A monstrosity in the making

By M. R. Masani

The perusal of an *Approach to the Fourth Five Year Plan* is a shattering experience. There is not one new thought, one acceptance of error in the Five Year Plan document. Every old cliche and discredited slogan finds a place in it. It is quite obvious that on the portals of the National Planning Commission should be inscribed the words: "Abandon Hope All Ye Who Enter Here." The document is a complete vindication of the Swatantra Party's demand that it is high time the Planning Commission is dissolved and replaced by appropriate expert advisory agencies.

The document starts with targets which are as speculative as those of the Second and Third Plans and are as little likely to be achieved. Starting thus on the wrong foot, the rest of the paper is driven to the same old pattern as in the past.

We have the time-honoured references to self-reliance, which is the same as the Soviet concept of autarchy, a concept altogether out of date in this One World. There are to be found the usual false hopes about the export of non-traditional commodities, ignoring the fact that the high-cost economy caused by inflation and distortion caused by the "Rupee Sources" racket dooms such hopes to disappointment.

There is the pathetic confession that any curtailment of wasteful expenditure "may not be feasible." Hence the paper goes on to threaten additional "resource mobilisation" through various measures including, of course, additional taxation! This entire series of discredited policies is described as being "inescapable."

There is an attack on foreign collaboration at a time when there is a crying need for foreign capital in place of the government-to-government loans that have brought the country to bankruptcy. Foreign collaboration is to be ruled out altogether in the cause of consumer goods and to be subjected to "rigid tests" in regard to other fields of enterprise.

Agricultural activities are threatened with "institutionalisation." Professor B. R. Shenoy has already warned against such an attempt, pointing out that the peasant is the best judge of how to invest capital in his own land and that governmental institutions should be kept out of the agricultural picture.

One cannot help sympathising with the *Approach's* suggestion that it is more than ever necessary to bring about a sense of security for the tenant, the share-cropper in particular. It is at this late point that one comes across the first thought with which one can heartily agree. Similarly, the stress on development of handicrafts and rural industries to relieve pressure of population on land is one that can be supported.

The Industrial Policy Resolution of 1956, worked out twelve years back, is re-endorsed. At the same time, some desirable objectives are set forth which are not likely to be achieved as long as that resolution is not scrapped or seriously modified, namely, maximum utilisation of existing industrial capacity, encouragement of widespread entrepreneurship and minimum controls. Among these objectives are two objectionable ones: high priority for long-gestation projects (presumably steel, etc.) and the usual obsession with the slogan about dispersal of ownership and control of industries, which is to be found in the highly objectionable Monopolies and Restrictive Trade Practices Bill now before Parliament.

The hope is held out that the Planning Commission's activities in the industrial field will be in the main "indicative." There is a similar hope held out that the productivity and profitability of State enterprise will be attended to and that adequate initiative and operational autonomy will be given to their managements.

The section on Transport repeats the cliche about co-ordinated development, ignoring the fact that such co-ordination cannot take place till the suppression of road transport on behalf of the Railway Board is ended and a more balanced development takes place.

The section on the Mixed Economy is, like the Curate's egg, good in parts. The section starts badly with the need for restraints on the free sector and the threat to "nationalise" the import trade through the State Trading Corporation, Minerals and Metals Trading Corporation and Fertilizer Corporation of India and state trading monopoly for export purposes.

"...dooms hopes to disappointment"

The *Approach* contains some sensible thoughts on the desirability of reducing price and allocation controls to the minimum. It accepts the fact that the licensing system is not functioning satisfactorily but after playing with the frightening thought of "a more thorough and integrated regulatory system" which is rejected as not being workable in the present situation, the obvious alternative of decontrol and increased competition is similarly ruled out without any reasons being given. In the result, a compromise solution through "a selective process of delicensing" is worked out.

One is relieved to find out that the Commission is prepared to concede that as "competition increases, concentration and monopoly may decrease." This is, however, followed up immediately with the bogey of cartels and mergers justifying the present legislation before Parliament.

There is the threat that the Life Insurance Corporation should be encouraged to exercise its full rights including the appointment of its representative to the Board of Directors, an exercise from which the L.I.C. has mercifully desisted during the past few years.

The Planning Commission has evidently learnt nothing and forgotten nothing from its past failures. Judging by the *Approach*, the Fourth Plan that the Planning Commission is hatching is likely to be a monstrosity which will complete the already advanced ruin of the economy and sink the hopes of our people.

A CRITIQUE

BY E. M. S. NAMBOODIRIPAD

The Approach to the Fourth Five Year Plan is a disappointing document inasmuch as it repeats the same old platitudes, peripheral policy issues and general statements on Plan objectives without taking adequate note of the objective realities.

LACK OF PERSPECTIVE

The present exercises of the Planning Commission are based primarily on 'short-range alternatives,' thus losing sight of long-term perspective and the attainment of national minimum living standards within a reasonable time horizon. In the long-term projection made in the First Five Year Plan, the Planning Commission had held out the prospect of doubling the per capita real income of 1950-51 by 1977, i.e., in 27 years. Subsequently, the Second Five Year Plan promised to bring about this doubling of income per head by the middle of the Fifth Five Year Plan.

The Third Plan envisaged that national income at 1960-61 prices will rise to Rs. 25,000 crores in 1970-71 and to Rs. 34,000 crores in 1975-76. Similarly, the per capita annual income was to rise to Rs. 450 in 1970-71 and to Rs. 530 in 1975-76. But the experience of the last three years and the serious crisis into which Indian planning has sunk have completely shattered any hope of reaching these targets.

The national income in 1967-68 at 1960-61 prices is expected to be of the order of Rs. 17,300 crores. In 1968-69 it is expected to be Rs. 18,300 crores. During the fifteen years between 1950-51 and 1965-66, per capita income in India at constant prices rose by 21 per cent only. The rate of growth achieved was, thus, less than 1.29 per cent (compound) instead of 3.2 per cent (compound) necessary for doubling the per capita income by the middle of the Fifth Plan. At the prevailing rate of increase it will take nearly 55 years from 1950-51 to attain the target of doubling the per capita real income of 1950-51.

THE SIZE OF THE PLAN

In spite of prolonged discussions, the Planning Commission has not been able to arrive at any 'finality' regarding the size of the Fourth Five Year Plan. However, it is understood that, for attaining a 6 per cent growth rate, a total financial outlay of the order of Rs. 22,000 crores during the Fourth Plan would be required. This is on the assumption that, with a relatively low increase in the investment cost and an increase in efficiency of capital, the capital output ratio has come down from 2.8 : 1 to about 2.3 : 1. It is also understood that, in the opinion of the representatives of the Union Finance Ministry, the total resources that can realistically be mobilised during the Fourth Plan will be of the order of Rs. 18,000 crores, which would sustain an annual growth rate of only 4 per cent per annum.

It is true that the growth effort does not depend exclusively on the total size of the Plan. Had it been so, the widening gap between Plan projections and achievements, which has been characteristic of Indian planning would not have occurred. But the Planning Commission cannot, and should not, fight shy of indicating the total financial outlay required for achieving the suggested objectives of the Plan and the inter-sectoral allocations and priorities.

RESTRICTED CONCEPT OF GROWTH WITH STABILITY

'Growth with Stability' as implied in the statements of the Planning Commission, is rather vague and unduly restricted in meaning. Truly, the attainment of 'stability' in a country like India, plagued by serious structural imbalances, cannot be viewed as a simple process of modulating agricultural prices through buffer stock operations. Such seems to be the innocence of the Planning Commission. If the concept of 'Growth with Stability' is to be operationally valid, a much more meaningful identification of the elements of instability and policy prescriptions is unavoidable. The main elements of instability should include, in addition to the seasonal and secular changes in agricultural output and prices, such factors as unbalanced sectoral growth, the predominance of uncontrolled private production sectors in industry, agriculture and services, mounting defence expenditure beyond our means, instability in the relationship between investment outlays and growth of income, skewness in income distribution, irregularity of inventions and induction of technology, the flexibility of credit in spite of Reserve Bank's control mechanism, the inflationary and deflationary policies implicit in the irrationality of governmental expenditure, and above all the cyclical fluctuations and business recessions in the advanced capitalist countries. To assume relative stability on the basis of an expected continued rise in agricultural production (which continued to depend upon the vagaries of nature) and buffer stock operations is rather naive.

While it is true that absolute stability is neither attainable nor desirable for economic growth, because economic growth itself brings with it certain structural changes in the economic system from which there is no escape, it should be the aim of planning to bring these wide fluctuations under control. But the ability and determination of the Government of India to implement effectively any scheme for controlling such phenomena is limited. Both in the matter of ensuring that the movements of relative prices accord with the priorities and targets set in the Plan and in the matter of preventing any considerable rise in prices of essential goods that enter into the consumption of low-income groups, the Government of India has failed miserably.

contd. on page 21

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by Mr. M.R. Masani, M.P.

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The document starts with targets which are as speculative as those of the Second and Third Plans and are as little likely to be achieved. Starting thus on the wrong foot, the rest of the paper is driven to the same old pattern as in the past.

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Government loans that have brought the country to bankruptcy. Foreign collaboration is to be ruled out together in the cause of consumer goods and to be subjected to "rigid tests" in regard to other fields of enterprise.

Agricultural activities are threatened with "institutionalisation". Professor Shenoy has already warned against such an attempt, pointing out that the peasant is the best judge of how to invest capital in his own land and that Governmental institutions should be kept right out of the agricultural picture.

One cannot help sympathising with the suggestion on page 13 that it is more than ever necessary to bring about a sense of security for the tenant, the sharecropper in particular. It is at this late point that one comes across the first thought with which one can heartily agree. Similarly, on the following page, the stress on development of handicrafts and rural industries to relieve pressure of population on land is one that can be supported.

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The section on the Mixed Economy is, like the Curate's egg, good in parts. The section starts badly with the need for restraints on the free sector specified on page 29 and the threat to "nationalise" the import trade through the STC, MMTC and FCI and State Trading monopoly for export purposes.

From the foot of page 30, however, some sensible thoughts obtrude such as the desirability of reducing price and allocation controls to the minimum.

The fact that the licensing system is not functioning satisfactorily is accepted but, after playing with the frightening thought of "a more thorough and integrated regulatory system " which is rejected as not being workable in the present situation, the obvious alternative of decontrol and increased competition is similarly ruled out without any reasons being given. In the result, a compromise solution through "a selective process of delicensing" is worked out.

One is relieved to find that the Commission is prepared to concede that as "competition increases, concentration and monopoly may decrease". This is, however, followed up immediately with the bogey of cartels and merges justifying the present legislation before Parliament.

There is the threat that the L.I.C. would be encouraged to exercise its full rights including the appointment of its representative to the Board of Directors, an exercise from which the L.I.C. has mercifully desisted during the past few years. Naturally, from all this, the abolition of the Managing Agency system is held to follow.

In the concluding paragraphs the old position in regard to the prevention of growth of disparities and possibilities of restraining incomes and standards of consumption is affirmed and a ceiling on urban incomes is suggested as being a proposal worthy of examination.

Like the Bourbons, the Planning Commission has evidently learnt nothing and forgotten nothing from its past failures. The Fourth Plan that it is hatching is likely, judging by this essay, to be a monstrosity which will complete the already advanced ruin of the economy and the hopes of our people.

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