative strategy of development failed to appreciate the crucial role of agriculture. From plan to plan we had to increase our dependence on foreign supplies of food and agricultural raw materials. Our net imports of foodgrains during the First Plan, for instance, were of the order of 12 million tonnes. In the Second Plan period these imports jumped to 17 million tonnes. The record of the Third Plan was even more dismal. Besides importing substantial quantities of cotton and jute, we imported nearly 26 million tonnes of grain during the Third Plan. Rather than growing at home adequate amounts of food, so necessary for securing a stable basis for sustained industrial development, we took the easy way out and accepted large amounts of food aid. Our perception of the role of agriculture in our development strategy continues to be just as defective today as it was during the Second and the Third Plans. And it is no wonder that today we are bugged by the same kind of uncertainties in planning as were experienced towards the end of the Third Plan and in the years that followed it.

An equally glaring failure was the accentuation of the unemployment problem. As noted earlier, the creation of employ-

ment opportunities for our vast millions was seen more or less as an adjunct to the strategy of development of "basic industries and industries which make machines to make machines needed for further development." The Gandhian concept of rural industrialisation (which was much talked about) was neither properly elaborated nor did it form an integral part of the operative strategy for employment creation. The unemployment problem remains just as intractable today, and for the very same reasons.

Although the tax system was to some extent successful in mobilising resources for development, it was a miserable failure as a means of restraining consumption and of correcting inequalities. Still another shortcoming of planning in the Nehru era (which received pointed attention from the late Professor D.R. Gadgil) was the complete failure to evolve a properly structured, overall regulatory framework for the private sector in which all facets of economic policy could be integrated for achieving the planned results. As Professor Gadgil observed in 1966, this "total absence of a policy frame is the most outstanding feature of the planned Indian economy." And he added that "in the aggregate the economy operates as almost a laissez-faire economy, in part modified by the operation of particular controls."

The Foggy Days

The Third Plan completed its life on March 31, 1966. For the next three years, we were without a Plan. It was the period of "Plan-holiday." A serious documentation of the deleterious effects of this period of Plan-holiday on the planning process should be an instructive exercise. But I do not propose to go into this issue at present. However some comments on the objective circumstances in which the Plan-holiday came about may still be in order.

Pandit Nehru, the moving spirit of Indian planning and its chief political pilot, was already dead. Lal Bahadur Shastri had too short a tenure as Prime Minister to contribute anything of lasting significance to the planning process. As a sequel to the 1965 conflict with Pakistan, foreign aid had been choked off. The weather gods played havoc with three harvests in a

row. Food was scarce and prices rose at a fast pace. In view of the forthcoming general election in early 1967, nobody had the time or the inclination to pursue the Plan Draft. On came the general election, and its results did not augur well for an early resumption of planning. The hegemony of the Congress was shattered in the States. Political parties with varied ideologies and many odd assortments of opportunistic politicians constituted new Governments in the States, many of which were not to last long enough to settle down to any serious business.

Independent India for the first time was witnessing ominous political instability. Aside from mismanagement and operational difficulties of the planning process and a number of exogenous shocks, which the economy received during the period 1962 to 1967, national planning was confronted with a serious loss of political support for its rejuvenation. All of these factors contributed to the cessation of planning. The Planning Commission had been in doldrums for quite some time; its influence had withered away. The Draft Fourth Five Year Plan, 1966-67 to 1971-72 (the approach to which had been reviewed by Nehru at Dehra Dun a couple of days before his death) was aborted.

India had been on a Plan-holiday for the second year running when efforts for the revival of planning were resumed. The first step in this direction was the reconstitution of the Planning Commission. Professor D.R. Gadgil was brought in to lead this Commission and the future course of planned national development. The new Commission was expected to review past trends in development, reorganise the planning effort in the light of past experience, appraise the operational significance of the changes in political, social and economic situation for national planning in future, modify and redefine the objectives and strategy of planning and prepare a programme of medium and long-term development to achieve the chosen objectives. Nobody expected this task to be easy. The economic situation was extremely difficult. There was a serious recession in industry. Prices were rising at a fast rate. A growing trade deficit, mounting debt obligations, a very strained foreign exchange situation and extreme shortfalls in agricultural

production were the other characteristics of the economy. And, above all, the planning process had lost its political bearings.

It was against this unenviable constellation of circumstances that the Gadgil Commission was to formulate a strategy of planning and put forth a programme of medium and long-term development. The Commission laboured for 19 months before their efforts were embodied in the Draft Fourth Five Year Plan, 1969-74, in March 1969.

Aims and Objectives of the Fourth Plan

In its statement of aims and objectives of planning, however, the Fourth Plan Draft took a rather ambivalent position. Two of the Articles from the Directive Principles of State Policy in the Constitution (the ones also cited in the resolution of 1950 by which the Planning Commission was set up) were quoted in the document. The Draft Fourth Plan also drew attention to three other Articles that deal with the right to work, the provision of compulsory education for all children and promotion of the educational and economic interests of the weaker sections of the people. As regards the objective of a "socialistic pattern of society" the Commission was content to quote without comment at great length the elaboration of this objective as available in the Second and the Third Plans. In the light of these three other Articles of the Constitution quoted in the Fourth Plan, the Commission came out with the conclusion that for planning in India the "basic goal is a rapid increase in the standard of living of the people" and "emphasis is placed on the common man, the weaker sections and the less privileged." A definition of objectives of planning in the Fourth Plan Draft ran as follows:

"The broad objectives of planning could thus be defined as rapid economic development accompanied by continuous progress towards equality and social justice and the establishment of a social and economic democracy" (p. 5).

Rapid economic development and progress towards equality and social justice were also among the objectives of our planning in the past. However, the older objective of a "socialistic pattern of society" or "development along socialist lines" was now interpreted as "the establishment of a social and

economic democracy." What exactly was the meaning of "social and economic democracy"? Did this change merely represent a quibbling interchange of phrases with the same meaning? Or did it mean an alteration in the concept of Indian "socialism"? The term "socialistic pattern of society" did have an accepted, even if vague, meaning. That a definite meaning was intended stands elaborated in resolutions of Parliament and in the Second and the Third Plans.

But what did "economic democracy" mean? In the affluent capitalistic as well as Welfare States, where abysmal want has been eliminated, economic democracy has a meaning almost synonymous with a free market economy: one unit of purchasing power is one economic vote. I am sure this is not the meaning of economic democracy that the Gadgil Commission had in mind. They seemed to intend a broader definition of economic democracy which includes the availability of opportunities for education, public health and sanitation, drinking water supply, etc., for the large masses of people, irrespective of whether they were rich or poor. In other words, the Planning Commission envisaged a complement of "socialised consumption", which would be available to all sections of society and proposed that special emphasis be laid on this aspect of development.

However, in the investment programme outlined in the Fourth Plan, the allocation for the sectors, which could cater to the needs of "socialised consumption" and help towards the establishment of a social and economic democracy in the long run, were indeed meagre. It is no wonder that our progress towards the establishment of a socio-economic democracy is as distant a dream today as it was on the eve of the Fourth Plan.

In popular discussion, it was claimed that in the Fourth Plan the old objective of establishing a "socialistic pattern of society" had been watered down. This charge is difficult to prove or deny. Let us, however, try to see what Indian socialism has turned out to be in practice.

Socialistic intentions of independent India were pitted against outmoded attitudes of a strongly feudal and caste-and status-conscious society, which was unwilling to accept a rigor-

ous code of private as well as public behaviour implied in the concept of socialism. Indian socialism in practical terms has turned out to be a pernicious programme for the distribution of public largesse to the not-so-poor. There is extensive evidence which makes one describe Indian socialism in this fashion.

Whether it was the construction and operation of public sector enterprises, or construction of infrastructure facilities in the fields of irrigation, flood control, power, transport, etc. or the operation of a licensing system for control of investments and imports, or the distribution of food and fertilisers, the basic fact of the distribution of public largesse to the not-so poor was ever present. We built temples of modern industry which were over-capitalised. Elaborate townships were provided (economic rents were not charged) and included in the capital charges. Sound pricing policies for the products of these industries were shunned. Huge dams, flood control, irrigation and power facilities were built with public funds. Collection of development levies and charging of proper irrigation rates and power tariffs were forgotten. Food and fertilisers were distributed at prices far below cost. By and large these benefits did not accrue to the poor. Construction of ostentatious public buildings with lavish furnishings and fixtures but without regard for their functional efficiency has been the order of the day. A number of public inducements have been responsible for a great spurt of luxurious, private residential construction in big cities; whereas nothing very significant has been done to improve the living conditions in the sprawling slums. The operation of the licensing system, instead of checking concentration of wealth and countering inequalities, has resulted in the creation of huge illicit private gains, which have remained outside the scope of taxation. All of these and many more programmes, having the characteristic of distribution of public largesse to the not-so-poor, have turned out to be a most outstanding feature of our economic system during the Plans, all in the name of a "socialistic pattern of society."

This version of "socialism" evolved as a product of the genius of a people for whom the Government had, for all

practical purposes, always meant something alien to the society that it governed. Deliberate cheating in the matter of tax dues, stealing of materials from Government construction works, blatant use of public office for personal ends, and evasion of public responsibility in general are the other manifestations of the same basic attitude of our people towards Government. This attitude was one of the major hurdles which thwarted the public sector's capability to generate resources for its continued development and also the emergence of an efficient regulatory framework for the private sector, the two ingredients which would have provided the bulwark for "development along socialist lines." The persistence of this attitude towards Government in independent India is the most glaring failure of the processes of political and social education.

We have committed ourselves to socialism. We have also accepted the concept of a mixed economy. In other words, in a very fundamental sense, in our socialistic pattern of society, the system of punishment and rewards as well as of economic incentive and disincentives is essentially capitalistic in nature. The acquisitive instincts of our people by and large are conditioned by the lure of opportunities for private gain and private accumulation. This lure of private gain is not discriminating in its incidence. It is all pervasive. Its merciless charm acts with brutal force not only on the "reactionaries", who predominate, but also on the chosen few, who loudly profess to be "progressives" and "radicals". The implications of this basic feature (or contradiction) of our economic system for the pricing of directly identifiable private benefits from public investments and also for policies relating to subsidies, taxes and licensing have not been squarely faced. These implications call for a brand of economic, social, moral and political discipline, which has never been observed.

In consequence we have had a lot of waste and corruption which have no place in a process of development along truly socialist lines. The solution to this problem would seem to lie in political will and a process of political and social education of the ruling party and the people which has been conspicuous by its absence for almost a quarter century now. Our political process has failed to produce a mass line, an

ideology to suit the needs of a socialistic pattern of development. In today's political scene it is becoming more and more difficult even to guess the source from which this education might possibly emanate. Nevertheless, one thing is crystal clear: if this basic lack of education in the socialistic code of conduct at different levels is not removed in the near future, the "socialistic pattern of development" would become even more of a pretence that it is at present.

General Approach to the Fourth Plan

In the light of past successes and failures, continuing trends in the economy, and the specific experience of the years of Plan-holiday, the general approach to the Fourth Plan consisted in "acceleration of the tempo of development in conditions of stability and reduced uncertainties." Some "safeguards against the fluctuations of agricultural production as well as the uncertainties of foreign aid" were suggested. For financing of the Fourth Plan, emphasis was "placed on additional mobilisation of internal resources in a manner which will not give rise to inflationary pressures." Dependence on foreign aid was to be greatly reduced. It was, for instance, planned "to do away with concessional imports of foodgrains under PL 480 by 1971" and foreign aid net of debt charges and interest payments was to be "reduced to about half by the end of the Fourth Plan" as compared with its level at the beginning of the plan. To sum up, the basic approach in the Fourth Plan was to "step up the tempo of activity to the extent compatible with maintaining stability and progress towards self-reliance."

The concept of stability was seen to be consisting of measures to assure stable food prices and eschewing inflationary methods of financing the development efforts. To assure stability of food prices, among other things, the output of foodgrains was targeted to grow from an assumed base level of 98 million tonnes in 1968-69 to 129 million tonnes in 1973-74 — a compound growth rate of 5.6 per cent per annum. As a further aid to maintenance of price stability, deficit financing during the five year period of the Fourth Plan was to be restricted to only Rs. 850 crores.

What happened to this line of approach and the Fourth Plan? This experience is so fresh in the minds of all of us that I do not need to dilate on it. We are reaping a rich harvest of gains in terms of galloping inflation, food riots, general unrest and serious break-downs of law and order in many parts of the Republic. Far from achieving a target of 129 million tonnes of grain in 1973-74, we shall be lucky if we come anywhere near the all time high of 108.4 million tonnes reached in 1970-71. Instead of maintaining price stability we have experienced a degree of inflation which has probably been the worst in our recent history. The price rise during the past five years has been over 60 per cent. Approximately half of this price rise has occurred during 1973-74. The worst part of it all is that prices during the past three months have shown a very unusual contra-cyclical trend which is further accelerating. Rather than containing deficit financing to a total of Rs. 850 crores during the five years of the Fourth Plan, the net bank credit to Government during this period would amount to about five times this figure. This may be the only target which we have overfulfilled, and with a vengeance!

Recent Political Developments and the Planning Process

The Fourth Plan period coincided with some far reaching developments in the style of Indian politics which had its repercussions on the economic policy of the Government. These developments have to be analysed in order not only to gain an understanding of the fate of the Fourth Plan but also to fathom, as far as one can, the direction in which the planning process might move in the years to come.

The Draft of the Fourth Plan was finalised in March 1969. The mid-term elections to the Legislative Assemblies of Bihar, Punjab, U.P., Nagaland, W. Bengal, and Pondichery were held about the same time. The Presidential election was only a few months away. A good deal of turbulence had already made its appearance in the Congress party during the two preceding years and the Presidential election of the Congress party had been set in fast motion which culminated in the "great" split. In consequence of this split, the ruling party was reduced to an appalling minority in Parliament, and in order to govern it had to seek the help of some opposition parties. This dependence

was clearly irksome and risky. It aggravated the process of "manipulative politics" which had already been unleashed.

The Lok Sabha was dissolved on December 27, 1970 and the mid-term poll was ordered. A mood of competitive radicalism descended on the political scene. Almost all political parties were now vying with each other for establishing their radical credentials. Even the Rightist groups (in terms of the old-fashioned definition) were busy putting on a radical plumage. This development was a manifestation of the socio-political compulsions of our situation and most of the forward-looking elements in our national life, particularly the poorer and the weaker sections, welcomed it.

Elimination of abject poverty, in one form or other, entered as a plank in the election manifesto of almost every party. *Garibi hatao*, of course, occupied a most prominent place in the election manifesto of the Congress. On the basis of this electoral platform, the ruling party was returned to power with a colossal majority and the Prime Minister emerged as the undisputed leader of the nation with awe-inspiring power and personal popularity. This was in March 1971. The Fourth Plan was about to complete its second year. About a month later all the full time members of the Planning Commission, and its Deputy Chairman, were thrown out.

It appeared that hereafter the ruling party would have no alibis left for not translating its electoral promises into concrete action programmes. Everybody expected big changes in the direction of policies. The Union Budget for 1971-72, which came soon after the election, gave a pale pre-view of the steps towards partial redemption of electoral promises made in the mid-term poll. Among other things, a number of special schemes for the benefit of the poor and the unemployed were introduced. A Crash Scheme for Rural Employment (amounting to Rs. 50 crores) and a number of special employment schemes for the educated unemployed (Rs. 25 crores), outside the Fourth Plan, formed part of this post-election budget. Some non-plan special feeding programmes for the vulnerable groups had been introduced earlier during 1970-71. All these were *ad hoc* schemes, outside the Fourth Plan. The new government had little time to do anything

better and one single budget was hardly the instrument for doing very much more. Nonetheless there was no room for any kind of pessimism. 1969-70 had been fairly good both for agriculture and industry and in 1970-71 agriculture was about to turn in an all-time record harvest of grain. Prices were reasonably stable. The new government had all the time ahead of itself to come to grips with the task of delivering what was promised in the election.

As a prelude to action on "Garibi Hatao" the government in the next two years initiated a number of radical steps. A Central Land Reforms Committee was appointed. Although this Committee could not come to grips with a number of significant issues, its labours nevertheless gave rise to new ceilings legislation by the States. However, this legislation is yet to produce a large surplus of land which was expected to be distributed among the landless and the small peasants by the end of 1973. In view of the alienation of our rulers from the people, and because of the political opportunism of their apologists, the chances of acquiring surplus land in significant magnitudes in the foreseeable future are indeed remote. Ceilings on urban property have been talked about and a model legislation has been in the making for some time. The chances of this legislation emerging in an easily enforceable form are rather slim.

We have also witnessed some drastic amendment to the Constitution. The 24th Amendment, for instance, restored to Parliament the power to amend the Fundamental Rights. The 25th Amendment substituted the word "compensation" by "amount" in respect of compulsory acquisition of property under Article 31(2) and inserted Article 31-C which ousts court scrutiny of any law made in pursuance of the Directive Principles. The 29th Amendment has put the land reform legislation into the Ninth Schedule.

Although these constitutional changes have abrogated a number of fundamental rights of the citizen, the cutting edge of these revolutionary amendments has not yet been used to saw off the capitalist horns of society; nor have the "garibs" yet come anywhere closer to losing their freedom of dying in abject poverty. Undoubtedly the government has wasted little

time in frittering away its political energy in manufacturing a number of "paper tigers" but the millennium is running farther and farther away. It is not even dimly in sight at this moment.

A mood of utter despondency stalks the nation. In the course of the past two years, things have changed in a manner which has turned the economy into shambles and left the government watching haplessly the Pandora's box it threw wide open. Not only do the expectations of the masses stand belied but the government has suffered a serious loss of credibility. In many parts of the country it has lost its moral authority to govern. This state of affairs is the product of some exogenous shocks to the system and the colossal apathy and casualness of the government in the management of the national economy.

The Pakistani crackdown on Dacca almost coincided with the assumption of power by the new government in Delhi. Millions of refugees started streaming into the country and some months later we had to fight still another bloody war with Pakistan. Along with our victory came nearly one lakh prisoners of war, which were to be looked after by us for a pretty long time. The government nevertheless emerged out of all this with heightened prestige and confidence. A few months later, with renewed emphasis on the *garibi hatao* plank, the ruling Congress scored impressive victories in the 1972 general elections to the State assemblies. The ruling party now had all the power it could wish for and the economy was not in too bad a shape. After two years of relative stagnation, industrial production was picking up, a sizeable buffer stock of foodgrains was in hand and we were in a comfortable position in regard to foreign exchange reserves.

However 1972-73 turned out to be a bad crop year. Food production fell by nearly 10 million tonnes. In view of the fact that in the beginning of this drought year we had 9 million tonnes of grain stock, we should have been able to manage our affairs reasonably well. However this was not to be. The government did its very best to squander the grain as fast as it could. We not only drained off these stocks but large quantities of grain had to be imported on commercial terms.

Political and financial discipline was allowed to sag. The

old procedure of fixing ceilings on drought assistance to the States was dispensed with. For taking off the lid from the money barrel, the lead was provided by the new chief—the third in sixteen months since the 1971 Parliamentary Elections—of the Planning Commission. Hundreds of crores of rupees were spent on drought relief. Money did not seem to matter. Promises for financing all “worthwhile” schemes were freely distributed. A crash programme for producing additional 15 million tonnes of grain in the rabi and summer seasons of the 1972-73 agricultural year was launched. Over Rs. 150 crores were disbursed for financing this bizarre venture. In order to garner the non-existent fruits of this venture, a movement to take over grain trade was put in high gear. In view of the utter lack of political and administrative preparation and in the circumstances of the time, this adventure did not appear to be doing much good to the nation. However some shifty people, who were trying hard to acquire an image suitable for the over-heated political atmosphere, did not care to think of the national good; others simply acquiesced.

The worsening unemployment situation found a political response at Bidhan Nagar in the shape of another special employment programme of Rs. 100 crores. Yet another addition to the long list of special and crash programme would entail cuts in the regular Fourth Plan programmes, which were comparatively more labour intensive, did not seem to matter.

The work of the Planning Commission was completely sectorised. Allocation and reallocation of work was planned in a fashion which would scuttle discussion on general issues. Nobody seemed to care. Nobody wanted to discuss. People were mortally afraid of inviting the wrath of the charlatans. The discussions on the Plan documents—the documents which have so far failed to produce the Fifth Five Year Plan—were characterised by the same attitudes. These documents were also loudly cheered and approved by the National Development Council as they appeared from time to time. Why should anybody care if these documents are inconsistent with each other? The public is gullible. Why spoil the fun and publicity which the august gatherings in Delhi produce?

By the beginning of 1973, the downhill slide of the economy was vividly in evidence. Under the impact of power cuts, indications of a deterioration of industrial production were available towards the end of 1972. Labour unrest was on the increase. The inflationary impact of the war expenditure, special and crash programmes, drought relief and deficit financing had reached danger levels. Unfortunately the concern for financial discipline and the fear of inflation was considered to be a hogey imagined by some faint-hearted economists. As 1973 progressed, our harvest of economic mismanagement and toothless radicalism grew larger and larger.

The Fourth Five Year Plan became irrelevant as time went on. The Draft of the Fifth Five Year Plan was pushed through in early December 1973 with scant regard for the fact that it had become irrelevant long before the date on which the National Development Council met. Let it be noted that this fact of irrelevance had crept on us quite independently of the oil crisis which burst wide open a little later. This oil crisis itself had been building up for some time. We chose to ignore it until we were completely overwhelmed by it. The Draft of the Fifth Plan was formulated, discussed, and approved as if the system had suddenly discovered its full faith in the occult control of the Planning Commission on at least the oil exporting nations. We are now told (in March 1974) that the Plan is under revision because of the same oil crisis and some other unmentionable phenomena such as the runaway inflation. How soon the Draft Plan will be revised is still anybody's guess.

The uninitiated may not have appreciated the enormity of the length of time between early December 1973 and March 1974; the "committed" ones did. The sad fact is that the Fifth Plan really does not exist: Its existence as of now is confined only to 411 pages of prose, split up in two volumes wrapped in brick-red covers. Its two major objectives of "removal of poverty and attainment of self-reliance" are already taking a cruel beating in the inflation-torn and violent streets of our towns and villages and in as many financial capitals of the world as are willing, or capable of being persuaded, to lend to us not only for new projects but also for holding together a good lot of what we already have.

Double-talk and double-think on questions relating to self-reliance can certainly be condoned as some sort of compulsive behaviour. The real danger today, nevertheless, is quite different. We seem to be in the grip of panic and it is in situation of this type that donors of aid in the past have indulged in merciless arm-twisting. We do not have a comfortable position in regard to foreign exchange reserves. The balance of payments gap in 1974-75 is expected to be large. Resort to large commercial credits for meeting the maintenance needs of the economy in the present may spell disaster for the Sixth Plan. We are in real danger of mortgaging the Sixth Plan to the repayments of foreign debts, which the Draft Fifth Plan, in its present form, may force us into. While paying lip service to self-reliance as a sworn objective in the Fifth Plan, we run the risk of gravitating into perpetual dependence on foreigners of the benevolent as well as the malevolent variety. This is the danger we must guard against.

We are in the midst of a grave crisis. From among the many crises that we have faced since independence, the present one is easily the most ugly-looking. As I have argued earlier, it has not come about just because of the external shocks that the system has received over the past few years. The apathy and casualness of the government in the management of the national economy and the sultry political atmosphere have permitted this crisis to deepen. If we are at all serious about the preservation of our democratic institutions, we must not allow this crisis to deepen any further: we must come out of it as fast as we can.

Where Do We go From Here?

In order to come out of this crisis, the first and the most important requirement today is a change in the style of our politics. The current model of big-money politics and pseudo-socialist slogans has already proved itself to be terribly counter-productive. Can the business of politics as parasitic, big-money business usher in socialism for the masses? Not contrary to expectations, this model has failed to produce an ideology to discipline the ruling party and the bureaucracy, which is supposed to execute the government's

policies, or to enthuse the common people. Neither has this model given us a process to discipline the market.

In defining the new style of politics, the ruling party will have to fathom its true identity. In framing its new strategy and the necessary discipline required for the execution of this strategy, the ruling party must *not* try to pretend what it is not, or what it does not want to be. Radicalisation of politics has been a good thing: It is a true reflection of the needs and urges of our people but it deserves an appreciation deeper than simple sloganising. This deeper appreciation would call for a clear recognition of the short-run constraints, economic as well as political, on the radical course of action. Non-recognition of these constraints is bound to discredit the radical programmes and also erode the credibility of the government. This will hurt us in our quest for social justice. Nonetheless the short-term constraints should not be allowed to dim our long-run vision. We must simultaneously take steps to remove these constraints and set in motion the institutional changes which would be required for implementing successfully the programmes for social justice.

We seem to be well past the time when 'realistic radicalism' and 'political demagoguery' should have been separated. It is this lack of separation between the two and the unabated activities of some slogan-mongering merchants of hot air, which have impeded the formulation of realistic policies for the execution of radical but implementable programmes. Even at this late stage, this process of separating realistic radicalism from political demagoguery, if started in earnest, can help in closing the yawning credibility gap which exists today.

The sorting out of the true substance from gimmicks and frills can be done only if the top leadership of the ruling party is willing to exercise its collective will. Furthermore it is only through an exercise of this sort that a viable political strategy, operational tactics, and the needed discipline can emerge.

Again it is only through an exercise of this sort that the new direction for planning process will have to come forth. Whatever this new direction comes out to be will have to be made the guideline for the planning process on a fairly stable basis. Kite-flying, wishful thinking and "politiking" will have

to be kept out of the planning process. This is the only way in which realistic and implementable plans can be formulated—plans which would not run the risk of being changed every few months and plans which would be consistent with our sworn objectives and the objective circumstances of the country.

Having done this, someone then would have to take a leaf out of Panditji's book and start using the Five Year Plan as a tool to discipline the rash day-to-day urges of the political process. In my opinion, it was this use of the planning process as a tool of discipline which paid us rich dividends in the Nehru era. Will the Prime Minister take hold of this part of her rich heritage and use it for restoring the credibility of the planning process? Let us pray that she does.

Acute scarcities, rampant inflation and a desperate balance of payments situation are causing us great hardship and anxiety. I do not propose to discuss these issues in detail. Nonetheless, let me emphasize that in order to find effective solutions of these difficulties, the crying need of the hour is a well-knit and properly structured medium-term plan. Although the circumstances today are very similar to those of 1966, we should not permit ourselves to slip into yet another period of Plan-holiday. Let us not try to sanctify adhocism under the label of annual plans. The Draft Fifth Five Year Plan must be revised to reflect the harsh realities of our current socio-economic situation.

Proper Strategy of Development

During the period of my apprenticeship with the Indian guild of master planners in the early sixties, I used to be bombarded with a number of philosophical riddles. The most important conundrum ran somewhat as follows: Should you import food, or import fertilisers to produce food at home? Rather than importing fertilisers, should you not import machinery to make fertilisers at home? But why import fertiliser machinery, should you not import machines to make fertiliser machinery at home? Sometimes this conundrum became even longer: Should you import great-grand-mother machines, or import great-great-grand-mother machines to make the former at home? On and on goes the riddle.

The traditional answer to the riddle was: Concentrate on

heavy machines and capital goods. The strategy of development enunciated in the Second and the Third Plan (the salient elements of this strategy were discussed earlier) was the child of this philosophy. The outlook in the Fourth plan was different, but a heavy hang-over of this philosophy was clearly present. The core industry argument of the peddlers of the Fifth Plan is an echo of the same "heavy-industry-first" philosophy.

This line of approach to development in India suffers from a number of conceptual and practical difficulties. In the first place this philosophy of development does not squarely face up to the question whether we need food next year or ten years later. Secondly, it ignores the relevance of the doctrine of comparative advantage and the benefits from quick specialisation in selected lines. This has given rise to not inconsiderable misuse of national resources. It is not just an accident that today we are not only importing food, we are also importing large quantities of fertilisers, machinery as well as its grand parents. This philosophy of all-round import-substitution as a basis for heavy industrialisation has made us even more dependent on imports than we ever were or needed to be. Every link of this long chain today is shaky and dependent on imports for keeping itself in place and hence vulnerable to the vicissitudes of international politics. In part this state of affairs is also a consequence of the availability of soft options made possible by large quantities of foreign assistance. Thirdly, this philosophy of development ignores the relevance of the paucity of domestic savings as a constraint on development. To put it differently, it does not appreciate that the consumption of necessities of life in a poor country cannot be pushed down beyond a point.

In practical terms the most unfortunate consequence of our adherence to this philosophy of development has been the appalling neglect of agriculture and rural development. The ill effects of this neglect have been building up for a long time. Only their full impact was not permitted to be felt. Palliatives such as large imports of food under PL 480 and massive doses of foreign aid have kept this strategy of development alive in India. During the Third Plan period we did achieve on an

average an annual rate of growth of industry of about 8 per cent. This happened because the growth of industry was protected from the ill effects of the food constraint through massive imports of PL 480 food. During the Third Plan we also imported 3.5 million bales of cotton and 1.5 million bales of jute.

We have not put in the requisite effort to produce food and agricultural raw materials at home. The Second Plan allocated only 11.8 per cent of the public sector outlay to agriculture and another 7.9 per cent to medium and major irrigation. The corresponding allocations in the Third Plan were 12.7 per cent and 7.7 per cent. In the Fourth Plan the proportion for agriculture was raised to 17.1 per cent and major and medium irrigation received 6.8 per cent of the total public sector outlay. In the Draft Five Year Plan the proportion for agriculture slides back to 12.7 per cent and major and medium irrigation gets 7.3 per cent of the total public sector outlay. A good deal of uncertainty surrounds the prospect of additional capacity creation in chemical fertilisers during the Fifth Plan period. However, even when public sector investment in fertilisers is taken account of along with irrigation and agriculture, the proportion of outlay allocated to these sectors in the Draft Fifth Plan is lower by about 4 percentage points as compared with the Fourth Plan. The absolute amount of money allocated to agriculture in the Fifth Plan, when compared with the corresponding amount in the Fourth Plan, in 1968-69 prices (the prices now are nearly 60 per cent higher) is only marginally higher. The targets for achievement are far bigger in the Fifth Plan as compared with the actual achievements of the Fourth.

I do not presume that there is a tight one-to-one correspondence between investment in agriculture and additional output. The manner in which this investment is used and what it does to improve the motivation and productivity of the rural people are equally important. Even allowing for the latter aspects, the amount of money allocated for agriculture is not at all adequate for the objectives expected of it. We are sliding back into the Stalinist model of development which in the late fifties and early sixties produced satisfactory results on the industrial front in India. But these results were achieved through the use

of soft options which Stalin had to reject in the Soviet Union of the thirties and forties. Besides, Stalin's objectives were different. Surrounded by a hostile world, he wanted to build up his fire power. Our concern has been the improvement of levels of our poor people.

The initial conditions in Stalin's Russia on the eve of the Russian First Plan in 1928 were vastly different from the conditions that have prevailed in India during the planning era. The availability of food grains in 1928 in the Soviet Union was only slightly lower than 500 Kg per head per year. Rightly, the availability of food was not considered a constraint for the heavy industrialisation programme of Stalin. The only problem was to extract this food from the kulaks and supply it at cheap rates to the industrial workers and urban people. The Soviet collectivisation drive was launched to extract grain from the peasants. In 1928, a good agricultural year, grain levies amounted to 8 million tonnes. Between 1928 and 1932 grain production fell by over 20 per cent. Nevertheless, in 1932 Stalin was able to extract 20 million tonnes of grain from the countryside. He had the ever-present party, with its iron discipline to back him up and even in conditions of reduced availability of grain in the countryside, he was able to secure cheap food for his heavy-industry-first strategy.

In contrast with Soviet Russia of the thirties, our conditions of availability of food, inclusive of imports, have been quite different. On the eve of the Second Plan, the net availability of grain per head per year (inclusive of imports) was only around 160 Kg. On an average during the First Plan period, it was still lower. Between 1951 and 1973, there were 8 years when the availability of food grains was less than 160 Kg. The highest availability of 175 Kg. prevailed in 1965 and in all the other years of the planned era, the annual availability of grain ranged between 160 Kg. per head. In 1973 this figure fell to 152 Kg. Let us remind ourselves that these figures of availability of foodgrains are inclusive of imports, which in the period 1951-73 amounted to a grand total of a little over 92 million tonnes. A substantial part of these imports were concessional imports under PL 480.

Our deficiencies in domestic procurement of foodgrains for

the public distribution system have been due to two important reasons. In the first place the total amount of extractable surplus in agriculture has been rather small; and secondly, whatever is extractable has not been efficiently extracted because of the considerable overlap in the interest of the political leaders, the bureaucracy and the rich farmers.

An extractive strategy for agriculture in the current state of our development will be of limited relevance. In order to break the constraint of food and agricultural raw materials on our development process, we shall have to give the highest priority to agriculture production and rural development. This is the only way we can ensure a stable environment, material as well as social, for further industrial development. Fortunately for us, this is also the way in which we can raise the level of living of the vast majority of our people as well as tackle the unemployment problem.

The world food situation today is very different. Not only are the supplies of grain under PL 480 just not available, it is also difficult to purchase grain against foreign exchange at prices that we can afford to pay. We have on our own taken a vow not to accept concessional food aid. We have also resolved to cut the net inflow of foreign aid to zero by the end of the Fifth Plan. Even if one were to believe that this sworn objective of self-reliance is already being watered down, the prospects for a large amount of aid, on terms and conditions of our choice, are far from bright. In view of these considerations and the added fact that the availability of food and other agriculture-based necessities of life are the real bottleneck to our further development, we must give the highest priority to agriculture in the revised Fifth Plan. As I have indicated earlier this vital sector of our economy, which is virtually the *sine qua non* for the attainment of self-reliance under our conditions, receives nothing but neglect in the Draft Fifth Plan.

The Planning Commission has not yet published the Annual Plan for 1974-75. But I have a strong apprehension that the outlay for agriculture in 1974-75 (even in money terms, when the value of money is less by nearly 30 per cent as compared with last year) would be much less than in 1972-73 or 1973-74. This will not only be short-sighted but constitute criminal neglect.

According the highest priority to agriculture in the Plan will be only the first important step in the right direction. This will have to be backed up with a proper strategy of rural development. Over the past few years, I have tried to spell out the dominant elements of one such strategy under the label of integrated rural development. Land, water and human beings are our major resources. Reforming and development of land, concerted development and proper use of water, particularly underground water, encouragement of the patterns of land and water use which will be in consonance with the particular environmental condition in different areas, and setting up of new institutional and administrative arrangements at the local level are some of the elements of integrated rural development.

Another most potent factor for growth of agriculture is the investment in rural people. The Minimum Needs Programme was formulated to cover this dimension of rural development. Provision of adequate health cover, prevention and control of major diseases and provision of clean drinking water are the investments in man which in their productivity-raising role, are at least as important as inputs such as fertilisers and irrigation. When the man behind the plough is not healthy, he cannot make efficient use of these inputs. A system of rural roads is important not only for the movement of agricultural produce and inputs, it is even more important for the success of our effort in rural health, family planning, primary education and the spread of agricultural extension and know-how. The minimum needs programme is not only a concrete expression of some of the electoral promises of the ruling party it is designed to help the cause of rural progress and agricultural production and also assure people's participation in the development process.

In the circumstances that now prevail, the minimum needs programme is in danger of being eroded. In the Annual Plan 1974-75, the allocations for this programme may not amount to more than a token amount. They may turn out to be lower than the corresponding item by item totals of earlier years when there was no fanfare about this programme. This will not only be a retrograde step as far as the socio-political compulsions of rural society are concerned, it will also definitely hurt agricultural production.

The main attraction of the Garibi Hatao programme was that it reflected the felt needs of our people. It is probably needless to stress that poverty cannot be banished from our midst without basic changes in the structure of our society. However what really needs to be stressed is this: For a relevant model of social and economic change, we do not have to run for alien prescriptions. The home-spun insights of Gandhiji can provide all the basic building blocks for the relevant model. My emphasis on the urgent need for a shift from the metropolitan, heavy-industry, and centralised production model to integrated rural development, minimum needs and employment-oriented, decentralised production is rooted in the Gandhian concept of development "not only for the masses but also by the masses."

We have achieved a degree of success with basic industries and a large measure of national security. But our circumstances have changed. Food and agriculture-based necessities of life have become a binding constraint on further growth. Palliatives of earlier times are no longer available. Unemployment is mounting and the cities are swollen with swarms of unemployed and restive youth. The old model of development has now become a stranglehold on further growth. Unless determined steps are taken to recast the model of development and the Fifth Plan priorities and allocations are revised accordingly, it will not be possible to arrest the rot that has overtaken our politico-economic system.

In view of the foregoing analysis and other considerations, the following priorities suggest themselves for the Fifth Plan period. Besides agriculture and irrigation, particularly minor irrigation, the revised Fifth Plan should focus concentrated attention on coal, fertilisers, power transport and family planning. The new investment programmes in the other segments of the economy should be tailored to the requirements of these priority sectors, to faster development of exports in selected lines, to consolidating our gains in some sectors such as steel and above all to that level of the availability of resources which would not add fuel to the raging fire of inflation.

Control of Inflation

Most of the spurts in prices during the past two decades

have originated from acute shortfalls in our agricultural production. Bad fiscal and monetary management has no doubt added to our tale of woes. We cannot afford to be lax in fiscal discipline. We must restore healthy traditions of discipline in money management. Let us also be clear in our minds that the degree of success in control of inflation in 1974-75 as well as during the Fifth Plan period will be directly proportional to the seriousness with which we approach the problem of agricultural production and other necessities of life.

To secure a future for the planning process and to anchor the Fifth Five Year Plan, it is absolutely essential to control the scourge of runaway inflation, which is eating away the guts of the system. A few suggestions, for whatever they are worth, may be addressed to this issue.

A new wheat policy is in the making. Although the new policy has not yet been announced, the indications are that the earlier policy of take-over will be given up. So far so good. However, I am not at all clear in my mind what commitment the new policy will have towards the maintenance of the established distribution system. Notwithstanding the ambivalence in this regard, the government will find it difficult to stand aside when the distribution system is in danger of breaking down. We have therefore to make sure that the supply line of the distribution system does not dry up in September/October 1974. To guard against an excessive rise in food prices in the lean period, responsible behaviour would require that we make arrangements here and now for importing the needed quantities of food grains (and edible oils) to reach us in late August and early September. Depending upon the behaviour of the coming monsoon, we may either use grain for containing price rises or put it into stock for the future. The secure knowledge of the availability of grain is bound to dampen the psychology of inflation.

An immediate measure, which can go a long way in restoring people's confidence in the value of money, is to raise the nominal interest rates to a level such that the real interest rates are restored to levels which prevailed, say, one year ago. This measure will make a deep cut in the spree of inventory building that is now going on as well as help restrain less important expenditures.

In sharp contrast with early December 1973, the ironic march of time has already cooled off the enthusiasm for a big push to public investment in the first year of the Fifth Plan. This was bound to happen. What is, however, absolutely essential now is to make sure that the sectoral distribution of public investment and its phasing in 1974-75 is consistent with the primary objective of control of inflation.

Besides exercising strict control on current government expenditure, including defence, another important anti-inflationary factor today would be to assure the smooth running of the transport system. In the situation of acute shortages the role of the transport system can hardly be over-emphasised. The administrative as well as the political arm of the government must be fully mobilised to deal with this problem.

Advice is just as easy to give as it is difficult to take and act upon. Even for a moment, I am not willing to believe that the Government is short of advice. It must have more than is really needed. The requirement of the hour is to weld this plentiful advice into a coherent strategy of action. Action to stop the drift towards chaos; determined action to steer out of the current crisis. The sense of direction will emerge *if and only if* the top leadership of the ruling party, the party that is a trustee of the faith of the suffering millions of this sub-continent, is willing to exercise its collective will. The moot question is whether the leadership will act before the nation is completely paralysed by the advancing anarchy.

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