

GOKHALE INSTITUTE OF POLITICS AND  
ECONOMICS

PUBLICATION NO. 22

**PLANNING OF POST-WAR  
ECONOMIC DEVELOPMENT  
IN INDIA**

(PUBLISHED IN CO-OPERATION WITH THE INTERNATIONAL  
SECRETARIAT, INSTITUTE OF PACIFIC RELATIONS)

By  
N. V. SOVANI

Price Rs. 3/8-0 or 5s.

1951

**GOKHALE INSTITUTE OF POLITICS AND  
ECONOMICS**

**PUBLICATION NO. 22**

**PLANNING OF POST-WAR  
ECONOMIC DEVELOPMENT  
IN INDIA**

**(PUBLISHED IN CO-OPERATION WITH THE INTERNATIONAL  
SECRETARIAT, INSTITUTE OF PACIFIC RELATIONS)**

**By**

**N. V. SOVANI**

**1951**

---

Published by D. R. Gadgil at the Gokhale Institute of  
Politics & Economics, Poona 4.

and

Printed by M. H. Patwardhan at Sangam Press Ltd.  
40-41 Wellesley Road, Poona 1.

## FOREWORD

Mr. Sovani's paper originally entitled "The Problem of Social and Economic Development in India, (with special reference to International Co-operation)", was written for a Conference held by the Institute of Pacific Relations, discussions at which centred round the subject of nationalism in South-East Asia. Mr. Sovani undertook, in this context, to study efforts of Governments in India, since the advent of independence in 1947, to plan the development of the country's economic resources and to carry out such plans. Mr. Sovani also linked his study with the general problem of international co-operation in the development of backward economies.

Mr. Sovani's paper has been printed here without any alterations. He has, however, written a note dealing with information received by him after the completion of the paper and this is printed in Appendix II in this publication. Mr. Sovani's paper is in the main factual. It, however, raises a series of questions, the most important of which appears to me to be our ability today to plan and to conduct a planned development of the country. Without seeking a too precise definition of what is meant by planning it is necessary to insist with Mr. Sovani that planned development denotes a comprehensive and co-ordinated effort which covers at least the major aspects of the economy. This is to be distinguished from a plan which consists of merely a series of projects affecting in the main one aspect or one stage of economic activity. The Indian plan incorporated in the Colombo Plan recently announced relates, for example, chiefly to projects of irrigation and other schemes of development of primary production in India. A more comprehensive view of planning is indicated by the Monnet Plan of modernization of equipment in France, while the largely socialistic economies of Great Britain and the

Scandinavian countries operate with detailed plans and estimates drawn up for all the major aspects of the economy. Even the programme for maintenance of full employment indicated in the recent resolution of the Economic and Social Council of the U.N.O. envisages quantitative forecasts in relation to every sphere of economic activity and the pursuit of economic goals in a comprehensive and integrated manner which comes near to being planned even though the larger part of the operational portion of the plan may be left in private hands.

One of the most striking features of the Indian situation, and perhaps that in other similarly placed countries, is that such an idea of planning or a plan is yet completely absent from it. Mr. Sovani's paper does not deal with the setting up of the National Planning Commission, but six months' operation of that commission does not yet indicate that it conceives its role as that of preparing a central national plan in this sense.

This point is no doubt obvious, but it will bear labouring in the Indian situation; for, here every sectional interest desires and presses for government assistance, help and control in a partial manner, i.e., to the extent that this will help forward its interest but seeks to avoid by all means the extension of government control so as to enable the state to achieve definite social objectives. Private interest can alone be served by partial policies and partial controls and while these operate in a private enterprise economy the profit maker can alone get advantage from them. It is only if such partial controls and measures of assistance are fully integrated that an overall social objective may be achieved. But this last has been found impossible of achievement in India so far.

A plan, if it is merely a plan for constructional works or the establishment of certain factories or reclamation of certain lands could be dignified by the name of a plan of

economic development, if while considering certain major investment policies it also followed up and planned the subsidiary and ancillary growths, which alone would lead to the proper utilization of the primary acts of investments, and also planned the disposition of the amounts of income or production arising out of the plan in consumption and reinvestment. In the absence of these latter parts the effort amounts, as in previous periods, to no more than construction of individual works or projects which may or may not be followed by particular developments or lead to particular social results.

The preparation of a comprehensive plan, however, postulates basic agreement regarding future social policies which may often not exist. In the absence of such basic agreement a comprehensive and integrated plan is impossible even to formulate and obviously much more to execute or carry out. It would perhaps be correct to say that the lack of the planning effort in India, inspite of a lot of talk about it, has been due in the main to such lack of agreement. There is at present not enough basic agreement among major elements even within the ranks of the dominant political party for undertaking the planning effort. There are in this party at least three distinct groups of opinion which are important. There is one which is archaic in its ideas regarding the reconstruction of rural economy and appears formally hostile or indifferent to the problem of development with the help of modern technology. This element, at the same time, actively helps the large capitalist groups in their campaign for unhindered private enterprise. A second group is impressed by the inability of the state to do anything in existing conditions and would adopt in the main a *laissez faire* approach towards economic affairs. In this are to be included both those who are directly or indirectly interested in large private industry or trade and those who seriously hold to the older liberal tradition and outlook. Thirdly a small minority airs vaguely socialistic views but is unable either to think them

out logically or to contemplate with equanimity the large changes in social and political structure that these might involve. As a result, the talk of planning which originates with the last group and which, being fashionable, none of the others dare openly oppose leads to little action and does not affect the shaping of economic policy.

That policy itself may be said to be in a stage of complete disorder, as a result of the number of conflicting views that seek to dominate. The failure of influential leaders in the ruling political party to agree upon a common basis for planning or for the shaping of immediate economic policy has resulted in economic policy being left to the chance result of a number of forces rather than being shaped deliberately towards given objectives. This has been brought out clearly in Mr. Sovani's account. He indicates how economic policy is being conducted independently for each department and how the policy of even a single department neither takes a long range view nor is steadily maintained over any length of time. The most obvious illustrations of this are the statements relating to and the policies governing the regulation of export and import trade. Though both these are under the control of the same department there has never been a clear definition of the total import requirements and the total export possibilities in a period of time with an attempt to balance them in a forecast or in a budget. The regulation of imports and that of exports are judged evidently on independent planes with little relation to each other or to the general working of the country's economy. Lack of coordination in economic policy may be partly due to the absence of a ministry or other organ of Government specially charged with this task and having sufficient powers to discharge it. It is necessary, however to realise that the source of our difficulties lies even deeper. For example, the Finance Minister may attach great importance to the holding of prices and may shape the policy of his ministry accordingly. His colleague at the Ministry of Food may, however, actively work for an

increase in controlled prices of primary products or for measures of decontrol which will make them rise precipitately. These differences in policy arise out of fundamental differences in social philosophy or political outlook. The knowledge that these exist and the sharp conflict in policies pursued that they bring about make for a confusion not only in state action but also in public response to it.

The impossibility of achieving anything positive may lead one in desperation to reconcile oneself with the prospect of a reversion to the pre-war *laissez faire* pattern. It seems difficult, however, even to attain this. In the first instance, regional and sectional interests would not tolerate the restoration of the pre-war degree of freedom in internal and international trade. Secondly, special circumstances or personal idiosyncracies may give a twist to economic policy and create serious situations. As examples, we have, in this period, the trade war with Pakistan and the policy of food self-sufficiency. The trade war with Pakistan has grave consequences both for the short and the long term. It affects the capacity of India to keep in check inflationary forces and it dictates long term ends, such as cotton and jute self-sufficiency, which in its absence, would not have been thought of seriously. The emergence, acceptance and results of the policy of food self-sufficiency are no less serious and perhaps illustrate better than anything else the peculiarities of the Indian situation. The origin of the self-sufficiency slogan is obscure; it cannot certainly be traced to the conscious efforts of any deliberative or policy-making body. However, slogans of even oracular origin may, after gaining acceptance, be translated into action in a reasonable manner. This did not happen to the particular slogan. Calculations in relation to it were always kept on the esoteric plane on which the results of the Grow More Food Campaign were measured; unfortunately, food self-sufficiency did not remain an undoubtedly wasteful but largely innocuous affair like the Grow More Food Campaign. It was taken seriously and began arbi-



trarily to affect the size of food imports. A target date was selected and without reference to any actual facts or requirements import quotas were determined in relation to this date. We entered the realms of fantasy when self-sufficiency in both jute and cotton were added to the self-sufficiency in food without affecting either the target date or import quotas. Comic relief was provided by the spectacle of a minister asking for higher prices for raw cotton so that land may be diverted even from food to cotton for enabling the country to export cloth, so as to earn foreign currency with which to enable the country to buy food and solemnly stating that this would have no repercussions on the price level. The latest we learn is that self-sufficiency in food is to be interpreted with the reservation that imports which can be attributed to areas required for attaining self-sufficiency in cotton and jute will continue to be made. To this no doubt will be added in due course the requirements of the self-sufficiency in and exports of other products such as sugar and gur, oilseeds, oils and vanaspati, fruits and vegetables! The pronouncements of oracles and the antics of ministers might have been merely diverting if their concrete results had not threatened to be tragic. The arbitrary cut in import quotas was persisted in long after it had become apparent to the informed that the country was running the risk, as a result, of a serious food shortage. And today we face the possibility of a general breakdown of the system of food distribution with consequences to the whole field of economic activity which even a complacent Finance Minister may be unable to ignore.

Coming to the plans themselves, the plans of development drawn up by individual States in India are for the greater part, as shown in Mr. Sovani's account, a series of uncoordinated estimates of expenditure on constructional works and on social services. The estimates even for individual departments have not been based on clearly defined objectives or detailed previous scrutiny. The progress made in particular directions does not also appear a matter

of deliberate choice and there has been no general or periodic assessment of results. A careful overall coordination of resources and outlays has not even been attempted by individual States, largely because the main source of finance of all State plans of developments has been the expected grants from the Union Government. This planlessness of the plans of the States might have been remedied by a comprehensive effort at the Centre, i.e., by drawing up a coordinated plan for all expenditures, State and Central, and bringing these into relation with the general ways and means position. The Government of the Union has, however, for a variety of reasons, been late in even attempting this task. The work of the Central organizations set up during the war was suspended after 1946 and no action was taken on the report of the Niyogi Committee. It was only in early 1950 that a National Planning Commission was set up, whose composition raised high hopes in many quarters.

The turn of events since 1946-47 had, however, made progress for the National Planning Commission difficult. Limits to State action, especially in the industrial sphere, had since been defined much more rigidly than in the earlier pronouncement under British Rule, that by Sir A. R. Dalal; there had been general decontrol of prices in 1947-48 and this had left as an aftermath a difficult economic situation. There had also arisen in the country and maintained strength in spite of the experience in 1948, a school of thought opposed to all measures of conscious direction of economic activity. This school had adherents not only among prominent politicians out of office but also among ministers of State and Union Governments. In the absence of an intelligent and strong command on the front of economic policy these dissidents had found their task easy. It required considerable thought, a great drive and a continuous watch to initiate and maintain an active coordinated economic policy, especially in the Indian post-war situation. On the other hand, when these were lacking even one clever minister could successfully sabotage a whole plan of

campaign. Lack of leadership and opportunities for misdirection were in evidence on the front of public opinion also. A large number of individual interests are adversely affected by State regulation and except in circumstances like that of shortage of food the social advantages of co-ordinated State effort are not always obvious. Education of the public and propaganda on behalf of an economic plan are prerequisites of successful planning for development. Leadership from among the dominant political party failed in this respect also. It was rather the opposition to planning in the party that captured the field with a propaganda which has been insistent, plausible and subtle. The countering effort to this has come not from among the politicians in the party but rather from those who were outside it, being either neutral or even actively opposed to the party in power. Obviously this has not helped matters.

The failure of the National Planning Commission is not difficult to understand against this background. One of the first subjects to which the Commission is understood to have given attention was the attainment of immediate economic stability. Great importance was attached by the Commission to preventing further increases of the price level and it was supposed to have made recommendations in specific instances and of a general sort. Whatever the reasons, the Commission failed even in this preliminary venture and the country is intrigued by the spectacle of the ineffectiveness of a Commission which is presided over by the Prime Minister of the Union and a prominent member of which is his Minister of Finance.

Recent history in India and other countries would thus indicate that the formation and the execution of a plan of economic development is, at least as much a political and sociological problem as an economic one. The formulation of such a plan involves a minimum agreement among rulers regarding social and economic policy. Its execution requires a minimum of control over economic activity and a

minimum of co-operation and understanding on the part of the public at large. None of these conditions obtain in India today. Moreover, the very state of economic stability which is the necessary starting point of any planning is being found difficult of attainment. In the circumstances, efforts of all thinking and sincere people must immediately turn in a large measure to bringing about the social and political pre-conditions required for planning.

This conclusion shows up vividly the dilemma in international co-operation. The only country which can contribute at present substantial resources over a series of years for the development of backward economies is the U.S.A. This country is, however, evidently interested at the same time in upholding a social philosophy which, whatever its merits in a rich country with special traditions, is apt in a different context to encourage atomistic beliefs and antisocial interests highly inimical to the entire planning effort. Therefore, even if the unexpected happens and large investments are intelligently made for the development of countries like India these appear likely, in existing circumstances, to lead immediately not to desirable social objectives but to the strengthening, on the one hand, of the forces of monopoly and to an increase, on the other, of social discontent and conflict.

18th December 1950,  
Gokhale Institute of  
Politics and Economics  
Poona 4.

D. R. GADGIL

## CONTENTS.

	Page
Foreword	iii-xi
I. Formation of Government Policy	1
II. Development Programme of the Central Government	10
III. Provincial Development Programme	32
IV. Failure of Planning	44
V. Major Post-War Economic Trends	59
VI. The Influence of International Factors	78
Appendix I : Statistical Appendix	92
Appendix II : Achievements of Provincial Development Programmes	100

---