

ECONOMIC ASPECTS OF
THE IMPLEMENTATION
OF OUR DEVELOPMENT
PROGRAMMES.

By

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“ECONOMIC ASPECTS OF THE IMPLEMENTATION OF OUR DEVELOPMENT PROGRAMMES”

PUBLIC policy in India since Independence has aimed at promoting rapid and balanced economic development in the country and seeks to guide and canalise national energy for successful implementation of the development programmes. The First Five Year Plan was calculated to strengthen the economy at the base and to put into effect institutional changes, so necessary in the Indian context, for a larger rate of growth in the subsequent years.

2. The results achieved in the First Plan are indeed heartening. The gross national income in terms of 1952-53 prices rose from Rs. 9110 crores in 1950-51 to Rs. 10,800 crores in 1955-56, registering a gain of about 19% against the expectation at the time of formulation of the First Plan, of 11%. Irrigation facilities, which extended to 51.5 million acres at the commencement of the Plan, have expanded and 73.8 million acres will be served when all the projects of the First Plan are completed. Food production has increased from 54.04 million tons in 1951 to 65 million tons in 1956. Power generation has been stepped up from 6575 million KWH in 1950-51 to 11,000 million KWH last year. The index of industrial production records 36.5% growth over 1951. The total number of boys and girls attending schools and colleges has risen from 2.39 crores to 3.29 crores in the last 8 years and there has been corresponding expansion of schooling facilities. A large number of new institutions for higher studies have been established.

3. The Community Development Programmes—Community Projects and National Extension Service—now cover about a third of our villages and are aimed at reviving and stimulating the hidden urge of the people for betterment of living standards and for economic development.

4. Thus the progress of the country is indeed significant but the fact remains that living standards in our country are still amongst the lowest in the world. Against the accepted standard of nutritional requirements of 2250 calories, the average food intake is only 1690 calories. The cloth consumption averages a bare 16 yards per annum, and about half the population in the country has, on an average, a mere Rs. 13 per month to spend in consumer goods inclusive of food and cloth. The per capita coal equivalent of energy consumed is only about 225 lbs against 8400 lbs in Sweden, 5300 lbs in Belgium, over 10,000 lbs in France and 18,000 lbs in U.S.A. Compared to Japan, the per capita consumption of energy in India works out to only a ninth of the average in that country. The per capita consumption of steel in India is one-fourteenth of that in Japan and less than 2% of the per capita consumption in France and less than 1% of the per capita consumption of steel in U.S.A.

5. Only about 50% of the children in the age group 6-11 and about 20% of the children in the age group 11-14 attend school.

6. Against the normal requirement of one hospital bed for 1000 population, by 1955-56 we have one bed amongst 8000, while the availability of Nurses and Midwives falls short of the norms by about 75%. In our rural areas, about 50 to 55% of the houses have mud plinths; the floor space even in these houses is extremely congested, the average per head being less than 100 sq. ft. in nearly 40% of these houses.

7. There are large areas or regions in the country which are under-developed even in relation to the rest of the country and about 74 million of our people—scheduled castes,

scheduled tribes, are almost untouched by modern progressive ideas and techniques.

8. The Programmes of the Second Plan have to be viewed against this background. Bold in conception and seemingly ambitious in the proposed increase in outlay, the Second Five Year Plan carries forward and accelerates the process of development initiated in the First Plan and provides for larger increase in production and wider employment opportunities. The physical targets for achievements in the various fields of development have been generally agreed to and the distribution of the Plan outlay of Rs. 4800 crores by major heads of development have been broadly finalised.

9. As observed by the Planning Commission, "The function of economic policy in context of the Plan, is not merely to mobilise the financial resources needed, but also to promote in all ways it can, a pattern of consumption and utilisation of real resources which conform to the requirements of the Plan".

10. The economic and social objectives of the development programmes will need to be continuously emphasised and the process of implementation so devised as to make the economy more dynamic by widening its base and utilising all the opportunities to mould and refashion the economic and social framework for early realisation of the ultimate objective of creating a "socialistic pattern of society". It means that all major decisions regarding production, distribution, investment and institutional change will be guided by the criteria (1) of making available the benefits of economic progress to relatively less privileged classes of society and (2) of securing the foundations on which larger expansions of intensified agricultural production and a diversified industrial sector can be rapidly built up and stabilised. Therefore, the programmes of the Second Plan will have the four-fold objective of (1) raising output per unit resources; (2) raising per capita productivity; (3) better redistribution of purchasing power

by creation of larger job-opportunities and (4) strengthening the bargaining power of essential but weaker units of production through co-operative organisations, credit facilities, State protection by reservation of fields of production, financial assistance and other promotional incentives.

11. The contribution of "Agriculture and allied pursuits" to the National income of India worked out at about 48% of the total, but in terms of output per engaged person in Agricultural Sector, the per capita production was only about Rs. 482 per annum *i. e.* Rs. 4990 crores for 10.36 crores of persons engaged in agriculture. This shows the very inadequate return that Agriculture Sector offers in our country. This also indicates that apart from the excessive burden on land, the productivity per acre is one of the lowest in the world. While it is true that the solution of correcting the imbalance in our occupational pattern will have to be spread over two decades or so, there is ample scope and urgent need to push ahead vigorously with the programme of removing basic defects which thwart the development of this important sector of national production.

12. In the First Plan period, in the field of agrarian reforms, we have tried to abolish the intermediary holders, and the existing tenures can now be broadly classified into ; (1) owners holding directly from the State and (2) tenants holding from these owners. Bulk of the tenants have been given security of tenures but the progress in this direction has been very slow. In a number of States, the legislation though enacted has not yet been fully implemented. Along with this, the problems regarding the rights of transfer have acted as a brake on programmes of permanent improvement in land by limiting the credit-worthiness of the cultivator. Considerable work remains to be done in respect of consolidation of land-holdings. All these issues have an important bearing on raising the agricultural production and speedy action in this behalf necessarily forms a part of the economic policy in the implementation of the Second Plan.

13. Another equally important aspect of economic policy in relation to agriculture will be the promotion of healthy growth of the co-operative movement. Long term, medium term and short term credit facilities will have to be provided to the agricultural sector in an increasing measure. The organisation of primary land mortgage banks, the Taluka and the District co-operative banks and the apex land mortgage and apex co-operative banks will have to be undertaken very speedily throughout the country so as to cover the entire range of agricultural activity including marginal producers who have not enough credit-worthiness. With the passing of the various measures of agrarian reforms and abolition of intermediaries and agricultural debt relief measures, the agricultural sector is feeling short of traditional credit facilities. The money-lender is being rightly abolished and is fast losing interest in agricultural advances. It is, therefore, most important that for purposes of well-sinking, minor irrigation works, tube wells, soil conservation measures, contour bunding, and all other forms of agricultural improvements of permanent nature, long term and medium term finance will have to be provided almost fully during the Second Five Year Plan period through the co-operative movement. Also seasonal finance for purchase of seeds, bullocks, agricultural implements, purchase of fertilizers and manures, plant protection measures and other ancillary agricultural operations will have to be provided through the co-operative sector.

14. Therefore, it will be very necessary to train a large number of organisers and workers in the co-operative field and to give very special attention to this programme so that for want of adequate agricultural finances, the tempo of agricultural improvements is not retarded.

15. A major step forward has been taken by the creation of State Bank of India and the branch expansion of this institution is also well worked out. But we believe that this programme will have to be much more expanded and the

rural credit through co-operative institutions as well as normal banking facilities will have to be far more intensified. It may be necessary to subsidise branches and pay offices of banks in rural areas so that either a pay office or a Bank branch is available in every group of 25 to 50 villages.

16. The investment pattern of the Second Plan has a bearing on the need to fully achieve the targets of production of all consumer goods—especially foodgrains. Large outlay has been rightly contemplated for key and basic industries—industries which are essential for laying sound foundations of an expanding industrial sector of the future. There is necessarily a time lag before the investment in heavy industries starts paying dividends in shape of production. The outlay, however, creates addition to demands for consumer goods, and in the interest of stability of economic structure, special efforts have to be made to step up the production of consumer goods to satisfy the demand. Of course, “the generation of demands, somewhat ahead of supplies, is part of the strategy of development,” and should not cause any anxiety. As a matter of fact, it should be vigorously pursued.

17. Some experts assert that “Yields per acre in India can be doubled.” Looking to the available data of yields in other countries, this does not seem to be an over-statement. The table below compares the average yield per acre of different crops in India with yields in some other countries of the world.

Average Yield per Acre of Major Food and Other Crops.

	(In lbs per acre)		
	1934-38	1948-50	1952
Wheat			
India	...	572	607
U. K.	...	2,033	2,358
U. S. A.	...	776	977
France	...	1,373	1,628
Germany, Western	...	1,936	2,173
Canada	...	625	915

	(In lbs. per acre)			
	1934-38	1948-50	1952	
Australia	...	704	959	1,135
China	...	950	897	868
Japan	...	1,654	1,496	1,874
Pakistan	...	748	800	660
Rice, Paddy				
India	...	1,196	977	1,038
U. S. A.	...	2,173	2,217	2,411
Brazil	...	1,258	1,408	1,355
Burma	...	1,240	1,267	1,196
Japan	...	3,194	3,555	3,634
Thailand	...	1,135	1,179	1,135
Pakistan	...	1,302	1,250	1,152
Phillipines	...	959	1,038	1,126
Maize				
India	...	651	528	651
U. S. A.	...	1,232	2,164	2,235
Italy	...	1,812	1,504	1,654
Yugoslavia	...	1,548	1,240	563
Brazil	...	1,223	1,117	1,064
China	...	1,214	,214	1,170
Argentine	...	1,592	1,302	1,328
Cotton (lint)				
India	...	79	70	79
U. S. A.	..	211	282	273
Brazil	...	158	132	158
China	...	202	132	141
Pakistan	...	167	167	167
Egypt	...	475	484	475
Jute (Raw)				
India	...	871	977	1,012
China	...	1,003	1,012	915
U. S. A.	...	854	1,232	1,258
Brazil	...	792	695	607

	(In lbs. per acre)		
	1934-38	1948-50	1952
Italy	... 1,100	1,162	1,214
Canada 1,047	1,197	1,496
Groundnuts			
India	... 862	713	537
U. S. A.	... 739	783	924
China	... 1,584	—	—
French West Africa	... 484	598	598

It has also been pointed out that this increase in productivity can be secured by application of techniques now known—the most important sources of gain being widespread and integrated soil conservation measures including contour bunding and afforestation, better seed selection and control, more use of natural and synthetic fertilizers, greater use of pesticides, and fullest conservation and utilisation of water supplies and by suitable expansion of the extension services. The Plan envisages that by 1961, the coverage of NES will have extended to the whole of India. There are a number of improvements in the agronomic practices which can straightaway be brought to the notice of the cultivators for adoption.

18. It is gratifying to note that it has been decided that CP and NES programmes will concentrate their activities in the agriculture sector, with increased bias towards agricultural improvement in the training programmes of the VLWS and extension officers at all levels. Action should also be speeded up in respect of village afforestation programmes. It is stated that India burns up about 65 million tons of farmyard manure. Cooking fuel that can be made available from village forests will prevent this waste of useful soil nutrient and assist in improving the agricultural yields. Thus the major bias in projects and extension blocks should now be towards speedy improvement of agriculture and its allied occupations of animal husbandry.

19. The economics of agricultural development, however, call for several programmes complementary to the establishment of adequate extension organisations. The first and foremost amongst them, is the assurance of adequate market return for the produce. True it is that the increased tempo of Government outlay in the Plan programmes of other sectors will tend to provide against any continued drop in prices. But the absence of proper marketing facilities, lack of organised approach and above all total absence of capacity to hold back the produce for any length of time renders the cultivator to the position of open prey to steep adverse price fluctuations at the harvest time. Distress selling and short selling are the common features of our country's agriculture marketing with the result that at the time of the harvest the goods pass out of the hands of the farmers at low prices and the gains, if any, later are appropriated by the dealers.

20. The National Warehousing Corporation and counterpart State Warehousing Corporations proposed in the Plan will, in course of time, provide adequate safeguard to the primary producer. In the immediate future, however, it will be an important adjunct to the economics of successful implementation of the Plan, to work out and put into effect a positive price support programme at the level of the Government of India. Simultaneously, in order that price-inflation does not hit the lower income groups, adequate buffer stock reserves stored at several strategic centres in the country will be necessary. The recent agreement which India has concluded with the U.S.A. in regard to wheat and other farm surpluses will greatly assist in keeping the price movements within a narrow range of natural seasonal fluctuations. But it is obvious that the assurance of price stability should flow from a policy of possible price support which will encourage the cultivators to put in their best for raising levels of production.

21. Another important prerequisite of extension programmes is the continuity and expansion of research activity. Possible higher levels of efficiency of production should

continuously be investigated. The desirable results achieved from these researches can then be given wide application by the extension worker and his continuous personal contact with the villagers. Agricultural research needs great encouragement and far larger financial allocations should be made than hitherto for this vital activity. It has been reported that in U.S.A. and Japan, the appropriations for agricultural extensions and research, average about 1% of the net agricultural output. It has further been assessed that this outlay has resulted in raising the agricultural output by 1% annually progressively. The scope in India is far larger. If necessary, therefore, we should be prepared to accord higher priority to research in agriculture and apportion further funds for the activity. Investigation of the suitability of high-yielding varieties of crops, e.g. Chinese and Japanese paddy, hybrid maize and the programme of evolving new high-yielding local strains should be given the highest priority in our programmes.

22. The policy in regard to the development of Agriculture is expected to contribute substantially to the National product but it must be recognised that increasingly larger contributions to the National product are possible only by pushing forward the programme of sound industrial development at an accelerated pace. It is interesting to repeat in this context that according to the National Income statistics, 1951, there were 10.36 crores of our working force engaged in agriculture and allied pursuits contributing Rs. 4990 crores to the National Products, the per capita contribution working out to Rs. 482. Against this, the contribution from the persons engaged in non-agricultural sector worked out to Rs. 1263. It has been conceded that in the coming two decades or so, no *sizeable* reduction in the working force engaged in agriculture seems possible. It is equally clear that, even when our efforts in raising agricultural yields bear out according to expectations, it will be advantageous to absorb as large a portion of the annual addition to the working force in vocations

other than agriculture. It is only then that the National Product will continue to register the desired expansion.

23. The three principal aspects of implementation of programmes of Industrial Development are (1) establishment of Heavy Industries, particularly engineering (machine building) and chemical industries which provide the key to rapid industrial expansion and diversification; (2) creating a climate for the existing factory industries (a) for fuller utilisation of installed production capacity and (b) for adequate expansion and/or modernization of industries, so that adequate supplies of essential consumer goods continue to flow in the market to satisfy the larger demand created by the additional purchasing power released in the country; and to adequately utilise the capital and producer goods machinery manufactured in the country; and (3) expansion of the spheres of operation of small industries, cottage industries and handicrafts and improvement in their techniques of manufacture.

24. There is no inherent contradiction in this type of policy of developing heavy and large-scale industries on the one hand and the medium, small and cottage industries on the other, as some economists try to emphasise. It is not necessary that any one type or mode of activity alone can result in profitable pursuit. The co-existence of well-demarcated lines of production and stages of mechanization is an economic reality to be found in every part of the world. In the planned process of economic regeneration, the Nation and the State have continually to seek adjustments of seemingly contradictory concepts of large-scale institutions and decentralised systems of small production units. The reconciliation of the existence and expansion of textile mills, cement factories and engineering works along with the development of handlooms, Khadi, the potters' craft, the village smithies and carpenters' shops, calls for increasing rectitude, precision and awareness in the policy-making. Various economic and fiscal measures at the disposal of the State, e.g. reservation of spheres of production, evolution

of common production programmes, direct subvention towards manufacturing costs, excise levies on substitute or competing commodities, all these and many more devices will have to be utilised. Every sector of production will thus be stimulated and stabilised by application of proper correctives and incentives which will take full cognizance of the changing technological developments on the one hand and the human needs of the existing economy on the other. The weaker units of production cannot all be left entirely alone to fend for themselves against the impact of unregulated economic forces.

25. Even in highly industrialised countries the national production is distributed in cottage and small-scale industries, medium-scale industries and large-scale and heavy industries. They all function as complementary to each other. Heavy industries are undoubtedly very essential in order to produce capital goods and industrial raw materials and in turn these machines and industrial raw materials produce consumer goods through large-scale, medium-scale, small-scale and cottage industries. Therefore, heavy and large-scale industries have to be utilized as means of production for the medium-scale and small-scale industries. Even in a highly industrialised country like the United States of America, even today *i.e.* after decades of massive industrialisation, on a rough computation, about 60% of business and industries is covered by units employing less than 300 people contributing to 30% to 40% of national product from industries. In Japan also, a similar pattern exists and, therefore, there is no reason why in a country like ours, as big as a Continent, all these different techniques of production, whose aim is the welfare of the community, should not be deployed to their maximum advantage. The co-existence of these different sectors is not only possible and profitable, but is entirely essential and necessary in order that the creative urge of every citizen of this country is manifested and glorified into his or her creation, next to hearth and home, and integrated into a mighty national structure.

26. Again all development including development of industries has got to be spread over the national field as well as in the different regions. Thus regional economic development, particularly in the industrial sector, occupies as much vital role as the overall national development. The decision to equalise prices of iron and steel and cement at all centres in the country aims at overcoming locational handicaps in regional development.

27. It is the development of each and every region which will ultimately go to establish a balanced development and also a sense of national satisfaction in every area of this vast country. This alone can generate creative forces which could be multiplied manifold for increasing developmental activities. The regional urges of development are an integral part of national urges. Prosperity like poverty is indivisible. Thus the scope and opportunities for progress have got to be both intensive and extensive so as to be widespread in their origin as well as tempo. Through the proper satiation of regional urges for development, we can harmonise and achieve satiation of national urges.

28. This will also build up strong bonds of economic inter-dependence between one region and another and between the different regions and the whole country. Thus along with national development, regional development will create a healthy spirit of co-operation and mutual inter-dependence between the different areas of the country. The benefit of economic utilisation of natural resources, as far as possible, at sites near about the sources of raw materials would contribute greatly to overall progress of the country, and will also ease the burden on the transport system of the country. It is obvious that unless and until every area feels the impact of the new creative urges released in every region, the sense of national satisfaction could not be easily achieved.

29. The economic side of implementation of the Plan also has to co-ordinate the role of the Public sector and the Private sector. The Prime Minister restated the Industrial

Development Policy through a new resolution placed before the Lok Sabha on 30th April, 1956. In 1951, the Industries (Development and Regulation) Act was passed. In 1954, we adopted a "socialistic pattern of society" as our objective of social and economic policy. The new Company Act was adopted in 1955. The establishment of State Bank of India and nationalisation of Life Insurance are steps forward in this direction.

30. The principles enunciated in the policy resolution of 1956 will govern the implementation of the industrial programmes in the Second Plan. Industries have been classified into three categories and the role of the State in each of these categories has been clearly defined. The future development of 17 basic and key industries including important public utilities, have been made the exclusive responsibility of the State. It has, however, been decided that co-operation of the private enterprise may be secured in the establishment of new units, even in these industries, when the National interest so requires, but in such cases the powers to guide the policy and control the operations of the undertaking will be ensured through majority participation in the capital or otherwise. The second category lists twelve industries which will be progressively State-owned and in which the State will, therefore, generally take the initiative in establishing new undertakings but in which private enterprise will also be expected to supplement the efforts of the State either on its own or with State participation. The third category includes all the remaining industries, which will generally be developed through the initiative and enterprise of the private sector.

31. The 1956 Resolution crystallises the economic implementation of the Directive Principles of State Policy contained in our Constitution and in main aims to secure compliance to the directives, (1) that ownership and control of material resources of the community are so distributed as best to serve the common good; and (2) that the operation

of the economic system does not result in the concentration of wealth and means of production to the common detriment.

32. Thus greater emphasis is to be placed on the development of an expanded Public sector; a steadily increasing portion of the activities in the Private Sector are to be developed along co-operative lines; private industry is given full scope to develop alongside the State undertaking, but it should be so directed and regulated as to prevent it from seizing advantages which may react adversely on the welfare of the people. The private enterprise has thus been given wide opportunities to justify the important role it can play in the economic reconstruction of India.

33. The State policy does not envisage any conflict of interests between the State enterprise and the private industry. There are serious lacunae in our industrial structure which the private enterprise cannot be expected to fill. The State has to move in and that too at a fast pace towards expanding the Public Sector, so that these vital gaps are quickly filled. If the venture capital, for any reason of history or tradition has not come forward in any particular field of production, the State has to move fast in the Public Sector to fill the gap because in the modern technological world, the missing links if left unfilled will upset and imbalance the whole economy. There is enough room for all these activities at the State level and at the private level in our country which is so large, so full of development potential and the consumption propensities of whose population are so enormous. It should be the endeavour of our economic policies to see that every man and woman in the country is enabled and energised to grow two blades where one is growing, to produce more and put in more work so as to profit the community along with his or her own betterment. More and increasing national production in all spheres of our economy is the most important single aim of our national policies.

34. It will be a necessary adjunct on the economic side of implementing the Plan that fluctuations in the prices are

kept down to the minimum. "In a developing economy, the basic trend of Governmental operation in the fiscal and monetary field is inevitably expansionist." In regulating the inflationary pressures, "a curtailment of public expenditure and other curbing devices can and ought to be used *only in the last resort.*" High sensitivity to small changes in supplies in relation to demand is characteristic of under-developed economies and a slight deficiency pushes up the prices excessively, while a small surplus causes sharp decline in prices. In addition, therefore, to the fiscal and monetary discipline aimed at directing and regulating investment in production, other devices like export and import controls, judicious licensing industries and trade, price and movement controls will be the essential short-term remedies. An overall pricing policy will have to be continuously evolved so as not to overburden the consumers on the one hand and not to depress the prices unduly so as to retard developmental incentives.

35. Industrial labour has a pivotal role to play in the reconstruction of our expanding industrial economy. The programme and policies followed in the First Plan constitute the first step towards the recognition of the rights of labour, in regard to industrial relations, working conditions, wages and social security, etc. The aim has been to enhance the economic good of the worker while simultaneously benefitting the entire society by increase in labour productivity. These basic considerations will continue to govern our approach in the Second Plan with suitable alterations conforming to the early achievement of socialist pattern of society. "A socialist society is built up not solely on monetary incentives, but on ideas of service to the society and the willingness on the part of the latter to recognise such service." Thus a pre-requisite of establishing a socialist society is the creation of an Industrial Democracy.

36. The questions of fair wages, wage structure and profit-sharing will therefore have to be considered in the light of a comparative study of the need of the workers in context of

the increase in productivity and on the basis of recognising the priorities of claims on profits, of labour, consumer interest and capital. If these priorities are properly worked out, the industrial expansion will automatically lead to improvement in the economic lot of the industrial worker. Measures to ensure increasing participation of labour in the conduct and management of industrial enterprise will have to be sponsored in an increasing manner. With a view to achieve this, establishment of councils of management, composed of representatives of labour, technicians and capital will have to be encouraged. Such councils should have full liberty to discuss all matters relating to the development of the industry and make recommendations. Proper working of such councils of management will benefit industrial productivity, make the labour conscious of its role in the management of the industry and by satisfying the desire of self-expression of labour, will lead to closer labour-capital co-operation and continued industrial peace.

37. The scope of the various social security schemes will have to be expanded and the movement towards healthy trade unionism strengthened. At the same time, the leadership will have to make efforts, both intensive as well as extensive, to instil greater sense of national discipline in our workers inspiring them progressively to shed inefficiency, malingering and absenteeism.

38. Essential to the fruition of the programme of development of Industry and Agriculture is the expansion of training facilities and technical institutions of higher learning—specially in engineering and technology. Short-term measures should ensure training of personnel to man the immediate programme on hand while long-term measures of ensuring a continuous increasing flow of technically trained personnel will require speedy reorientation of our educational system to suit the genius of our people and develop their latent talents to meet the requirements of a rapidly industrialising National economy. Adoption of successively higher level of

technological improvements alone can make speedy increase in the *per capita* productivity and this alone can lend elasticity and strength to the larger growth of National economy which in turn would step up the National income and improve living standards. Opportunities for absorbing technological know-how will have to be widened in course of implementing the Plan and in the field of Industry also, research service and extension facilities provided for the small and medium scale industries to improve their production-potential. Training programmes for skilled labour, foremen, mistries, certificate and diploma courses, graduates and higher technological and engineering studies will have to be speedily enlarged.

39. In the past, economic development has been associated with growing inequalities of income and wealth, and in other democracies of the world, the growth of countervailing power of the trade union and State action flowing from development of democratic ideals have provided the necessary correctives. Our problem however is to so fashion and mould the alignment of productive and class relationships that the process and pattern of development is socialised in essence and that the economic growth contributes substantively to the reduction in economic and social inequalities. The process of reducing inequalities will be two-fold. "It must raise income at the lowest levels and it must simultaneously reduce incomes at the top." The former is by far the more important and basic aspect of the problem. The pattern of investment proposed in the plan, *e.g.* the investment in agriculture aimed to raise per capita and per unit productivity; the investment proposed for small and hand industries sector along with the measures contemplated for its development and expansion; expansion of employment opportunities, the larger construction programmes incorporated in the Plan to continue and increase employment of unskilled and semi-skilled workers, the special programmes for ameliorative measures for scheduled castes and tribal areas, are all conducive to improvement in incomes at the lowest levels. The expansion of social service

facilities—free primary schooling, better medical and public health facilities, wider opportunities for developing the capacity to work effectively at higher levels by expansion of training programmes and establishment of new centres for technical education are further measures of positive approach to the problem. The institutional changes in the sphere of land-ownership and management, the functioning of Joint Stock Companies and managing agency systems and the growth of the co-operative sector under State sponsorship, will also determine the generation of new incomes and the manner of their distribution in the desired directions. Here we may add that in order to speedily spread the increasing purchasing power among the preponderating lower income groups, massive programmes of labour-intensive physical works like afforestation, reforestation, soil conservation measures, contour bunding, village road construction, roads, bridges, public utility buildings in rural and urban areas, rural housing and rural hygiene, slum clearance and housing programmes are clearly indicated. Large investments in this sector of physical works and construction will be conducive to wider distribution of purchasing power and spreading growth of national wealth in the form of these new assets.

40. The other aspect of the problem is sought to be tackled by appropriate fiscal measures. The Taxation Enquiry Commission has suggested “a widening of the taxation on wealth and property” as “a possible means of reducing inequalities.” The Indian income tax is highly progressive and the scope for reducing inequalities through stepping up the rates is not large. Even then, in the recent years, marginal rates of taxation on income in the higher brackets have been stepped up. Estate Duty has been levied and the question of supplementing the measure by gift taxes, death duties and succession duties will have to be examined in an integrated manner so as to ensure that the ultimate objective is fully achieved. We have also accepted the principle of higher rates of sales tax on “luxury and semi-luxury articles”. Some form

of capital levy, introduction of excess profits tax, higher taxes on conspicuous consumption and luxuries, etc., etc., should be considered. All these measures will help to reduce excessive concentration of wealth and incomes at higher levels.

41. We have no historical parallel to guide us in the planned approach at combining economic growth and speedy reduction of inequalities in income and wealth under democratic conditions. Our approach must of necessity be pragmatic, free from all doctrinaire rigidity. It will be our vital concern to see that the process does not damage the productive system as would jeopardise the very task of development nor should it vitiate the processes of democratic changes. Again, we must also be careful to see that excessive caution for democratic and orderly change does not result in creating fresh inequities or in a very slow process of reducing these gaps and distances.

Delhi, 17-10-56.

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