

# **Economic Planning and Economic Surveys**

**By**

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This year the Executive Committee of the Indian Economic Association has quite appropriately chosen "Economic Planning and Economic Surveys" as the topic of the most immediate interest for discussion. The unexampled disturbance in the economic equilibrium of the world within the last five years has made all earnest observers ponder seriously as to what is wrong with world economy. Highly industrialised and advanced countries have been suddenly faced with a drop in demand resulting in unemployment and paralysis of trade; while backward and less industrialised areas have suddenly found their products fallen to such a low price that production is no longer an economic proposition. Conflicting and widely divergent views are put forward as to the causes for such a state of things and equally incoherent and diverse remedies are also proposed. No country in this world has escaped the consequences of this economic crisis and this time can be best utilised to arrange matters in such a way that the disabilities of the past might be overcome and that the future might be one of ordered and peaceful advance. The exigencies of peace make it imperative. The idea of planning has been engaging the serious attention of economists, statesmen, and industrialists from Moscow to San Francisco and a large volume of literature has grown up on the subject. I shall, therefore, endeavour to offer a few thoughts on planning as far as it is applicable to India. Obviously no wise

economic planning is possible without previous careful survey.

Human adjustment towards the dangers, difficulties and changes of circumstances is marked by reason, and all rational adjustment involves planning ; just as planning for the individual has long been recognised as a necessity, planning for larger groups, for nations as well as for mankind, has now proved itself necessary. Starvation in the midst of plenty is a phenomenon unheard of in the past history of the world. While prices have fallen the purchasing power of the consumer has fallen still lower. Some nations felt that if commodities ceased to be reliable securities on account of a tremendous fall in prices, they could rely on gold. Others wanted to stimulate prices by manipulation of currency and by the raising of tariff walls. None of these methods met with the success that was desired since they did not take into simultaneous account such factors as production, distribution, consumption and currency. A planned economy seeks to secure employment for all, maximum production at minimum cost and the rise in the standard of life of the largest number of the people. Concerted action by the nations of the world has long been recognised as necessary in political matters. The International Labour Office and the Council of the League of Nations testify to the desire of the world for common action ; concerted international action in economic matters has been a matter of grave urgency at the present moment in view of an unprecedented scientific revolution in the means of production as well as the continuous growth of the world's population. International Planning, however, is impossible unless all the nations concerned follow sound and well defined economic policies.

*The Five-Year Plan* inaugurated by the Soviet in 1928 and its success in certain directions served to focus the

attention of the world on planning which the trend of events had already made absolutely necessary. As originally conceived the first Five Year Plan was timed to end on 1st October 1933. Then came the idea of working the Five Year Plan in four years, and the date of termination was fixed for 1st October 1932, and then by a change of reckoning, December 1932. It is now about a year since the first Five Year Plan is supposed to have been completed. The aims of the Soviet in her planning were to get the maximum economic value out of the national resources, to perfect production by co-ordination of its processes, to raise as high as possible the general standard of living and to satisfy as far as possible social and individual needs. In a country as yet mediaeval in its organization there is always a preponderance of demand over supply and the main object was industrialisation. This plan called *GOSPLAN* has a centralised administration and distributes its duties among lesser geographical and functional organizations. In the formulation of policy the voices of labour as well as management are heard. The Five Year Plan is not a sudden thought but is the outcome of six or seven years of lesser planning experience. "We must strive in the shortest possible historical period to overtake and surpass the most advanced capitalistic countries and thus ensure the victory of Socialism in its historic competition with the system of Capitalism." The plan involves the co-ordination of the planning ideas of Trade Unions, Scientific Institutions, Industries, Banks, etc., and is 'cross-checked by the counter-planning method of criticism from those working under the plan.' Besides Socialisation and speeding up of expansion the definite aims were to increase electric power by 331 per cent i.e., to 22 billion kilowatt hours ; heavy industries were to be increased three-fold, light industries doubled ; capital investments increased by 258 per cent., agricultural production increased 55 per cent., cost of production reduced 32 per cent. and real wages raised 52 per cent.

The latest cables show that a programme of a second Five Year Plan to make the Soviet Union the rival of its most powerful neighbours is published, and provides that the volume of production at the end of 1937 compared with 1932 (when the first plan terminated) should increase by 2½ times or nine times the pre-war production. Seven thousand miles of New Railways are foreshadowed, as also the doubling of the agricultural output. A 30 per cent increase in Motor Car production is planned, and also an increase in the number of students. The Plan includes a large number of industrial projects such as the Dnieper river water-power electric plant involving 756,000 horse power to serve 70,000 square miles with 16 million inhabitants, the Stalingrad Tractor Plan meant to produce 50,000 tractors per year and the huge mill at Magnitogorsk capable of producing 50,000 tons of steel per year. Yet another is the Turkestan-Siberian Railway. The building of model cities, chief of which is New-Stalingrad following "the policy of planned economic Geography" is yet another feature of the plan. Foreign Credit and Foreign technical advice have enabled many of these projects to be completed. But whether the mills, plants, projects and schemes will ensure Russia the production she seeks to achieve remains yet to be seen. How far the average Russian who was steeped for centuries in sloth and ignorance will be able to rise to the demands of the complex and fine instruments he has to handle time alone can show. For the present he has to pay for it by the loss of all agricultural possessions, strict rationing and denying himself many of the necessities which workers in capitalistic countries ordinarily have. Foreign countries are also getting to be more shy about investments in a country which not long ago repudiated all debts. It sounds paradoxical to say that the destroyer of capitalism depends upon capitalism for a large measure of her success.

To extend the principles of planning and control that have been developed within the individual business enter-

prises has been recognised to be necessary in other countries too. Bismarck himself felt the need for a general economic policy, and, since the war, a national Economic Council has been a part of the German Constitution. In Britain Sir William Beveridge suggested an economic general staff. France established a National Economic Council in 1925 and the present depression and chaos have caused many plans of recovery to be discussed and canvassed in America.

Most ideas of planning, however, seem to be coloured by the experiments and experiences of Russia, and Socialism is said to be fundamental to all planning. Prof. G. D. Cole asserts that unemployment can be eliminated and a convenient price level maintained only if the state controls industry and provides for consumption. Says he: "National economic planning, in any sense in which it includes the full utilization of productive resources, involves public ownership of industry and at the same time public control of the distribution of income. . . Any real economic plan, therefore, involves not merely the inclusion of some Socialism into the existing system, but a transformation of the fundamental basis of economic life." He rightly holds that national economic planning signifies agreed decisions about the forms and quantities of goods to be produced, the amount of expansion of each industry and also as to what part of the country's resources should be devoted to the production of consumers' goods and what part to productive goods. But if national economic planning undertakes the distribution of purchasing power in all forms and the fixing of prices, the task appears too great. A mathematical linking of production with purchasing power, for its successful working, should have as its agent an automatic man which will breed and produce and consume solely at the bidding of the state. It involves such a great curtailment of personal liberty and such revolutionary changes in the ideas of the use and possession of wealth that the average man will not accept

it as long as he can refuse to do so. But when he is faced by starvation and unemployment, new avenues of recovery and prosperity must be explored even at the sacrifice of old habits. Even national economic planning cannot be immune from error, and mathematical perfection and scientific accuracy may sometimes be pushed too far.

Conditions in a highly industrialised country like England afford greater justification for such views, though planning for Britain is a complicated and controversial affair. Great Britain maintains a high standard of living by exporting large quantities of finished goods to other countries and taking in return raw materials and food stuffs. If her manufactures cannot find markets abroad most of them will have to be curtailed. England's home market is only a small fraction of her foreign market and her finished goods can never find adequate demand in Britain herself. Hence it becomes necessary to think of new industries whose products will find a home market and thus help to keep up the standard of living. This re-arrangement involves, according to Cole, such fundamental changes that the state will have to take over the control of all production, distribution and credit. Agriculture will be the only exception to this rule for some time to come.

Those, however, who are not doctrinaire socialists or fanatical believers in a proletarian state may be pardoned if they believe that Socialism is not an inseparable feature of economic planning. Planning attempts a rational utilization of available economic resources for the greatest happiness of the greatest number, however this end is attained. A number of plans of a less drastic nature have been considered in America during the last two or three years. Public attention of the world is now taken up by the great recovery drive inaugurated by President Roosevelt and directed by General Johnson. The four main phases of this recovery

drive are (i) Reduction of interest burden on the farmer by re-financing farm-mortgages ; (ii) the state liberally advancing funds to the farmer to enable him to get a better net income by reducing agricultural output and then by increasing the prices of farm produce while other prices continue the same ; (iii) ensuring the surplus earning to the worker so as to enable him to buy home products and thereby help home industries ; (iv) provision of work for the unemployed by the state undertaking projects of national utility. By these policies a new relationship has been established between farm prices and other prices, between wages and the cost of living, between producers' goods and consumers' goods.

No one can deny the urgent need for national economic planning in India. Planning in India need not be inspired by a crusading enthusiasm against capitalism nor by a desire to bring order out of the wreck of a highly material civilisation. Genuine humanitarian feeling, sympathy with the hungry and half-clothed masses of the poor, makes it imperative for all humane and right thinking men to banish poverty from this land and to raise the standard of living of the larger part of the country's inhabitants. India is immensely rich in her natural and human resources and yet she is one of the most indigent and least advanced of countries. Writing with a good deal of truth, Prof. Anstey, in her book "Economic Development of India," says : "Here is a country of ancient civilisation, with rich and varied resources, that has been in intimate contact with the most materially advanced countries of the West, but which is still essentially mediaeval in outlook and organization and which is a byword throughout the world for the poverty of its people."

Few observers have failed to note the appalling poverty of the large mass of the people and their incredibly low stan-

dard of life. The Simon Commission Report states : " The low standard of living to which the mass of India's population attain is one of the first things that strikes a western visitor. Wants are few, diet simple, the climate is usually kind, the deep-rooted tradition tends to make the countrymen content with things as they are. But the depth of poverty, the pervading presence of which cannot escape notice, is not so easily realised." The same report admits that even if the most optimistic estimate is adopted the per capita average annual income in India is £8 while the corresponding figure for Great Britain is £95 and that the contrast remains startling even allowing for the difference between the range of needs to be satisfied. The Indian Banking Enquiry Committee reports that the outstanding feature of Indian Rural Economy which is bound to arrest the attention of anyone who enters on an investigation of the question is the appalling poverty of the rural population. Another striking feature of Indian Economic life is the extreme dependence of the people on Agriculture. The absence of other major avenues of employment has led to too many people turning to land. In 1891, 61 per cent of India's population depended on land for their living ; and in 1901 the figure rose to 66 per cent ; in 1921 to 73 per cent. ; and in 1931 possibly still higher. Owing to seasonal vicissitudes and the want of proper irrigation facilities there is often a failure of crops, and the consequence is " that the average cultivator still continues to live on an insufficiency of food which reacts on his physical capacity for work and largely accounts for the high percentage of mortality in the country." It must also be noted that the yield per head per acre in this country is very low, in spite of the high inherited skill of the Indian Agriculturist. This is in part due to the absence of an enlightened state policy which can make available to the agriculturist the benefit of scientific researches. Owing to various causes the expenditure on agriculture by central and provincial governments is negligible though agri-



culture is the vital industry of India and the chief source of her revenues. Though the population of India has increased progressively, the area brought under cultivation has not shown a similar increase. The extent of the average agricultural holding has been going down while agricultural indebtedness has been on the increase, the total approximate amount of agricultural debt being Rs. 900 crores. The rapid changes in the ownership of land afford an index of the distress which has forced owners to part with their best cherished possession, namely land. Neither government nor co-operative societies have been able to advance any large measure of credit to the indebted agriculturist and the high rates of interest at which he is forced to borrow tend to increase rather than diminish his embarrassments. A system of land revenue based too much on average has left little or no margin to the cultivator to maintain his family after paying the assessment. Even the phenomenal fall in the prices of agricultural produce has not led to any serious attempt at a revision of land revenues. The wide prevalence of illiteracy has diminished the political potency and economic utility of the larger part of the people of the land. The distress from semi-starvation and under-employment has been made even more acute by the recent fall in world prices of cotton, jute, groundnut and wheat. The neglect which has stunted education and agriculture has extended to sanitation and public health. Lack of statesmanlike planning has imported to India some of the evils of industrial development, though that development is as yet straggling and inadequate. The workers are paid low, charged high and housed in slums. Little wonder then that six millions die every year in this land while the average longevity is the lowest and infant mortality comes very near the highest in the world.

Death, ignorance and squalor, starvation and poverty have come to infest not a poor inhospitable barren rock but

a country unexampled for her material and human resources. Thirty-five crores of civilised human beings—about a fifth of the world's population—inhabit a land which has been endowed by nature with a fertile soil, with considerable mineral wealth as well as animal creation. India is well adapted to grow whatever her children need for her sustenance. For long India has been a market for raw material for foreign nations ; not because she does not possess the means of industrialisation. She has extensive deposits of coal, iron ore, lead, zinc, copper as well as other valuable products out of which important industries can be built. The pre-requisites of Industrialisation viz., men, money, materials and motive power are available in plenty if only proper organizations can be established to tap them. Labour to work the factories can be found in any quantity, and there is abundance of raw material and primary agricultural products and a large market ready at the very door of indigenous industries. Coal, at an economic price, can be had in some provinces while hydro-electric power can be cheaply obtained in others. The Cauvery falls have been harnessed in Mysore and the average power generated is about 14 million B. T. units per month. The Tata Hydro-Electric Scheme, comprising the Tata Hydro-Electric Power Company and the Pykara Hydro-Power Scheme, will go a long way to solve the problem of cheap power. Similar schemes in the United Provinces and the Punjab are also of great potential promise. Hence all the necessities for the building up of industries in India are available and nothing further is required beyond a national economic policy on the part of the state for the achievement of the economic regeneration of the country which would make "India great and glorious alike for her own good and for the good of the world." There can be no shadow of doubt that the problem of Indian poverty can be solved by providing for her inhabitants sufficient employment outside agriculture. No doubt, agriculture will continue to be the occupation of a large mass of

her people. India can very well profit by the history of other nations to obtain for herself the benefits of industrialisation without any of its evils. It will be the task of wise economic planning to avoid those mistakes which have brought bitterness between capital and labour in other countries.

The importance of such an industrial development cannot be easily overestimated. Industrial development in India will achieve a general rise in the level of the wealth and welfare of the population, will tap the capital resources at present lying unused, will relieve the country from the danger of being too greatly dependent upon agricultural pursuits which are subject to seasonal fluctuations, will absorb much of the unemployed labour of the country, and, by raising the average condition of the individual, will enable the state to increase its revenue by further taxation. Lastly, opportunity will be afforded for the beneficial development of national character ; the spirit of enterprise and commercial adventure will be stimulated, and ample scope for scientific work and inventions will be provided by commercial and industrial necessity. This would redound to the credit of the nation as a whole and enable her to take a higher place in the world of science, thought and education.

The need, therefore, for planning is as urgent as in any other land. Planning in India should not be undertaken in the spirit of a race in economic armament or in any imperialistic expansion. It has become an unavoidable necessity since India has become a mere producer of raw material and a dumping ground for cheap foreign goods ; since agriculture has become the sole refuge of the people, and since the problem of rescuing the masses from the grip of poverty, ignorance and disease can be solved only by the improvement of agriculture and organization of industry. Sudden and spectacular results need not be looked for ; but adequate and cautious measures should be undertaken to see

that India occupies her rightful place in the comity of prosperous nations.

Such planning should include within its scope the improvements of facilities for inland transport. It is not enough that the sea-port towns are connected with the centre where finished goods are largely consumed or raw material for export is collected, but food stuffs and manufactured goods produced cheaply in different parts of the country should be enabled to reach the doors of the consumers at low cost. The Banking Enquiry Committee points out that while the freight of a maund of wheat from Australia to Calcutta is six annas, the railway charge from Lyallpur to Calcutta is Rs. 1-3-3. Needless to say, any economic planning should include the development of inland transport by road, rail or water. As a larger and larger part of population gets absorbed in industry, attempts should be made to introduce modern and mechanised methods of agriculture. Provision should be made for the establishment of an adequate number of land mortgage banks and for the introduction of scientific agricultural implements. In fact the affording of necessary credit—long term and short term—should form an important item of the programme of expansion. The financing and development of industries should be ensured by the establishment of a net-work of industrial banks throughout the important cities of India. In addition to providing necessary funds for industrial expansion, banks of this kind will serve as connecting links between industries and the general public by giving technical advice wherever needed. Any economic scheme for the future should ensure factory legislation of a humanitarian nature and the utilisation in urban working colonies of all the advantages the country possesses. In short, geographical planning should banish dirt, squalor and ugliness, and the distinction between town and country should be reduced. In a land of villages no plan can neglect cottage industries nor the provision of

cheap electric power. Proper regulation of marketing and transport of crops should also come under the purview of such a plan. A Social Insurance Scheme cannot be neglected even in a socialistic state, much less in India. Economy in the expenditure of administration is the crying need of the hour, and a sound financial system with a stable and independent currency is the prime need of any country which seeks to progress.

Any plan of economic expansion must depend for its usefulness on an accurate and extensive survey of existing economic features. Such a survey for India may be undertaken merely to secure an increased production of raw materials for alien industry, to stimulate export trade and to facilitate the import of finished goods. It may also be undertaken for a much more laudable object ; to raise the standard of life of the vast mass of the people, to improve the condition of the worker, urban and rural, industrial as well as agricultural, and to develop and conserve the abundant resources of this as yet undeveloped land. Statistics on everything that illuminates the future of the people are essential for every nation that wishes to progress. Economic empiricism can at best secure only a hand-to-mouth existence. No nation can take full advantage of the opportunities available to it unless it secures the assistance of detailed and up-to-date statistical analysis. Statistics not only record what has been, but also point to what may be. They form a sure guide to national policy and they are absolutely necessary for the perfection of administrative machinery and to enable the nation to meet new demands. Statistics keep government, economists and the nation in general informed about important national activities. Statistics should not however be mere by-products of government activity, uninformed and unco-ordinated, serving only for public propaganda or self-advertisement of departments of government.

Though an accurate statistical survey is the necessary first step to the formulation of economic policies, in our own country statistical information relating to different aspects of economic life and therefore of great interest to economists is not made readily available, though collected and used by some departments of government. No effort is made to tabulate and publish these, though that would mean a comparatively small expense. The present statistical publications of government give information so late that no useful action to improve matters can be taken with their aid. Even a trained economist would find it difficult to use them because the figures often relate to different periods of time, financial years or calendar years, and only elaborate calculations can make them of any value. For the collection of much of the data, government can only depend on existing agencies—district, provincial and central—but it would be an act of statesmanship to appoint a fully qualified statistical expert to arrange and co-ordinate the scattered and diversified data. This officer could be called the Director of Statistics and would every year furnish up-to-date information about the economic conditions of the country. The nature and scope of his activities, and the methods of collecting the data could be fixed with the help of a body of expert economists.

“Such a survey should, among other things, lead to the adoption of measures for increasing production and wealth ; measures such as the industrialisation of agriculture, the development of industries and trade, the redistribution of population according to the fertility of the various tracts, increasing the efficiency of labour and calling in the aid of machinery, science and capital for developing the country’s vast resources and organising its stupendous man-power.” Such a survey should cover production, national income and national wealth, individual income, individual wealth,

collective wealth, consumption, wages, cost of living, prices and indebtedness. It should also extend to internal, foreign and coasting trade, transport and communication, condition of crops, yield, crop experiments and value of produce. A double classification of the population based, one on occupation, and the other on income should be effected. Intensive studies of classes, communities or families should be systematic and representative, extending throughout the revenue year. The wages and prices statistics should be collected by the industries, mining, agriculture, and revenue departments, necessary legal power being obtained to ensure and facilitate their collection. Intensive enquiries in typical areas, typical crops and typical industries could also be undertaken. The Imperial Council of Agricultural research could be of great help in this matter not only by co-ordinating information but also by framing the general plan on which the agricultural statistics should be collected, and preparing and encouraging schemes for intensive enquiries relating to agricultural life. A statistical bureau in each province is also highly necessary—a bureau which will tabulate and publish provincial data collected by other departments or private agencies. Economic Associations and University Departments should also be pressed into the service of this provincial department. It is gratifying to note that Boards of Economic Survey have already been constituted in some provinces.

As I have already pointed out, an economic survey is only the essential first step to far-sighted economic planning and expansion. Such a survey cannot be finished in a day. In fact, opinion is unanimous that there should be a permanent bureau of economic statistics. But even this would lead nowhere unless there were a permanent economic council—a small body of economists for expert advice in the formulation of economic policy. This council should be in close touch with the Director of Statistics and with the provincial

economic departments. The members should also have facilities to keep themselves in touch with similar bodies in other countries and with economic movements of other countries as well as with the League of Nations. This body would serve as an economic general staff for the country. The members of the Liberal Industrial Enquiry advocated for England a similar general staff combining as their function the task of statistical collection as well as advice to government. They also suggested a standing committee of the Cabinet, called the Committee of Economic Policy to which the chief of the general staff should act as secretary. Every nation needs such organizations for handling and foreseeing the complex economic problems of modern administration.

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