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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.'

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M. R. Masani

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