Shri Masani

Speech on the III Plan in Lok Sabha
23rd August, 1961.

(650)

I

Picture at end of Second Plan

1 Rising Prices

Reserve Bank's Report on Currency and Finance for the year 1960-61 - Economic Adviser's general index of wholesale prices (Base : 1952-53 = 100) showed a net rise of 7.2 ~~% to 127.5 %~~ on top of a rise of 5.8 % in 1959-60.

Recent cost of raw materials and labour prices resulted in higher prices of manufactured articles (cotton and jute). Food articles no longer to blame. (Ind.Exp. 21.8.1961)

H. V.R. Iyengar (Times 27.7.1961)"It was impossible to ignore the fact that during the last five years, there had been a continuous increase in prices at the rate of 6% per year." At no point in the Second Five-Year Plan had there been a reduction."

Plan : "The Second Plan has been characterised by a persistent upward trend in prices ~~though of course part of the rise in prices was a corrective to the earlier decline~~. Over the five-year period, the rise in the general index of wholesale prices has been about 30%. (p/121).

2 Stagnant income of (a) landless labourer,

Second Agricultural Labour Enquiry Report laid on the table of the Lok Sabha on 21st December 1960 shows agricultural labourer in India generally suffered a decline in wages and an increase in unemployment and indebtedness between 1950-51 and 1956-57. -(Times - 22.12.60)
Process now accentuated.

(b) industrial worker

Nanda in Lok Sabha 11.4.1960 "Between 1939 and '47 the standard of living of the workers had declined by 25%. By 1951 they had just covered the lost ground. By 1955, the real wages had increased by 13 per cent. But since 1956, when again prices started rising, their gains have been to an extent wiped out." (New Age - 26.1.61)

(c) Lower middle-class actually gone down in life

(d) Who then has benefitted from Plans?

Only new ruling class and their satellites, State and few private monopolists.

3. Bankruptcy

Foreign exchange reserves down below safety point.
Total credits obtained as a result of all agreements with various countries Rs.1750 crores (approx.)
This measure of our obligations to repay plus interest.
Now perhaps another Rs 2200 crores.
Future mortgaged

But exports stagnant

Rake's progress

Prof. Galbraith's gentle reproof : "Borrowing is no substitute for earning by exports...I venture to think any friend of India will view with concern the rather uninspiring behaviour of India in the exports last five years." - Implications.

5

II

What are India's prime needs?

Plan itself answers

1. More investment

2. Greater productivity i.e. (efficient production at low cost)

3. Export (or perish)

How does the III Plan meet these needs?

By frustrating + sabotaging each of them!

Quote Prof. P.T. Bauer of London University ('Indian Economic Policy and Development', George Allen and Unwin Ltd, 1961, which provides striking vindication of S.P.'s attitude to planning). (pages 97-98)

"There is the massive expenditure on heavy industry, when the economic demand for its products is highly problematical; at the same time there is the neglect of education where the needs are evident and pressing and can only be met by Government. There is the comparatively small expenditure on agriculture, and also the restrictions on the movement of agricultural products, in the face of the manifest, urgent and indeed desperate need to increase agricultural productivity and to extend production for the market. There are the severe restrictions, or complete prohibitions, on the supply of certain categories of both imported and even locally produced consumer goods, in the face of the urgent need both to raise living standards and to provide incentives to agricultural production for the market. There are the restrictions on the extension of efficient industrial capacity ~~and the subsidisation of inefficient cottage industry and of cooperative production and distribution~~, in the face of a manifest need to economise resources and satisfy wants at low costs, and in the face also of official statements on the importance of industrial progress and the raising of living standards. There is the exclusion of private Indian and foreign enterprise and investment from a wide range of industrial and commercial activity, in the face of the urgent need to encourage viable economic activity. There is the neglect of roads, the official restrictions on the establishment of road transport enterprises, and on the movement of agricultural products, in the face of the urgent need to widen markets and to facilitate the movement of men, ideas and commodities. There are the severe restrictions on the establishment of all enterprises, in the face of the need to widen opportunities. ~~And these measures and policies not only affect adversely the standard of living but also restrict the potential demand for the output of the expensive capacity created under the heavy industry programme."~~

Persistence in

(a) Increase? direct and indirect taxation - murderous

(b) Deficit finance - 550 crores

~~(c) Industry for its own sake - irrespective of cost~~

Forced Industrialisation irrespective of cost

(4) Priority for low and slow return heavy industries e.g.
4th Steel Plant

e.g. expenditure on each of the three steel plants twice entire expenditure on elementary education (Bauer 51)

cost of heavy industry programme of public sector exceeds entire outlay on agriculture (Bauer 56)

While 70% of people work on land, more than half (3/4 of 2/3) total investment of III Plan goes to non-agricultural pursuits in public sector - shows lack of balance.

~~[illegible]~~

(5) Giantism - e.g. Atomic Energy

U.S.A. Atomic Slowdown: Six years ago the Atomic Energy Commission predicted a capacity of 2 million kw. of atomic-generated electricity by 1960. Last month admitted U.S. would be lucky to have 750 thousand kw. of atomic-generated power capacity by year's end.

Economic facts disheartening. Cost of nuclear power prohibitively high. Lowest about 15 mills per kw-h, even most expensive conventionally produced electricity costs only nine mills per kw-h.

But P.M. in Lok Sabha on 19.8.1961 : India to proceed with Atomic Power generation "irrespective of the cost factor....even if it is not economical we have to do it for tomorrow and the day after." Nonsense. We can benefit from world's technological progress.

Reason divined by Gandhiji years ago - Letter (No/84) to Rajkumari dated 29th June, 1939 : "I have advised you about Jawaharlal's invitation. In my opinion the whole of his planning is a waste of effort. But he cannot be satisfied with anything that is not big."

No more crushing condemnation required.

(d) Domination of State sector ~~at all costs.~~

Plan : "As compared to 1950-51, by the end of the III Plan, the contribution of the public sector will increase from less than 2 % to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production." (Page 14)

H.V.R. Iyenger : Percentage of total investment in State Sector :

I Plan	:	21
II Plan	:	53
III Plan	:	58

Today people's enterprise accounts for 90% of gross national product. Third plan offers it only 40% of resources, although "public projects have fallen short of the target by 10 per cent while private enterprise has done nearly 40 per cent more than its stint."
(Richard Fry, Financial Editor, Manchester Guardian Weekly. January 26, 1961.)

This involves ~~false~~ diversion of resources from more productive fields of economy.

(e) ~~(5)~~ Collectivisation of land - danger by no means over. (pages 209-11)

Squeezing out "surplus value" for forced industrialisation

Must Result In :

1. Inflation

Conceded by Plan itself.

~~Talk of "fiscal and monetary discipline" (page 127)~~

~~But~~ "It is essential to be prepared for a ~~im~~moderate price level increase" (127)

"Price rigidity is incompatible with development and some prices cannot but rise." (132)

2. Unemployment

Also admitted by Plan

Addition of half a million more to existing 9 million unemployed by end of Third Plan.

3. People's misery through denial of necessities of life.

Constant reiteration on need to cut down the consumption of consumer goods.

Comparable to K's new Programme - 1980 c/f 42 years

Pie in the sky.... jam tomorrow.

Last week in Moscow Mr. K. attended dinner party and boasted with usual vulgarity about the capacity to make H. Bombs equal to 100 million tons of TNT. At the end of dinner his autograph was requested on menu, and Soviet ball pen given but ball pen would not work. K. got out his own pen and said: "Mine writes. It is American. You have to recognise when a thing is well made."

4. High cost economy.

State and private monopolies extorting "near-ransom prices from consumers" (Shenoy - Times 8.6.1961) ~~Even~~ Gap between landed costs and market prices create large scale smuggling.

Penicillin : Import price 10 np. per million units
Pimpri price Rs.1.5 per million units

Indian steel no longer the cheapest in world - Australian price lower.

5. Therefore no exports

If economy cannot be competitive and incentive to exporters not provided (Shastri rejected ~~only alternative~~),

e.g. Sugar - Indian sugar Rs.700 per ton
World price Rs.400 per ton

then exports only possible by communist techniques of starving people and dumping goods abroad below cost.

That is exactly what Plan contemplates.

"Domestic consumption must be held within reasonable limits with a view to creating the surpluses for exports". (Plan - pg.137)

Compare Chinese export of Rice ~~and~~ when peasants starving.

Hence greater dependence on STC monopoly.

Examine present position. e.g. iron ore of Goa. Exported in 1952 [illegible]

~~of Goa.~~ Manganese ore decline.

Railways load dice in favour of ~~monopoly~~ STC monopoly in iron ore despite higher foreign exchange [illegible] of manganese

State Bank loads dice in favour of Railways.

No bank facilities against [illegible] receipts for goods [illegible] consignment by road

Effort will fail

Why should world tolerate our dumping at cost of their own industries?

20

III

Why this perversity?

Third Plan reads like Insanity Fair - [illegible]

Criticism not against planning as such but against perverse planning.

Why does Plan set out correct objectives and then does everything to defeat them?

Is this ~~stupidity~~ ignorance? No -

Answer is that this is not a Plan of economic development

Bauer : "The persistence of patently inappropriate policies in Indian planning suggests that its aim may be other than the promotion of economic advance." (Page 102)

"In Indian planning there is such an overriding aim : the establishment of a socialist society.... It is the pursuit of a primarily political aim in an intellectual climate permeated by over-simplified economic ideas, which explains the paradoxical and costly policies which a poverty-stricken, materially backward country with a large subsistence sector can ill afford. Indian economic policy promotes a highly centralized, closely controlled economy, and also results in a particularly wasteful deployment of resources and retardation of their growth." (page 104)

"Thus in simple language the merit of industrialization is primarily political, in that it enables the Government to dominate the economy chiefly to expedite socialist transformation ~~in the words of the passage just cited;~~ and

socialist transformation is a standard term of communist economy. This aspect of industrialization is familiar from experience in the Soviet countries."
(Page 110)

Plan 26 – Not even plan for Socialism = rising standard of life

It is a Plan to force State capitalist pattern on the country without its knowledge.

Hence method in planner's madness.

Mr. Andrew Shonfield, economic correspondent of The Observer:
"It is a Soviet type plan.....and it is a Soviet type plan which errs towards Khrushchev rather than Malenkov; the consumer gets a very small look-in." (Bauer 106)

Stupid to copy Russia in entirely different circumstances.
c.f. Russia in 1919: too much land too few people
We just the reverse
Soviets manufactured, Iron & Steel . . .

Because of Communist doctrine of world revolution, Soviet hands turned against world and world turned against Soviet - Hence need for Antarchy or self sufficiency.

autarky

But we have world helping us in an 'Aid to India Club.' ~~planned to help us~~.

Still Plan obsessed with Autarchy - pages 24, 26, 29, 48, 50, 107, 116, 138. (Better research would at least double the references.) Idea of self-sufficiency in ten or 15 years ridiculous. We shall need foreign capital for a century and longer.

Quote G.L. Mehta (Times - 20.1.1961) "It is now recognised that the need of foreign exchange is not an occasional rescue operation, but a continuing phenomenon necessary to enable emergent countries to have development with stability."

25

IV

National economy placed in strait jacket by fanatical Marxists

Country faced with

(a) Over centralisation

State's rights will wither away

Decentralization emphasized in literature on Plan but it does not refer to decentralized decision but only to decentralised execution of decisions taken centrally. (Bauer page 123)

(b) Concentration of political and economic power endangering, including right to strike

(i) ~~Small rights including~~ Fundamental rights and

(ii) ~~Erosion of~~ Parliamentary Democracy itself.

About 52% of Indian people own some land; that is in danger.

There are millions of industrialists, traders and artisans and professional people, self employed.

Their livlihood and individual liberties are in danger.

If Indian people waken to the danger, they would defeat attempt to put them in strait jacket of monopoly, State capitalism at behest of Djilas' New Class.

30

Talk to trainees of IAC
on 18.8.61
at Delhi

IAC

Public Utility – Wide contact
with public
Passengers.

Government Interference – Ministers
Parliament
Press

Monopoly – Need to ~~court onus~~
+ criticism.

"We hope to have the pleasure
of hearing you fly with us again"

Vulnerable.

Action + Sales

Cf. G.L.M.'s reply.

Recruitment from country

G. Booking procedures – Empty seats

Telex services

Bombay – no seat!

Unloadings – Logistics – Shuttling

Ask in a consultant

Utterance to S.K.S + ~~AVM~~ Lal.
AVM