

PAPERS

RELATING TO THE FORMULATION OF THE SECOND FIVE YEAR PLAN

PANEL OF ECONOMISTS .

GOVERNMENT OF INDIA
PLANNING COMMISSION .

1955

PAPERS

RELATING TO THE FORMULATION OF THE SECOND FIVE YEAR PLAN

GOVERNMENT OF INDIA
PLANNING COMMISSION

FOREWORD

The Panel of Economists was set up by the Planning Commission in January, 1955 to advise the Commission on problems connected with the preparation of the Second Five Year Plan. The constitution of the Panel is as follows :—

1. Dr. A. K. Das Gupta, Professor of Economics, Banaras University.
2. Shri M. L. Dantwala, Member-Secretary, Research Programmes Committee, Planning Commission.
3. Shri B. N. Datar, Director, Labour and Employment Division, Planning Commission.
4. Prof. D. R. Gadgil, Director, Gokhale School of Economics and Politics.
5. Dr. B. N. Ganguli, Delhi School of Economics.
6. Prof. L. C. Jain, Professor of Economics, Saugor University.
7. Shri J. V. Joshi, Executive Director, Reserve Bank of India. (Resigned in July 1955.)
8. Dr. R. Balakrishna, Professor of Economics, University of Madras.
9. Prof. D. G. Karve, Director, Programme Evaluation Organisation, Planning Commission ; later Chairman, Village and Small-scale Industries Committee
10. Dr. D. T. Lakdawala, Professor of Economics, University of Bombay.
11. Dr. B. K. Madan, Economic Adviser, Reserve Bank of India.
12. Dr. S. K. Muranjan, Principal, Sydenham College of Commerce, Bombay; now Member, Tariff Commission.
13. Prof. J. P. Niyogi, Professor of Economics, University of Calcutta.
14. Prof. V. R. Pillai, Professor of Economics, University of Travancore.
15. Dr. K. N. Raj, Professor of Monetary Economics, Delhi School of Economics.
16. Dr. V. K. R. V. Rao, Director, Delhi School of Economics.
17. Shri D. S. Savkar, Director of Banking Research, Reserve Bank of India.
18. Dr. S. R. Sen, Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India.
19. Prof. B. R. Shenoy, Professor of Economics, University of Gujarat.
20. Prof. C. N. Vakil, Director, School of Economics and Sociology, University of Bombay.
21. Shri J. J. Anjaria, Chief, Economic Division, Planning Commission ; Secretary of the Panel.

2. The first meeting of the Panel was held on January 28 and 29, 1955 at which various basic issues relating to the preparation of the Second Plan were considered. Econometric studies* prepared at the Indian Statistical Institute were also reviewed broadly at this meeting. Following these discussions, a Standing Committee was constituted. This Committee decided at its meeting in early March that members of the Panel undertake certain studies urgently with a view to assisting the Planning Commission in the preparation of the Plan Frame to be issued in April 1955. In view of the time schedule of the Planning Commission, these papers had

*These are being published by the Institute in a separate volume.

(i)

to be sent in by the end of March. In pursuance of this decision, members of the Panel and economists in Government and at the Reserve Bank prepared a number of papers. These are reproduced in Sections III to VIII in this volume.

3. Section I of this volume gives the Memorandum prepared by the Panel at its meetings on April 8, 9 and 10, 1955 and the Note of Dissent sent in by Prof. B. R. Shenoy. The Memorandum sets out, in the light of the papers placed before the Panel, the conclusions reached on issues relating to (i) the size of the Five Year Plan, (ii) structure and content of the Plan, and (iii) policy and institutional aspects of the Second Five Year Plan. The two papers given in Section II constitute a 'frame' for the Second Five Year Plan. These were placed before the Panel at the meetings mentioned above and the Memorandum represents the broad reactions of the members of the Panel to the proposals contained in these two documents. Sections III to VIII reproduce, as mentioned earlier, the various papers, suitably grouped together, which the Panel considered. It needs to be stated that the papers published here were prepared within a very short time—about four weeks—and were submitted for use as a basis for discussion on the respective subjects rather than as finished studies.

4. It may also be mentioned that the Economists' Memorandum is an attempt to express in brief compass the consensus of views among a group, whose individual members cannot be assumed necessarily to subscribe unreservedly to every single statement made in it. It will also be understood that the statements or views, explicit or implicit, contained in individual papers do not in any way commit or carry the approval of the institution, official or non-official, to which the writer or group of writers belongs.

5. It is regretted that the publication of these papers has been delayed on account of the pressure of other—no less urgent—work with the Press.

New Delhi,
21st October, 1955.

C. D. DESHMUKH,
Chairman,
Panel of Economists,
Planning Commission.

CONTENTS

	PAGE
FOREWORD	i
I. Memorandum of the Panel of Economists and Note of Dissent by Prof. B.R. Shenoy	
1. Memorandum by the Panel of Economists	1
2. Note of Dissent by Prof. B.R. Shenoy	19
II. The Plan Frame	
1. Draft Recommendations for the Formulation of the Second Five Year Plan (1956-1961). Prof. P.C. Mahalanobis	35
2. The Second Five Year Plan—A Tentative Framework. Economic Division, Ministry of Finance and Economic Division, Planning Commission, in consultation with the Central Statistical Organisation and the Indian Statistical Institute	69
III. Capital Formation and Investment Pattern	
1. Note on Objectives, etc. of the Second Five Year Plan. Dr. A.K. Das Gupta	111
2. The Second Five Year Plan : Investment Magnitudes and their Implications. Dr. K.N. Raj	116
3. A Note on Alternative Bases of Investment for the Second Five Year Plan. Dr. S.K. Muranjan	134
4. Investment Pattern in the Second Five Year Plan. Prof. C.N. Vakil and Shri P.R. Brahmananda	139
5. Investment in the Public Sector	149
6. Capital Formation in the Indian Union	154
7. Capital-Output Ratio in Economic Planning. Shri P.R. Brahmananda (Through Prof. C.N. Vakil)	160
8. Indian Industry's Installed Capacity and Present Production Levels. Prof. C.N. Vakil	169
9. Installed Capacity and its Utilisation in Indian Industries. Economic Division, Planning Commission	174
IV. Employment and the Occupational Structure	
1. Employment Situation and Policy	201

		PAGE
2. The Second Five Year Plan : Employment Pattern and Policies.	Dr. V.K.R.V. Rao	235 —
3. The Second Five Year Plan : Employment Approach.	Shri B.N. Datar	247
4. Economic Development and Occupational Distribution.	Economic Division, Planning Commission and Economic Division, Ministry of Finance	264
5. Minimum Wages and Employment	Prof. V.R. Pillai	278
6. Employment Review, 1949-54	Shri B.N. Datar	292
7. Concepts and Definitions of Employment and Unemployment.	Central Statistical Organisation	301
 Small and Large-scale Industries		
1. Common Production Plan for Hand and Machine Sectors in an Industry.	Gokhale Institute of Politics and Economics	317 —
2. Common Production Programmes for Small-scale and Large-scale Industries.	Dr. R. Balakrishna	322
3. Development of Small-scale Industries during the Second Five Year Plan.	Office of the Development Commissioner, Small-scale Industries, Ministry of Commerce and Industry	326 —
 I. Problems of Resource Mobilisation		
1. The Second Five Year Plan : An Appraisal of Financial Resources likely to be available in the Public Sector.	Economic Division, Planning Commission	337 —
2. Financial Resources for the Second Five Year Plan—A and B States.	Economic Division, Planning Commission	372
3. Estimates of Savings and Investment and an Appraisal of the Problems of Resource Mobilisation ; Balance of Payments and Planned Development.	Department of Research and Statistics, Reserve Bank of India	391 —
4. The Second Five Year Plan : A Tentative Estimate of Foreign Exchange Resources.	Economic Division, Planning Commission	452
5. The Second Five Year Plan : Problems of Resource Mobilisation.	Dr. B.K. Madan	466 —
6. Note on Targets and Allocation of Resources for the Second Five Year Plan.	Dr. S.R. Sen	475 —
⑦ A Note on Deficit Financing	Dr. A.K. Das Gupta	480
⑧ Deficit Financing and Indian Economic Development.	Prof. B.R. Shenoy	483
9. Expansion of Tax Revenues	Dr. D.T. Lakdawala	499
⑩ Income-tax Evasion	Gokhale Institute of Politics and Economics	504 ✓

	PAGE
VII. Policy and Institutional Implications	
1. Policy Decisions in Plan Making	Prof. D.R. Gadgil 509 -
2. Institutional Implications of a Bolder Plan	Prof. C. N. Vakil and Shri P.R. Brahmananda 513 -
3. Institutional Implications of a Bolder Plan with Special Reference to China's Experi- ence.	Dr. B.N. Ganguli 530
④ Institutional Implications of a Bolder Plan-- Agriculture.	Dr. M.B. Desai (Through Prof. C.N. Vakil). 551 -
5. Socio-Economic Implications of the exist- ing Institutional Structure in modern Business in India.	Gokhale Institute of Politics and Economics. 557
6. Institutional Implications of Land Reforms in the Second Five Year Plan.	Shri M. L. Dantwala 563
⑦ Public and Private Sectors	Dr. S.K. Muranjan 571 -
⑧ The Public and the Private Sectors	Dr. B.V. Krishnamurthi (Through Prof. C.N. Vakil) 574 -
⑨ Efficiency of Public Undertakings	Prof. D.G. Karve 577 -
10. Place of Cooperatives in the Second Five Year Plan.	Prof. D.G. Karve 583
⑩ Price Policy for the Second Five Year Plan	Dr. S.R. Sen 591
12. Organisation and Techniques of Economic Planning in the U.S.S.R. with special reference to Agriculture.	Dr. S.R. Sen 601
⑬ Planning Techniques	Dr. R. Balakrishna 630
VIII. Level of Living	
1. Level of Living : A Study of Trends in Various Components.	Economic Division, Planning Commi- ssion 636