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Bombay, August 10.

That the rate of growth of the Indian economy is in inverse ratio to the size of the Five Year Plans was the proposition advanced by Mr. M.R.Masani, M.P., General Secretary of the Swatantra Party, while addressing the Rotary Club of Bombay this afternoon.

Refuting the fallacy that the rate of growth was proportionate to the size of the Plan, Mr. Masani pointed out how, in point of fact, while the outlay of the Second Plan was about twice that of the First and that of the Third Plan three times that of the First Plan, the progress made during the First Plan had been the fastest and there had since been a consistent decline.

The speaker stressed that the rate of growth was not proportionate to the funds invested but to the degree that available human and material resources were effectively utilised. A bigger Five Year Plan meant slower progress because it diverted resources from more to less productive purposes.

The reason why the Second and Third Plans had produced this unfortunate result lay in four fallacies inherent in the present pattern of planning. The first was that we as a nation could spend what we did not possess. This led to deficit finance, inflation and rising prices.

The second fallacy was that it was steel and machine making, and not agriculture, that was India's basic industry which must take priority over the consumers' needs. By concentrating a disproportionately large proportion of resources on steel and other capital intensive industries while neglecting agriculture, roads and other labour intensive projects, the Second and Third Plans had created a lag in employment and production. The importation of this Stalinist bias in our planning had been a major disaster for the country.

The third fallacy was that in each succeeding Plan, the State was expected to produce more and more and the people less and less. This was a perverse attempt considering that in each Plan the State sector had failed to deliver the goods while the free sector had exceeded its targets. An analysis of 46 Government companies showed that in 1961/62, against a capital employed of Rs.1294 crores, there had been a net loss of Rs.12.38 crores.

The fourth fallacy was that the National Planning Commission and the Government had the right to dictate what should and what should not be produced and at what price it should be sold. While this was in line with the "Command Economy" of communist countries, it was quite different from the "indicative" planning of democratic countries like France and Britain. Alongside of this dictation and distortion of the economy, there was a plethora of needless controls and licences, producing disincentives and corruption.

Turning to discuss how the country should find its way out of what Mr. S.K.Patil had rightly described as a "blind alley", Mr. Masani said the only way was to abandon these four fallacies and undertake a radical reversal of durrent economic policies. This could not be done overnight, particularly with a Government like the one the country was blessed with at present, which lacked decisiveness and a sense of direction. A pause had, therefore, become necessary. His own suggestion was that the Third Plan should be made into a Seven Year Plan and that the Fourth Plan should be postponed. This would be following the example of Khrushchev who resorted to a similar expendient when faced with a Plan whose targets, like those of the Third Plan, had not been fulfilled. Mr. Masani said he was glad that in what had been described as "an act of sacrilege" by a Union Minister, he was now in good company with the World Bank, India's best friend abroad. Even the Prime Minister was reported to be thinking on similar lines.

Referring to the reported opposition of the Planning Commission to the

Prime Minister's line of thinking, the speaker questioned the right of members of the Planning Commission who did not have to face the electorate or to answer for their actions in Parliament to hold up the progress of the country in this manner. In his view, "that collection of cranks and charlatans" should be dissolved and replaced by real experts who would act as advisors and not as a parallel government.

The results of a Plan holiday for two years would, in Mr. Masani's view, be nothing short of miraculous.. The stopping of unproductive expenditure on new State projects for a period of two years and the fuller utilisation of existing capacity would enable a cut of 30 percent in expenditure and in the revenues required. This in turn would make it possible for the incidence of taxation, both direct and indirect, to be halved.

There would be more money left in the pockets of the people for savings which could be channelled into productive investment. This would lead to a tremendous spurt in industrial activity, the like of which the country had not seen for many a year. Additional purchasing power would be left in the pockets of the rural population. Agriculturists would have an incentive to produce more food and bring more on the market.

The rate of growth, which had been slowed down by the Second and Third Plans, could thus accelerate. The size of the cake would expand and everyone would get a bigger slice. Beside this, the paltry achievements of our Five Year Plans would pale into insignificance.

Claiming that this could be done, Mr. Masani gave the example of Ceylon and referred to the budget that had been introduced the previous day by the new government there. "Are we less intelligent than the Ceylonese people?" he asked.

"Big tasks and small minds go ill together. Most of those in office today suffer from a lack of daring, imagination and vision and from want of faith in the people," said Mr. Masani. "They have a niggling attitude to prosperity and the enjoyment of a good life by the people, which is driving away our best scientists, engineers and doctors. They can think of nothing but ceilings, but what is required is to raise the floor. The sky should be the limit for our people's aspirations."

While the Government talked a great deal about technology and science, their attitude on technological issues was restrictive and reactionary. They supported outdated railraods against modern, twentieth century form of road transportation. They relied on petrol against diesel and on coal, which belongs to the ninteenth century "age of fossil power," as against oil.

In place of this narrow, restrictive and unimaginative kind of leadership, what is now wanted was to take up the stirring and dynamic call by Dr. Erhard at the end of World War II when his country was in a similar plight to ours: 'Let the men and the money loose and they will make the country strong.'

M R Masani

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have the courage and the honesty to come forward and admit it."

The point is that economic laws do not follow the diktats of Planning Commissions or even fleeting parliamentary majorities. So, at last, on 5th June this year, even this Government had to accept reality. The Finance Minister told the bitter truth to the nation in his broadcast. What he said then was very sensible. But then, why was all this denied earlier? When some of us said it, why were we told that we were talking in ignorance? Why did not Government then put its house in order and avert this declaration of bankruptcy—because that is what devaluation is—a confession of failure, a confession of bankruptcy?

REAL ISSUE

The real issue is not whether devaluation is good or bad. That is like asking—is a surgeon's knife good or bad? These are things that are neither good nor bad. They are neutral. They are instruments. Devaluation is like a surgeon's knife or a strong drug. They are good if the disease requires an operation or a strong drug, and if they are used by qualified surgeons or doctors. They are bad if they are meant to tide over a temporary crisis and then the patient persists in his bad old ways. They are bad if they are put in the hands of quacks.

The real issues are two: What has brought about the debacle and what are the causes of devaluation? Secondly, how do we see that the sacrifices imposed on the people by this act are not wasted? How do we see that there is not another devaluation within two or three years?

Let us start with the causes insolvent unless somebody will lend us money to pay for our present obligations. This is the stage at which we have arrived. We have mortgaged the future of our people.

The fourth thing wrong with our Plans and policies was over-taxation. The phrase used was: "Let us mobilise resources." "Mobilising" resources meant taking away money from the pockets of the people and from the banks where it could be productively invested into the unproductive coffers of the Government. This has diverted such amounts from the pockets of the people to the pockets of Government that our production has fallen, both in agriculture and industry, and we have come to our present plight.

Finally, there were excessive controls, controls killing enterprise, fostering corruption, creating profiteering and import licences, which Professor Shenoy has rightly described as "the biggest portfolio of political patronage."

SWATANTRA PROPOSALS

The Swatantra Party has made five or six concrete proposals to pull the country out of the morass. The first of these proposals is a clear commitment by Government that it will eschew all inflationary policies of every kind, that there should be no deficit financing or overdrafts from now. Unfortunately, even after devaluation, this has not been practised. The Finance Minister announced at the Chief Ministers' Conference on 18th July that the States had overdrawn during the last three weeks before July 18th no less than Rs. 20 crores from the Reserve Bank.

The second thing is a drastic reduction in civil non-developmental expenditure of both the Union and State Governments; a complete stoppage of this wasteful expenditure at the secretariat level. The amazing thing is that, instead of stopping all recruitment to the civil services, the Government has done exactly the reverse. In the newspapers on 1st July, one saw a fantastic announcement: "Government has removed the ban on the creation of new posts which was in operation for the last five years as a measure of economy."

Thirdly, foreign loans in which we have indulged too much, like crutches, should be restricted to essential purposes. Those essential purposes are two-fold. One is the emergency purpose of bringing in imports that can keep our agriculture and industry going to make up for the mess into which the Government has landed us. The other long-term and permanent purpose of foreign aid, Government-to-Government loans, should be building the infra-structure—water, power, transport, communications, technical education, but nothing more.

Fourthly, we should consolidate the projects we have taken in hand before embarking on any new projects. Let us postpone any Fourth Five Year Plan until we have put our house in order and created something out of what we have invested.

foreign loans. Devaluation is the price that this country has paid for getting loans from the World Bank and certain foreign Governments. It was a bargain. Now, there is nothing wrong in a bargain, if it is a good bargain from the national point of view. But is this a good bargain?

It is claimed that there was no alternative. We feel that, even on 4th June there was an alternative open to our Government. That alternative was: no devaluation, no aid and no Fourth Plan; or no devaluation, a little aid and a smaller Plan. That was a self-respecting and honourable alternative. Why was it not accepted? Why did we not go and say: We do not want so much foreign aid, we will do without it if necessary but we will put our house in order, become solvent again and maybe, in a year or two the rest of the countries will respect us, the respect which we have lost now, and they may come along and say: "You have put your house in order, now we will give you aid." What came in the way of our acceptance of this policy? What came in the way was that the Fourth Plan would not have been possible. And to save this Plan, we had to humiliate ourselves, we had to devalue our currency.

What is the Fourth Plan going to do? Where is the money that we are now going to get—if we get it, which I doubt—where is the money to go? The project aid is to go into the State sector, the most wasteful sector of our economy which eats up capital and gives nothing in return. I shall quote an eminent authority, my friend, Mr. Asoka Mehta, Our Planning Minister said in Parliament on 17th May that 70 per cent of the foreign aid would go to the State sector. The Finance Minister reiterated this on 8th June: "To the extent larger aid is available, the prospects of a bigger public sector plan will improve."

In case I am asked: "What is wrong with it, why should it not go into the State sector?" my answer is: Because the

Iran has given some good ad-
vice. According to an intervie
in a recent issue of the Londo
Economist, the Shah of Ira
advice to developing countr
is: "Listen to what the econ
mists say and then do the opp
site." I would say to our Go
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Planning Commission says a
do exactly the opposite; y
cannot go wrong."

On the 27th June, our new
papers reported that the Pri
Minister in an interview w
Look magazine, a very reputa
magazine not given to misqu
ing and very friendly to
present Prime Minister for ma
years, was supposed to have t
the correspondent of 'Loo
"If I feel that a departure fr
Nehru's policies is necessary,
cause India's future calls for
I will not hesitate to sug
such changes." I was deligh
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were dashed the very next
because, on 28th June, an offi
spokesman announced that
denied that she ever utte
those words.

What does this mean? W
was there in the statement
deny? What had she said?
had said what any Prime Mi
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proud to say and should
every day, namely, that if
interests of the country dem
something, he or she will
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can mean only one thing. I
only mean that, even if the
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policies! If this is what
wants us to believe,
indeed she is unfit to be
Prime Minister of this
country.

That is why one is sadly
en to the conclusion that
is no hope for this country
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out of office. There is no
for this country unless
monopoly of power that thi
integrating party has now
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The only solution to our
nomic problem is thus, un