

Eighth Plan Perspectives

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DIMMED DEVELOPMENT PERSPECTIVES

The perspectives for the Eighth Plan must start with some agreement on development, not in terms of economic growth, embodied in the Harrod Domar and/or Cobb-Douglas model, but in terms of the impact and/or goal definition on the living levels of the people. From this point of view, I cannot help but express my extreme disquiet that the entire official discussion on the perspective of the Eighth Five Year Plan has centred round the rate of growth. After reviewing four scenarios based on a growth rate of 5.5 percent, 6 per cent, 6.5 per cent and 7 per cent, two years of study and discussion has resulted in the agreement that the Eighth Plan growth rate will be 6 per cent. On this basis, the incremental capital output ratio is set at 4.35 for the five year period, involving a rate of domestic savings of 27 per cent of GDP, and a marginal rate of saving of 39 per cent. With these, the investment outlay for the plan is calculated as being Rs. 6,50,000 crores as against Rs. 3,00,000 crores for the Seventh Plan.

The Planning Commission in its paper, Eighth Plan: Perspectives and Issues, prepared for the 1988 October meeting of the Commission justified this emphasis on a high rate of growth and the consequential savings rate and investment outlay needed in terms of the poverty alleviation objective requiring this. It states "a more rapid rate of employment generation, the fulfilment of basic needs and a greater emphasis on social development will require a substantial increase in the overall growth rate of the economy". But this has been the motif force of all our Seven plans - that we must establish as high a rate of growth as possible and attain it as nearly as possible as a means of reducing the poverty of our people, generating employment and reducing the gap between the asset owners and the assetless.

* Text of Rao Bahadur R.R.Kale Memorial Lecture delivered at the Gokhale Institute of Politics and Economics, Pune, On 20th April, 1989.