578

# THE CASE FOR A "PAUSE" IN PLANNING

"The bigger the Plan, the faster the progress" is an assumption that seems to be fashionable in certain quarters. An otherwise sober and constructive commentator wrote, for instance, the other day: "The voice of 'caution' can be heard stridently advocating elongation of the Third Plan, a 'holiday' from Planning, 'consolidation,' a smaller Fourth Plan and other nostrums. This is the voice of doom, not of sanity. 'Consolidation,' in the present circumstances, implies stagnation and the consolidation of human misery."

Are these assumptions correct? Is it really true that a bigger Plan means faster progress, a smaller plan less progress and no plan no progress? In order to essay an answer to these questions, a quick glance at the basic facts about our economic condition today would be helpful.

This shows that the sterling balances of Rs. 1,402 crores left to us by the British have been almost completely wiped out, that our foreign indebtedness has gone up to about Rs. 2,200 crores, that our dependence on foreign aid has gone beyond all reasonable proportions, that the domestic purchasing power of the rupee is equivalent to 14 paise of the pre-war coin, while its value in the world market is about half its official price, that prices are constantly rising, that the capital market has collapsed, and that there is no foreign exchange with which to secure imports essential for our industries and other needs. The overall picture shows that as a nation we import more than we export, we consume more than we produce. We are on the verge of bankruptcy.

## National Income

The question that arises is the extent to which our plight reflects the impact of the Five Year Plans on our economic life and development. As is well known, each Five Year Plan has been bigger than the previous one. The total investment in the First Plan was Rs. 3,360 crores, in the second Rs. 6,831 crores; the investment target in the Third Plan is Rs. 10,400 crores; and the proposed investment in the Fourth Plan is Rs. 19,975 crores.

When we turn to the results of these Plans, we find that, while the First Plan exceeded its targets, the Second and Third Plans have failed to fulfil their promise in all significant respects. In regard to food grains production, the First Plan yielded an increase of 15,9 million tons against the target of 11.6 million tons. The Second Plan yielded an increase of 14.1 million tons against the target of 14.9 million tons, while the increase during the Third Plan is expected to be only 11 million tons against a target of 19 million tons.

The indices of industrial production do not show very different results. Against a base of 100 for 1950|51, the index of industrial production at the end of the First Plan had risen satisfactorily to 139. The target for the Second Plan was 207, but the figure reached was 195. The target for the Third Plan was 329 representing an increase of 68.7 per cent. for five years, but the index only touched 257 in 1964|65, showing an increase of 31.7 per cent. over four years.

Against a projected increase of 12 per cent. in the national income during the First Plan, the actual rise was 18.4 per cent., giving a welcome surplus of 6.4 per cent. This pattern soon changed for, in the Second Plan, as against a target of 25 per cent., there was a rise of only 20 per cent. in the national income, with a shortfall of 5 per cent. The position in the Third Plan has become much worse since, against a planned rise of 34.4 per cent., it is estimated that the actual rise will be of the order of 23 per cent., resulting in a shortfall of 11.4 per cent., no less than a third of the hoped-for rise in national income.

Is it not clear from these official figures that the bigger the Plan, the slower the rate of growth of the economy and the bigger the shortfall in industrial and agricultural production? Our progress has in fact varied inversely as the size of our Five-Year Plans.

It would be an error to think that this correlation is accidental or that it may be incidental to faulty implementation of Plans, which is an alibi often advanced. There is reason to fear that this correlation is inherent and inevitable, and that a big Plan must mean slow progress because of the greater diversion involved of scarce resources from more to less productive investment.

The reason why resources that are drawn within these Plans are likely to yield lower returns than if they had been left free in the pockets of the people is that we have been indulging in four fallacies. The first is that we have been indulging in four fallacies. The first is that we as a nation may spend money that we do not possess. The refusal to live within one's means, to cut one's coat according to the cloth, involves deficit finance in many other ways than the printing of currency notes, which is only the simplest and crudest of them. This results in inflation, with rising prices and with all its anti-social implications.

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The second fallacy is that, not agriculture, but the manufacture of steel and machinery is India's basic industry, which must take priority over the consumers' needs. Hence a wrong order of priorities. While the First Plan was sound in putting agriculture first, the Second and Third Plans provided for the allocation of investment to a disproportionate extent to steel and other heavy industries, while agriculture and the building of the infrastructure through the provision of water, transport, communications and power were shabbily neglected. Since steel is the most capital consuming and the least labour-intensive of all industries, those Plans have failed to give proportionate returns in either employment or production to match the investment. Hence the flagging in the rate of growth, and hence again inflation.

The third fallacy is that Government enterprises should produce more and more, the people less and less. Hence, while these Plans actually collect, in the form of taxes and loans, resources for the State sector, the free sector is left to fend for itself by raising money in the market. The allocation of resources shows a set pattern, despite the failure of the State sector to fulfil its targets, of a larger and larger slice going to the State sector, leaving a dwindling balance for the free sector of the economy. Thus, while in the First Plan, the share of resources allocated to the State sector was 46.4 per cent., it rose to 54.6 per cent. in the Second Plan, and 60.6 per cent. in the Third Plan. It is now proposed to raise it to 65 per cent. in the Fourth Plan. The wasteful nature of this investment can be judged from the figures available in regard to 46 Government-owned companies (along with two subsidiaries) for the year 1962-63, which had a capital employed of Rs. 1,294.11 crores. The net result of their operations was a loss of Rs. 12.33 crores.

## Command Economy

The fourth fallacy is that the Planning Commission and the Government should have the right to dictate what shall or shall not be produced and at what price it shall be sold. This has created a command economy which is modelled on Soviet planning and has little in common with the "indicative" planning of France and Britain, which is advisory and voluntary in its nature. It has also created a veritable jungle of controls, licences and permits, which kill incentive and breed corruption.

What then is the way out of the mess in which we find ourselves? To me the answer seems inescapable that what is called for is the abandoning of the four fallacies referred to above and a radical reversal of the faulty economic policies and plans in which we have indulged for the last ten years. This cannot be done overnight, particularly with a Government as lacking in decisiveness and a sense of direction as the one this country is blessed with at present. What is immediately necessary, therefore, is a pause —a period of heart-searching, of introspection and of direction finding— so that, as Mr. S. K. Patil said the other day, we may get out of the "blind alley" we find ourselves in.

As early as March 22 this year, opening a discussion on the Budget in Parliament, I urged the need for making the Third Five Year Plan a Seven-Year Plan, thus giving the country a badly-needed two year "holiday from planning." As Mr. Patil jocularly remarked, there are "planning pundits" who are apt to regard any criticism of their plans or any suggestion for a pause or holiday as "an act of sacrilege"! I am glad that, in such blasphemy, I now find myself in good company. If reports are to be believed, the World Bank, the country's best friend abroad, has given advice pointing in the same direction, and no less a person than the Prime Minister has made a similar suggestion, though it is likely to be publicly denied.

The implications of making the Third Plan a Seven-year Plan would be that we would have time to fulfil the targets of the Third Plan, completing unfinished business and projects, and fully utilising installed capacity; there would be no additional wasteful investment in the State sector for two years; and there would be time to think things over and get a better sense of direction. Such a Plan holiday can also be utilised for progressive decontrol and the cutting out of a lot of red tape in which we have enmeshed ourselves. It would give time to concentrate on agriculture, roads and power—essential elements in the infrastructure which have been wilfully neglected all these years.

I venture to suggest that the results of this step would be, within a period of two years, nothing short of miraculous. The first and most striking result would be that the stopping of unproductive expenditure on new projects would facilitate the completion and fuller utilisation of Third Plan projects at different stages of completion. Fuller utilisation of capacity would result in increased production which in turn would have a favourable impact on the price level. Increased production would increase the tax returns at the existing level of taxation. As there would be no fresh investment on new projects, this would facilitate a cut of 30 per cent. in expenditure and the tax revenues required. This in turn would make it possible for the incidence of all taxes, both direct and indirect, to be halved.

## Savings

The second result would be that more money would be left in the pockets of people for saving. With appropriate changes in the interest rates, these savings could be channelled into productive investment. This would lead to a tremendous spurt in industrial activity, the like of which his country has not seen for many a year.

The third result of a Plan holiday would be that additional purchasing power would be left in the pockets of agriculturists and the rural population. Through cuts in excise duties and decontrol, the agriculturist would get more manufactured goods by selling a given quantity of his products. This would serve as an incentive for him to produce more and bring more on the market.

Our rate of growth would accelerate, the size of the cake would expand and everyone would get a bigger slice. Beside this, the paltry achievements of the Second and Third Plans would pale into insignificance.

Big tasks and small minds go ill together. There are too many people in key positions who lack faith in the people, daring, imagination and vision. There has been a niggling attitude to prosperity and the enjoyment of the good things of life that is succeeding in driving away scientists, educationists, engineers, doctors and nurses in a regular flight of talent from this country where they find that talent is no longer appreciated.

Our administrators and legislators impose ceiling after ceiling. Having successfully legislated a ceiling on land holdings and on rural incomes by amending the Constitution, the demand is going up that there should now be ceilings on urban wealth and in[illegible]mes. A free country needs no ceil[illegible] We want the floor to rise but, [illegible] the aspirations of our peop[illegible] cerned, the sky should be [illegible]

Our Government talks [illegible] science and technology, but here again it is essentially restrictionist and reactionary. The authorities bolster, and sink huge amounts of capital in an outmoded method of transportation like the railways at a time when railway lines are being pulled up by the mile in other countries. but they hold down the building of roads and road transportation which is the modern, twentieth century method of surface transportation. They try to hold back the use of diesel oil at a time when Diesel is fast replacing petrol in large measure in other parts of the world. Only the other day, the wise men in the Energy Survey Committee appointed by the Union Government came to the conclusion that coal, which belongs to the nineteenth century "age of fossil power." is still the best source of energy for India and that we need not go in too much for an oil and petroleum-oriented economy! Having already given us a taste of the Caravelle and Boeing, the Indian Airlines Corporation is now seriously thinking of going back to the Ilyushin 18, which is an outdated turbo-prop tub— a plane on which even Cuba and Ghana, friends as they are of the Soviet Union, are turning their backs.

In place of such a mentality, we want the broad sweep and dynamism of the man who brought about the German Miracle and who, at a time when his country, like ours, was bound hand and foot in red tape and controls, gave the stirring call which should be our watchword today: "Let the men and money loose and they will make the country strong."— **Adapted from an address to the Rotary Club of Bombay.**

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