

GOVERNMENT OF INDIA  
RECONSTRUCTION COMMITTEE OF COUNCIL

# FIRST REPORT

ON THE

# PROGRESS

OF

# RECONSTRUCTION PLANNING

*1st March 1944*



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INTRODUCTION . . . . .	(i)-(ii).
SECTION I—THE BACKGROUND . . . . .	1
The Atlantic Charter—Anglo-American Agreement—The United Nations Conference on Food and Agriculture—U.N.R.R.A.—other Measures of International co-operation.	2 7
SECTION II—THE NEED FOR PLANNING NOW . . . . .	7
Some problems emerging directly from the war—Problems arising out of the present conditions—Long-term problems of post-war reconstruction—Financial aspects of reconstruction—Machinery set up at the Centre to deal with the problems of reconstruction—Development Officers.	8—15
SECTION III—RE-SETTLEMENT AND RE-EMPLOYMENT OF EX-SERVICE AND OTHER PERSONNEL . . . . .	12
Industrial Labour and Technical Personnel—Technical and urban Re-employment—Re-employment of ex-services personnel in Government services—Resettlement on land—Utilisation of the Post-war Military Reconstruction Fund for the permanent benefit of the enlisted Classes.	15—18
SECTION IV—DISPOSALS, CONTRACTS AND GOVERNMENT PURCHASES . . . . .	18
The nature of the problem—Machinery set up to deal with Disposals—Contracts—International aspect of the problem of Disposals.	18—21
SECTION V—TRANSPORT AND COMMUNICATIONS . . . . .	21
Civil Aviation—Railways—Road Transport and Road-rail relations—Roads.	21—20
SECTION VI—PUBLIC WORKS AND ELECTRIC POWER . . . . .	29
Public works other than roads (irrigation)—Electric Power, Load Surveys and Financial considerations, Thermal Power Station Siting—Organisation of Public Utilities—Training of Indian Engineers in the Public Utility Management—Requirements of Plant and Machinery for Electrical Development in India.	29—36
SECTION VII—TRADE AND INDUSTRY POLICY . . . . .	37
Indian Trade Policy in the Post-war Period—International Monetary Policy—Industrial Planning—Acquisition of capital goods—Organisation of Industrial and Scientific Research.	37—42
SECTION VIII—AGRICULTURE, FORESTRY AND FISHERIES . . . . .	42
<i>Agriculture</i>	
Relation between India's Food Resources and Requirements—Technological Possibilities of Development.	45—49
<i>Forestry</i>	
Objects of Post-war forest policy—Rehabilitation of existing Reserved Forests—Prevention of floods and erosion—Agricultural Forests.	49—51
<i>Fisheries</i>	
First Five-year Plan of development.	51—52
SECTION IX—SOCIAL SERVICES . . . . .	52
Education—Public Health—Labour Welfare and Legislation.	52—56

## INTRODUCTION

This **FIRST REPORT ON THE PROGRESS OF RECONSTRUCTION PLANNING** describes the progress which has been made at the Centre up to 1st of February, 1944 and indicates some of the problems which the various Policy Committees are considering at present or would have to consider at some later stage. Similar reports will, it is hoped, be published periodically and will indicate the progress made from time to time not only at the Centre, but also in the Provinces and States.

2. The Report which has been prepared by the Reconstruction Secretariat contains a good deal of argument, discussion of policy and views on the financial and other problems involved. The object of the Report is to give information and to evoke public interest in the problems of reconstruction and it should not be regarded either as an expression of the approved policy of the Government of India or of any of its Departments.

3. Since this Report was drafted a statement has been made by the Hon'ble the Finance Member in his budget speech on the finance of Reconstruction, an extract from which is quoted below:

“ It is my firm conviction that the first pre-requisite of reconstruction finance is a sound financial position, both at the Centre and in the Provinces, secured by the fullest development of their respective taxation resources. This may perhaps sound pedestrian, but in the light of our experience of war-time finance there is no reason, given the will to find money for peace on the scale on which it has been found for war, why resources should not be forthcoming to an extent which could not possibly have been envisaged in pre-war days. Many Provinces have already started exploiting their revenue sources and building up reconstruction funds, as a result of which they will embark on the post-war period with an improved revenue position and a useful cash balance. This is a hopeful start, though there is still considerable scope for extension; but the magnitude of the problem is so great that the Provinces will undoubtedly need all the financial assistance that the Centre may be in a position to give. I have recently brought under review the post-war budgetary position of the Central Government, insofar as the many uncertainties inherent in the conditions of the present and the future permit. The review indicates that, on the assumptions of a reasonably speedy rate of demobilisation after the conclusion of hostilities, the maintenance by concerted international effort of full production and employment, and a determination on the part of the Government of the day to utilise to the full the taxable capacity of the country, it might well be that, after one or two deficit years, revenue surpluses would emerge rising in the fourth or fifth year to the order of Rs. 100 crores per annum. With all-out borrowing continued in accordance with the technique developed during the war, it is by no means fantastic to visualise total resources for the purposes of reconstruction during the first effective quinquennium approximating to the Rs. 1,000 crores level; and this excludes any estimate of direct private investment. Beyond that I would prefer at this moment not to attempt to dip into the future,

(ii)

although it would be reasonable to assume that estimates for the subsequent five-year periods could be related to the actual results of the first quinquennium in a sort of geometric progression.

“ The immediate task of investigation and planning is already well in hand, and some of the official reports and data which are now under the consideration of Government will shortly be released for the information of the public. These constitute the essential raw materials of any practicable plan of development, but equally important is the preparation of a sure foundation of sound finance capable of carrying with safety the edifice to be erected upon it. This edifice can itself be made both stronger and larger if the individual schemes of which it is composed are so designed as to be in their revenue aspect as remunerative as possible, and if high priority is accorded to such of them as can contribute directly to an increase in material wealth and prosperity and thereby reinforce the public revenues.”

After explaining the new taxation proposals for 1944-45, the Hon'ble the Finance Member concluded that “ this programme will assist the preparations for post-war development, by providing for the regular building up by industry of the necessary reserves, as well as by fortifying permanently the revenue resources of the State.

“ In the last-named direction much still remains to be done. In particular the Provinces, on whom so large a share of the building of the future inevitably falls, will need expanded resources. We have therefore under active consideration the possibility of an estate duty on non-agricultural property, which would be levied by the Centre but of which the proceeds would be assigned to the Provinces. In spite of war-time taxation it is indisputable that enormous private fortunes have been made during the war, aggravating the great inequality which already existed. Even on a modest programme vast sums will be needed for the post-war development of the country, and there is manifest justification for a system of death duties whereby these large fortunes will be laid under contribution. We have encountered, as we expected certain initial difficulties, but we hope to overcome these and to be in a position to place a carefully prepared measure before the Legislature at a subsequent session. I have no doubt that such a measure would not only fill a gap in the fiscal armoury of India but could serve a great social end.

“ That brings me to the end of my story. The last five years have witnessed changes of a significance and magnitude which few indeed could have ventured to foretell, as India has been caught up ever more irresistibly in the rapid stream of world events. Who can doubt that she is destined to play a momentous part in the years ahead, when the last great effort has been crowned with victory, and men turn again to the fruitful tasks of peace ? ”

T. J. HUTTON, \*

*Lt.-General,*

*Secy. R. C. C.*

SECRETARIAT (N. BLOCK);

*New Delhi, the 1st March 1911.*