

The Laski Memorial Lecture, 1958

**INDIAN PLANNING  
and  
THE PLANNING COMMISSION**

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## **Indian Planning and the Planning Commission**

I feel it a great honour to be asked to deliver The Laski Memorial Lecture at this Institute. I have been greatly impressed by the essentially private and informal manner in which this Institute was established and by the open methods of its public work and the wide field of its activities. I am glad to find that, under its young and enthusiastic Director, it has already come to occupy a significant place in the intellectual life of this great city.

I consider it a privilege to be associated in this manner with the name of Prof. Harold Laski. Prof. Laski was, above all, an inspiring teacher and a great humanist. His deep sympathy for the oppressed and the disadvantaged made him a friend of Indian students and the Indian cause throughout his life. He was greatly interested in the new developments in the direction and planning of economic activity and I have, therefore, thought it appropriate to embark, on this occasion, on an examination, in the context of Indian planning, of the operation of the central Planning Institution in this country, the National Planning Commission.

I shall begin by making a few preliminary observations on the nature of the planning effort. Planning for economic development, implies external direction or regulation of economic activity by the Planning authority which is in most cases identified with the Government of the State. Planning for economic development is undertaken, presumably because the pace of direction of development taking place in the absence of external intervention is not considered to be satisfactory and because it is further held that appropriate external intervention will result in increasing considerably the pace of development and directing it properly. The decision to plan does not by itself, and cannot immediately increase the total physical resources available to the community,

Planners seek to bring about a rationalisation, and if possible and necessary, some reduction of consumption, to evolve and adopt a long term plan of appropriate investment of capital resources with progressively improved techniques, a programme of training and education through which the competence of labour to make use of capital resources is increased, and a better distribution of the national product so as to attain social security and peace. Initially, the planning effort starts with available resources - natural, human and in terms of capital equipment. But with the progress of planning, it is expected that natural resources will be progressively better conserved and utilised, human resources better trained and better distributed in occupational etc. categories and capital resources continuously augmented and made more efficient. Planning, thus, is not a once-for-all effort. For it to make any impression, especially on the situation in an underdeveloped economy, it has to be a continuous consistent and forward looking effort sustained for decades. The main components of a programme of planned development, namely rationalisation of and restraint on consumption, the training and appropriate disposition of human resources, increasing capital resources and the adoption of improved techniques are characteristics - which again have to be manifest at all stages throughout period of planning, though the emphasis on one or the other may vary from stage to stage.

It was usual in economic text-books of the older times to classify productive resources under three main heads - land, labour and capital. More recently organisation is usually added to these as an independent factor of production. Planning effort, is in this context, organisational effort undertaken systematically by an external authority. Initially, planning begins with such resources as are available, adding only better organisation. This means directing and regulating individual and communal effort with intelligence and foresight so that the total result is larger and better than before. And it is the continuous organisational effort that increases the quantity and improves the quality of resources at later stages. In a

cumulative manner and brings about development. Planning, therefore, means, in a sense, no more than better organisation, consistent and farseeing organisation, comprehensive and allsided organisation; and the political and the administrative requirements of planning are the requirements appropriate to such effort. Directions, regulations, controls on private activity and increasing the sphere of public activity are all parts of this organisational effort. When stated this way, the above may sound somewhat elementary. However, the extent to which avowed belief in planning is seen to co-exist with violent allergy to even the word 'control', in the highest political quarters makes it clear that there cannot be enough reiteration of these elementary propositions.

The next step in considering political and administrative requirements of planning effort in India is to look briefly at our political system. Our political structure may be described in general terms as that of a federal democracy with a representative, parliamentary system of government and with executive authorities of the cabinet type. It is in this context that planning requirements of India on the political plane have to be considered. The chief relevant characteristics of the political structure are the division of functions between the States and the Centre, the need for adoption and endorsement of all policies and legislation by bodies of elected representatives of the people, the joint responsibility of cabinet ministers both in the Centre and the State and the stability of the cabinet itself being dependent on the confidence of the majority of elected representatives being obtained and continued. In the context of this address planning effort has to be looked at initially from the point of view of the State that is as effort undertaken by Government. Therefore, it is effort, legislative and administrative policy regarding which has been accepted or is acceptable to legislatures of the States and the Centre and effort, whose execution has to be the responsibility of the cabinet of ministers.

With these preliminary remarks, I shall turn to an examination of the existing situation in India. It is in the light

of the experience of the period since independence in India, more specifically, since the setting of the Planning Commission in 1950 that I intend to discuss this question. The functions of the Planning Commission at the time of its establishment were declared as follows:

- (1) To make an assessment of the material, capital, and human resources of the country, including technical personnel, and to investigate the possibilities of augmenting such of these resources are found to be deficient in relation to the nation's requirements;
- (2) To formulate a Plan for the most effective and balanced utilisation of the country's resources;
- (3) To define the stages in which the Plan should be carried out and to propose the allocation of resources for the due completion of each stage on a determination of priorities;
- (4) To indicate the factors which are tending to retard economic development, and to determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;
- (5) To determine the nature of the machinery which would be necessary for securing the successful implementation of each stage of the Plan in all its aspects;
- (6) To appraise from time to time the progress achieved in the execution of each stage of the Plan and to recommend the adjustments of policy and measures that such appraisal might show to be necessary; and
- (7) To make such interim or ancillary recommendations as might be appropriate on a consideration of the prevailing economic conditions, current policies, measures and development programmes, or on an examination of such specific problems as may be referred to it for advice by Central or State Governments or for facilitating the discharge of the duties assigned to it,

The composition of the Commission and the manner in which it operates is described in the following extract from a recent article by an official of the Commission Shri Agarwal ; "The Commission at present consists of eight members—the Prime Minister (Chairman), four full-time members (including Deputy Chairman) and the Ministers of Planning, Finance and Defence. The Planning Minister is assisted by a Deputy Minister and a Parliamentary Secretary. The Statistical Adviser to the Cabinet is an additional de facto member of the Commission.

All the members of the Commission work as a body, but for convenience, each member has charge of one or more subjects and directs the study of problems in these fields. The Deputy Chairman is primarily concerned with matters of general co-ordination and administration. The Minister for Planning has been allocated certain subjects, like any other member; but he is also responsible for the Commission as a whole to Parliament and the Central Cabinet. Important proposals which have financial implications or which might have repercussions on economic policy are referred to Member (Finance) in addition to the cases submitted to him as a member of the Commission.

All cases involving policy are submitted for consideration at one of the meetings of the Commission. The cases to be considered by the Commission as a whole include recommendations in regard to the formulation and progress of the five year and annual plans, adjustments in the plans, matters involving departure from the plan-policies, advice to a Central Ministry in a matter to be placed before the Cabinet, important cases involving disagreement with a Central Ministry or a State Government or difference of opinion between two members of the Commission, and any policy matter relating to the internal organisation and methods of work."

\* P. P. Agarwal : 'The Planning Commission' : Indian Journal of Public Administration Oct.-Dec. 1957.

Two additional paragraphs from the same article will make clear some of the special characteristics of the Indian Planning apparatus: -

"The Commission has been established as a multi-member body and not as a usual single-administrator department. The very composition of the Commission ensures effective liaison with Government. Though the Commission is a staff agency to advise Government in matters of planning and development, Government itself is represented on the body of the Commission. The Prime Minister is the Chairman of the Commission and its members include three Cabinet Ministers - the Minister of Planning, the Minister of Finance and the Minister of Defence. The Cabinet Secretary functions as Secretary to the Commission. The Deputy Chairman of the Commission, and the members concerned, are invited as and when necessary to attend the meetings of the Cabinet and its Sub-Committees. Important economic issues and problems arising in the Ministries are generally discussed in the Planning Commission before they are considered in the Cabinet. Officers concerned in the Ministries are also present at the meetings of the Commission. Thus there is a regular stream of ideas and suggestions flowing from the Commission to the Government and vice versa. This not only imparts an element of realism to the recommendations of the Commission but also inducts a new vitality into the administration.

In some ways the central Planning Commission is a unique institution; and in the sphere of governmental organization there has hardly been any recent development comparable, in its practical importance or in its general significance, from the point of view of the 'science of public administration', to the growth of the Planning Commission. It is the chief staff agency - the nerve centre of national thinking on matters of planning and development. It has, from time to time, also undertaken some line functions, newly emerging from national planning, e.g., general direction and supervision of community projects, enlistment of public co-operation in the implementation of the plan, etc. The Community Projects Administ-



ration was however, always regarded as a sister organization in the process of development, and it has since been separated as an independent Ministry of Community Development. Though the Planning Commission is an advisory organ of government, it has come to exercise significant influence over the formation of public policies even in matters other than of development and its advisory role in a way extends over the entire administration."

It is my purpose, in this address to discuss the extent to which the Planning Commission in India has achieved success and the reasons for its failure.

I have defined Planning above as an overall organisational effort. In the total effort, almost all organs of Government at various levels and large numbers of private individuals and non-official organisations must participate. The Planning Commission must be considered to be at the head of this planning effort.

In examining the performance of the Commission it would be useful to separate consideration of the formulation and operation of the first Five Year Plan from those of the second. I think this necessary because I hold that the First Five Year Plan in India did not involve, to any material extent, what might be properly called planning effort. It was only with the formulation and the launching of the Second Five Year Plan that the problem of planning, as such, began to be faced. Therefore, in my opinion, the experience of years since 1955 is specially relevant for judgement of the past performance and future potentiality of the Indian Planning Commission. With reference to the First Five Year Plan period, I do not propose to make any detailed comments. In general, the experience regarding planning and the performance of the Planning Commission during this period may be summed up in the following manner. The preparation of the Plan itself may be said to have two aspects. The first is that of definition of the planning problem and of the proper approach to Planning in India and the construction of a frame-work of the Plan. The second is detailed

formulation of programmes, targets, and outlays together with estimations of proceeds of taxes and loans, foreign aid and with making explicit economic policy decisions involved in the whole process. In relation to the first, it has been admitted on all hands that the performance of the Indian Planning Commission had been at an exceptionally high level. The most severe test to which documents written essentially in relation to an immediate situation and seeking to define policy in relation to a short period can be subjected is to see how they read after the completion of the period. Subjected to this test, the First Five Year Plan report comes out very well. I had occasion recently to go carefully again over, the chapter on Food Policy in the 1951 report. I found the description of the Food problem and the definition of the proper approach to its solution in this Report not only a meaningful and an adequate analysis of the situation existing in 1951 but also a presentation of the main enduring features of the Indian problem which I have not seen bettered subsequently.

In relation to the drawing out of detailed programmes, targets, etc., the position at the beginning of the First Five Year Plan was comparatively easy. The Planning Commission confronted a situation in which a large number of commitments had already been entered into by the Union and the State Governments. In the circumstances, there was not very much of a room for either entirely new projects being suggested or new priorities being adopted. The task, the Planning Commission had to perform was essentially that of rationalisation, co-ordination, some pruning and very sparingly a little addition. This was a task which may be described as that of bringing some order and sense of proportion in the mass of programmes and projects already undertaken by the various States and the Central Ministries. Because of the nature of the commitments, the extent of rationalisation could not be very large. However, it was useful and necessary to undertake whatever effort could be undertaken in this direction and there is little doubt that substantial success was achieved in this matter by the Planning Commission. The description of

the practical problem faced by the Planning Commission, given above implies, that in most directions, the theoretical approach as outlined by the Commission could not, at this time, by and large, be translated into practice. The main achievement of the Planning Commission, within two years of its establishment were, therefore, formulation of the general Indian approach to Planning and the co-ordination of programmes and policies of Union Ministries and Central Governments so as to put the large majority of the existing commitments with perhaps a few new items of expenditure, in a fairly orderly frame-work. The Planning Commission, at this stage, is seen retrospectively to have proved of considerable use in persuading State Governments to rationalise their schemes of expenditure and moderate their continuous demands on the Centre. It also acted as an influence which induced, some State Governments to shoulder the responsibility of raising additional resources on their own account.

To this may be added an achievement which is often mentioned, that of making the country Plan-minded. However, this last phrase has to be interpreted with considerable caution. For, as stated above, the First Five Year Plan period did not raise, except at a theoretical level, discussion of the manifold problems of planning. In the first instance, the size of the Plan was moderate. The total public outlay was not very large and the resources in terms of small savings, tax incomes, State loans raised from the public, external aid obtained etc., were all not far above what had already in fact been achieved or attempted during the years of War and after. Moreover, the period of the launching of the First Five Year Plan was one of a very peculiar type of transition. In the period since 1944, the State in India had undertaken regulation and direction of Indian economy in a variety of ways. A regime of controls had been built up, whose attempted disestablishment in 1948 had not been successful. There were, therefore, in existence a number of legislative and other devices, controlling the operations of the economy. These, however, it happened, were all associated in the mind of the public and politicians with

the stress and strains of the War economy. Therefore even though the Planning Commission did not give in to the clamour for decontrol and, in fact, argued persuasively in its theoretical writing for continuance of a regulatory regime this made little impression on politicians and other leaders of public opinion. A large body of private interest was also openly opposed to such measures as an extension of the public sector. In the event the task of making the public plan-minded was achieved only to the extent of introducing a new jargon and some raising of expectations, and not in the direction of making the public or its leaders aware of the total implications of the planning effort.

The Planning Commission, when devising the first Five Year Plan did not find it incumbent to give much attention to the problem of the techniques and agencies of the implementation of the Plan. Nothing large or revolutionary was proposed in the public sector and targets in the private sector were looked upon as entirely recommendatory and what was sought to be done, was in no direction large enough for any elaborate measures of enforcement being considered necessary. With the result that the First Five Year Plan programme, become a programme of public expenditure at a moderately high level and of recommendations regarding the private sector which were neither mandatory nor very crucially related to programmes or performance in the public sector.

The situation may be exemplified by reference to the position in the sphere of small industry. It is in this sector that implementation presents some of the most difficult problems in planned developments. The large private business in all modern organised sectors may be expected to show, and has usually, shown adequate capacity for looking after itself. This is far from being the case with all types of small industrial or other productive units. We find, in this context in the First Five Year Plan a fair theoretical formulation of the problem going even so far as to contemplate a common production programme for all types of units within an industry. However, on the practical side, barring blessing programmes already under

way, almost no advance is made. That the Planning Commission, after the publication of the Plan, did not take seriously even its most crucial and important theoretical formulations, may be brought out by reference to some specific instances. I have said above that treatment of food policy in the Report of the First Five Year Plan presents a penetrating analysis of the Indian problem. Yet it remains true that the policy so ably put forward in this chapter by the Planning Commission suffered collapse before the end of the plan period and the Commission was unable to do anything about it or perhaps failed to realise the serious inroads into it that were being made from year to year. Or take another equally important instance of plan policy proposals. The First Five Year Plan report visualises the control of pricing as the main instrument of regulatory action. A number of paragraphs on price policy for the plan and the controls, (paragraphs 53 to 73 of the Report) make clear how it was necessary to have an overall price policy and how it was this which might be expected to secure allocation of resources in conformity with the objectives of the Plan. In particular, an effective regulation of foodgrain prices by themselves and also in relation to prices of competing crops was fully emphasized. In view of the careful statements in this regard in the Plan, the Planning Commission might have been expected to watch carefully the evolution of the actual situation. The Plan was formulated at a time when prices in India were still under inflationary pressure. Within a year of publication of the Plan, prices come down and were comparatively free from inflationary pressures for the rest of the period. At the same time, they did not remain stable. There were somewhat wide fluctuations from year to year and towards the end of the period, prices of agricultural produce reached levels which were definitely low. The Government of India behaved in the face of this situation as if, it was concerned only with prices that were too high or under inflationary pressure and little bothered if they were low. In particular, it behaved as if fluctuations in price were no concern of Government. The Planning Commission appear to have pressed on Government no views in relation to this develop-

ment. If the Commission's theoretical formulation regarding the role of prices in the allocation of resources in the Plan had any validity it should have been greatly disturbed at the range over which the prices of agricultural commodities were fluctuating.

Similarly, it was clear that in relation to other matters in regard to which thinking was being crystalised during the period of the First Five Year Plan, the Planning Commission took little of active part, never the leading role. One such important matter was that of protection or reserving a field for traditional small-scale cottage industries. It was chiefly political pressures developing in some States that led to almost precipitate Government action in this sphere. In another sphere that of agricultural credit, it was the Reserve Bank that played an active role. It is interesting to observe from records that many of the ideas later incorporated in the recommendations of the Committee of Direction of the Rural Credit Survey of the Reserve Bank of India were discussed in an embryonic form in the agricultural policy sub-committees of the Planning Commission itself during 1950-51. These policy sub-committees of the Planning Commission, which for a short period in the beginning held some active and useful discussions ceased to meet after the '51 Plan had been formed.

Thus, it is apparent that the Planning Commission as an active thinking organisation and Planning organisation operated only before the preparation of the Plan. Once, the Plan had been prepared and published, it seemed to go into quiescence and became a general co-ordinating or supervisory authority in relation to States and Ministries.

That this description of the organisation is not incorrect appears from what took place in relation to the Second Five Year Plan. It was only at the end of 1954 and in 1955 that the Planning Commission appears to have again been galvanised into action. Formulation of the Second Five Year Plan, may be said to record another high water mark in the life of the Planning Commission. Through its various organs of Commi-

tees and panels, the Planning Commission undoubtedly showed very considerable activity at this time. It also showed as during the First Five Year Plan, considerable ability for evolving an appropriate approach to the emergent planning problem.

From the outside it is difficult to indicate with any assurance the contribution of different persons and organizations in the evolution of the Second Five Year Plan of India. From all reports, it would appear that a crucial part was played at the earlier stages by Professor Mahalanobis, who was then not a Member - *de jure* or *de facto* - of the Planning Commission. The basic decisions involved, at this stage of Plan-making were firstly, the determination of the size of the Plan and secondly decisions regarding its structure. That the size of the Plan would be nearly of the order of Rs. 1000 crores a year was an important decision which had many serious implications. It is not known, by whom, when and under what pressure it was taken. Whether it was a decision of the Cabinet, whether it originated with the Planning Commission or whether it arose effectively from the Prime Minister or the Finance Minister or any of their advisers? In the second decision, that regarding the structure of the Plan, the important consideration was the relative allocations to different sectors and the priorities within the sectors; in this context the emphasis on some branches of heavy industry, in particular, implied a longterm picture of the economy developing by a certain route. In the presentation of the Plan the insistence on defining targets in terms of related physical quantities was an important innovation. What was new was not the discovery that this could be done (there is on record a note by Dr. Raj in relation to drafting of the First Five Year Plan in which a tentative approach on this line had been indicated) but the decision to use available data in order to present the total Plan in terms of physical quantities, however crude the estimation. Here again, it is clear that the technical competence and expertise required for this effort were present within the staff of the Planning Commission itself. Prof. Mahalanobis appears in all this to have acted,

because of his strategic personal position, as the person through whose Plan-frame basic decisions regarding size, structure and presentation got expressed in a co-ordinated manner. That his role was chiefly that of a co-ordinating link is emphasized by his ineffectiveness in later years as de facto member of the Planning Commission.

It is difficult to say what part the Planning Commission as such played in the evolution of the Second Five Year Plan. It is, however, only fair to give full credit in relation to the formulation and the preparation of the Plan to the Planning Commission. It is, at the same time, necessary to note carefully the limitations of the total performance in this regard. As in the First Five Year Plan, the presentation of approaches and definitions of problems show a high level of competence. However, even in this regard there is one notable difference. In the First Five Year Plan the theoretic formulations were not limited by the need to refer to any large amount of factual detail. The larger size and the structure deliberately adopted imposed a responsibility in this respect in the production of the Second Five year Plan. It was perhaps indicative of what was to happen later that this responsibility instead of making the formulation more clear-cut and meaningful in the Second Five Year Plan resulted in its being blurred and indecisive. A comparison of the writing in the two plans regarding any important policy such as that of food prices or controls will make this obvious.

Secondly in relation to the targets and other figure though the overall figures were placed in the Second Five Year Plan in a more ordered structure, it was clear even at an early stage that neither the physical targets nor the monetary values had been built up through any realistic examination from below. Therefore, the new exercise in figures still remained abstract in the sense of its representing merely overall national estimates which though exhibited in the appropriate columns or squares were without any necessary operative significance and were not based on tested relationships. In this respect it is undoubtedly necessary to differentiate bet-



ween, on the one hand, plans of some types of public expenditure such as those in relation to large multi-purpose river-valley projects and on the other hand, other general programmes of public expenditure and the whole of the private sector expenditure. It is chiefly the first of these which had before publication of the Plan been subjected to fairly careful scrutiny. Though, even here, one comes across somewhat unexpected facts. I have, for example, been told by the Chief Engineer of a State (and I have no reason to disbelieve his statement) that in one part of the State which had come under his jurisdiction through reorganisation after the Second Five Year Plan, even the site of a major irrigation work, which had been fully included and sanctioned in the Second Five Year Plan had yet to be determined.

In view of the complexity and volume of the total work involved it was perhaps inevitable that the overall national figures and allocations presented initially should be somewhat notional. This implies at the same time that immediately after the general picture of the size and structure had been accepted there would follow a careful examination and building up from below of the various financial allocation and physical targets. The real failure of the Planning Commission may be said to have begun from this stage; from its inability, whatever the reason, to complete this essential step.

When it is realised that the First Five Year Plan was essentially a relatively modest programme of public expenditure whose implementation did not involve any detailed technical examination of physical targets or evolution of elaborate planning technique, the failure of Planning Commission after 1955 may be judged as the failure to meet the requirements of the changed circumstances created by the larger size and special structure of the Second Five Year Plan.

It has been pointed out above that the emphasis on expressing outlays, targets, etc. in physical terms followed logically on the large size of the plan. It was now necessary not only to provide for resources in financial terms but also to see that what was sought to be achieved was practicable

in real, physical terms. Ensuring this would require a detailed examination of the proposals from a variety of points of view. There was, for example, the obvious but vitally necessary step of seeing that the money values represented correctly the appropriate physical quantities. Much more important was to test consistency of the proposals in physical terms from a number of directions. The test of consistency may mean, for example, estimating as carefully as possible the total requirement of, say, steel and cement in all parts of the Plan and examining whether they could be met with by production and/or imports of steel and cement during appropriate periods. There was involved also a more elaborate examination of targets etc. as for example in relation to mutual adjustment between sectors. It was a matter of dispute at the early stage of the Plan as to whether the total expenditure provided for transport was adequate to bring about the increase in transport facilities necessary for fulfilling the transport assumed by the physical targets of production, imports, exports, etc., in the other parts of the Plan.

The Plan-frame was no more than a quickly constructed overall frame, capable essentially of only exhibiting the main types of items involved and indicating their possible relationships. Whether, in fact, any particular figure was appropriate or not could be determined only on rigorous technical examination in a variety of directions. The general impression at the time of the preparation of the Plan was that for the preparation of the Plan-frame, very little technical examination had been undertaken. This is exhibited in the following quotation from the memorandum from the Panel of Economists presented to the Planning Commission in April, 1955.

"We are, obviously not in a position to comment on the technical accuracy of the actual figures given under each head of investment; in fact, this cannot be determined except through a process of detailed examination at the technical level of the individual project included in the investment outlay and we presume that this will be done by the Planning Commission during the coming months" (Para 16).

There is little evidence to show that this technical examination was, in fact, ever carried out and it does not appear that the validity of the estimates or the measure of their physical consistency in the final Plan were guaranteed to be greater than those of the estimates in the Plan frame. That the Planning Commission itself treated physical estimates very lightly was emphasised by the large revision upward, at a very late stage, of the agricultural output estimate in an attempt to meet criticism from high quarters.

This constitutes, in my opinion, the real beginning and the main reason for the later failure of the Planning Commission. This was again a failure for which the politicians could in no way be held responsible. It was a failure on the level of technical competence. The Ministries and States had little directly to do with this matter. The task involved was that of bringing together a variety of expertise and get performed through it a job which was undoubtedly complicated and which could be performed only in an approximate manner but for whose non-performance nobody outside the Planning Commission could be held responsible. This failure is all the more surprising as at the time of putting forward the Plan-frame, a great deal had been made of the physical targets incorporated in it, almost as if this had been an entire innovation. The physical targets, in a real Plan as distinguished from an illustrative Plan-frame, could not be national and would consequently have no significance till a full technical examination of them for practicability or consistency had been carried out. In retrospect, therefore, the Plan-frame appears as a mere 'tour de force' which made claims and raised expectations which the Planning Commission and its experts and advisers were later unable to fulfil. In the event, it may prove to have been less than useless. For, even if unwittingly, the whole series of events appear to have discredited an approach and a procedure, which it will not be possible to dispense with in any type of large or serious planning.

Another similar failure on the part of the Planning Commission requires to be drawn attention to. This is in rela-

tion to the framing of objective criteria, as far as possible, in relation to the definition of priorities of activities or schemes for being included in the Plan. When representations were made to the Planning Commission regarding, for example, inclusion of individual irrigation or power projects in the First Five Year Plan, it was possible for the Planning Commission to say that it was not working on a clean slate. Projects included in the First Five Year Plan, it was stated, were largely those on which commitments in one way or another had already been undertaken. The Planning Commission, went on to indicate, at this time, that it would undertake the setting up tests and objective criteria when it began examination of schemes, projects etc. for inclusion in the Second Five Year Plan. However, so far as is known, this provision was not fulfilled and there was failure on the part of the Planning Commission to formulate any set of objective criteria for the appropriate variety of purposes. If any were formulated, they have obviously not been duly publicised.

It is necessary, in this context, to remember that in the Plan as ultimately formulated the schemes and projects included would not necessarily be only those or all those which passed the objective tests. It has to be recognised that the preparation of a Plan is itself, at least in part, a political process. A certain amount of exercise of pressure and some compromises would inevitably affect the final shape of the Plan. This aspect of the planning process brings out a difficulty which is important in relation to the operation of the Planning Commission in India. If the Planning Commission looks upon itself as a technical and advisory body, it can make the effort, to make the examination of individual proposals and its total recommendations as objective as possible. On the basis of such objective recommendations, the appropriate political authority will arrive at final decision; which are practicable in political terms. However, if in one and the same authority, both aspects of the process are inextricably mixed, one or the other must suffer. And inevitably it is the objective approach that suffers. Both the composition and

the situation of the Indian Planning Commission have resulted in pushing the aspect of technical expertise and objective examination into the back-ground. To all intents and purposes, in the preparation of Plans and examination of schemes or projects, the Planning Commission and its organs appear to act on the level of political practicability. This is undesirable; not in the sense that political factors must not be recognised; but in the sense that this makes it impossible to bring out, as it is important to bring out (even if only for internal record and not for publicity) in a clear manner the distinction between results obtained on an objective examination with certain externally set up criteria, and the results as finally reached by political bargaining or negotiations.

One might refer to aspects of co-ordination and examination which are even more elementary than that of physical examination or a guaranteed consistency of the Plan. One of the most important problems met with in the effort at planned development is that of availability of technical personnel and their salaries. A primary co-ordinating effort required at this stage is to see that the demands made for technical personnel by all organisations will be kept as low as possible and that the terms and conditions offered for the employment of the technical personnel by various authorities will be rationalised. That is they will not be such that to the basic shortage of supply of personnel will be added the complication of an unnecessarily large turnover in personnel through organisations constantly luring away one another's employees through offering of tempting salaries and conditions of service. It is clear that the Planning Commission has not exercised overall control even in such elementary matters, which though apparently of minor significance, play a crucial role in the smooth operation of planned development.

Such are some of the more important failures at the stage of the formulation of the final Plan. The failures were even larger later i.e. as the process of execution or implementation of the plan began. A national Five Year Plan is prepared, considered and accepted largely in terms of

national aggregative figures. For execution and implementation, as in the case of any other plan, scheme or budget, it has to be expressed in terms of appropriate constituent detail. An overall plan has to be broken down, for example, in terms of areas of activity as well as periods of time. Division by time is an elementary and important division. All Five Year Plans have to be broken down into annual plans and all annual plans have to be broken down into allocations for different types of activities, located in different regions or areas. This is again an elementary proposition, that for the proper fulfilment and the implementation of Plans, the Annual Plan must be framed, and also that this is the work of the Planning Commission. It appears in retrospect that the preparation of the Annual break-down of the Five Year Plan was, in fact, never effectively undertaken. I speak with some hesitation on this matter as the facts are not fully known to me. However, all evidence leads to the conclusion that no annual phasing of the Five Year Plan was completed.

The most important evidence is of what happened to our foreign exchange resources during 1956 and 1957. That the Foreign exchange position and import requirements were one of the weak spots of a large Plan with emphasis on heavy industry had always been fully recognised. That, careful conservation of foreign exchange resources through avoidance or regulation of imports and through encouragement of exports was necessary had always been accepted in theory ever since the formulation of the First Five Year Plan. No doubt, the turn of events during the First Five Year Plan period had induced a measure of complacency in relation to this problem. It had been seen that we did not at all have to draw heavily on our foreign exchange resources during the First Five Year Plan period. But this was more a reflection of the caution and conservatism that existed in the operation and framing of the First Five Year Plan rather than an indication of an impregnable position. Whatever that may be, it is clear that from 1955 to the time of the greatly

increased import restrictions late in 1957, policy of licencing of imports was for all purposes unco-ordinated with the requirements of proper Plan progress. It may be that the Ministry granting import licences operated on a system or criteria of its own. It is quite clear, at the same time, that there was no well known or established Annual Plan, with an import-content of the Plan of each year worked out, in relation to which the Ministry granting import licences was required to work. Further, it is clear, in retrospect, that neither the Planning Commission nor the Ministry of Finance nor the Reserve Bank of India exercised any check at any point on the process of the disastrous running down of the foreign exchange reserve. It appears also that no such check was exercised, largely because there were no established procedures such as the periodic obtaining or compilation of statistical returns or other data and their analysis or examination even in a routine way, through which the check could be exercised. It is not necessary to go further into details of this failure which has cost the country very heavily and which is one of the major factors in creating the present difficult economic situation. What is important in this context is to note that the Planning Commission, which is presumably primarily responsible for assessing and watching the progress of the Plan, does not appear, to resort to such ordinary procedures as of splitting the Five Year Plan into Annual Plans or of defining the import content of Annual Plans or of establishing channels of information through which it can keep a watch on the progress of Annual Plans and their more important components. It may be that some of the things above referred to as not being done, may prove to have in some instances attempted or performed; the fact remains that the total result on the foreign exchange front is such as to lead to the belief that most of the needed elementary precautions or procedures had never been adopted.

I may now turn to aspects which may be considered as more matters for policy advice than of implementation.

In dealing with the activities of the Planning Commission regarding formulation and execution of policy, a difficulty

arises. This is due to the impossibility of discovering what specific advice has been tendered by the Planning Commission in any particular context, apart from what is contained in the two Plan Reports. The difficulty arises not only because there is no published record of the later communications of the Planning Commission but also because the Planning Commission, as indicated by the extracts quoted from Shri Agarwal's article, is active in this sphere to the extent of even advising individual ministries about matters to be placed before the Cabinet; and it continually participates through meetings in the Commission and joint meetings with the Cabinet in final discussions of important economic issues and problems. In the circumstances, there is hardly likely to be any separate record, as such, of advice regarding particular problems of policy given specifically from the point of view of the Plan by the Planning Commission. The activities of the Planning Commission in this context appear undistinguishable from those of the Ministries and of the Cabinet. In the circumstances, the failure on the economic policy front is a failure of the Planning Commission equally with that of Government.

One particular aspect of the problem, however, the Planning Commission may be considered as being specifically charged with. This is the co-ordination of measures of policy. It has been often pointed out that there is no dearth in India of regulatory powers and devices in the hands of Government. It is at the same time clear, and this is emphasised in the memorandum of the Panel of Economists, that there has been little co-ordinated use of the various powers and measures for implementation of the total plan. The failure to co-ordinate regulatory measures during the period of the Second Five Year Plan continues to be as marked as during the First Plan period.

Specially remarkable during all these years has been the failure of the Planning commission, to pay any attention to integrating regulation of foreign trade with the Plans. The continuance for the whole period since 1947, and especially since Planning has begun, of the administration of import and



export quotas on a quarterly basis has been a perennial puzzle to me. The Planning Commission in neither of its two plan reports has given any attention to the operation of import and export controls as related to the designing and implementation of the Plan. Even before the present serious foreign exchange situation, it was clear that the quarterly licencing of export and import quotas created a privileged class of traders, a field of patronage, a source of windfall gains, all at high national cost. Moreover, it not only exerted a persistently disturbing influence on many types of consumer goods markets but also upset, without reason and without notice, the calculations of many classes of producers and consequently affected productive activity.

I have said above that it is usually impossible to distinguish the role of individual Ministries and the Cabinet from that of the Planning Commission in the designing or adoption of particular policies. Purely incidentally, the recent report of the Foodgrains Enquiry Committee, throws an oblique light on the part played by the Commission in one important decision in 1955. As the evidence given in this single instance has much to convey, I quote fully relevant extracts from the Report of the Foodgrains Enquiry Committee.

"Many of the short-comings of policy or execution were, in our view, due to the strong popular preference for total decontrol of foodgrains, a preference that was not unshared in the highest levels of the administration. There appears, to have been mis-conception about the policy of Shri Kidwai. It was during his regime that the Ministry of Food and Agriculture issued the Foodgrains (Licensing and Procurement) Order 1954. Shri Kidwai was obviously not thinking in terms of having complete decontrol and leaving a vacuum behind. He had an alternative method of regulation which may be perhaps be described as 'regulated decontrol'. Shri Kidwai's policy was, we believe, a natural development of the policy of 'strategic control' that his predecessor, Shri K. M. Munshi, had enunciated on the eve of his retirement. And it was the same policy that Shri Kidwai's successor has sought to continue." (Paragraph 4. 42).

"As we have referred to earlier, as early as 1952, when decontrol of food was proposed by the Food Ministry, the Ministry had also recommended various precautionary and countervailing measures including the building up of buffer stocks and licensing of traders as an integral part of the decontrol proposals. The decontrol proposals and with them the recommendation for buffer stocks were not, however, accepted. Again in 1954 the Food Ministry had proposed that a minimum reserve stock of 15 lakh tons should be maintained by the Union Government and a skeleton of Food Administration should be continued in every State. These proposals were accepted. The Food Ministry further proposed that Government should make purchases in the open market at reasonable prices with a view to building up of buffer stocks. This proposal was not, however, found acceptable." (Paragraph 4. 36).

"With the intention of getting fuller examination from the Planning Commission about the reasons that had led to the rejection of the proposals of the Food Ministry, we sought an opportunity to meet the Deputy Chairman. We were, however, informed by him that it was not the practice of the Commission to give evidence before Committees and that any discussion informally held with him could not be quoted. Consequently we did not pursue the enquiry with him. We, however, met the Minister for Food and Agriculture who gave us information on his policy on the point." (Paragraph 4. 38).

It is clear from the above that the members of the Food-grains Enquiry Committee held that the serious turn that the food situation took after the middle of 1955, could at least to some extent, have been avoided if the policy pursued earlier by the Ministry and pressed for at the time had been accepted by Government. It would also appear that, for some reason or another, the Committee felt that the Deputy Chairman of the Planning Commission could throw light on the problem of why the Ministry's policy had not been accepted by Government. It is further clear that this Committee, a public Committee charged by Government with study of important

problems of policy, was unable to obtain from the Planning Commission or from its Deputy Chairman a satisfactory response. The whole episode, though yet obscure, makes at least some conclusions inevitable. These are that the Planning Commission should not be mixed with taking important policy decisions and that its intervention or participation in such decisions makes the situation unnecessarily confused and makes it difficult, if not impossible, to fix responsibility for policy decisions on the proper Ministry, or on the Cabinet.

It is not necessary to continue with further illustrations; only as the latest example of the failure or the impotence of the Planning Commission may be cited, the existing confusion regarding the definition of the 'core' of the Plan.

This examination of the operations of the Planning Commission would make it clear that, in my opinion, we are not yet living in a planned economy. The First Five Year Plan did not attempt to create a planned economy. The Second Five Year Plan involved considerable progress towards the planned economy. However, there was a failure to execute the plan in a planned manner, as exemplified by the non-adoption of elementary appropriate policies required as of stabilisation of agricultural prices and the absence of precautions regarding proper conservation and utilisation of food and foreign exchange resources. There are no signs that even after the experience of the last two years any significant improvements in this regard are being attempted or even contemplated. One might, therefore, say that though the formulation of the second Five Year Plan has resulted in a number of important developments in the country, the Indian economy is not yet being operated in any planned manner.

In my opinion, future progress of our country is vitally dependent on remedying this situation as early as possible and undertaking through intelligent and organized effort proper shaping and execution of present and future plans. We are too poor to expect always to muddle though successfully, somehow and it is extremely dangerous to adopt a Micawber like attitude and expect that in all difficulties, resulting chiefly

from our own mistakes, something will ultimately inevitably turn up. For us there is no alternative to taking up planning seriously. No progress in this direction can, however, be made as long as the apex Planning Organization does not properly carry out the functions for which it was originally set up.

The main functions set down in the 1950 resolution establishing the Planning Commission were to assess resources, formulate the plan, define its stages, appraise progress and make related recommendations on policy and administration.

Examination of events since 1955 shows that barring the theoretic formulation, the Planning Commission has failed in almost every respect. It failed to put together detailed and meaningful plans after due technical and other examination; it did not produce objective criteria relating to composition of programmes, allocations, etc.; it failed to produce Annual Plans with appropriate break-downs and failed to watch the progress of the Plan even in its broadest elements; it failed to advise insistently on right policies being followed and at times even participated in the adoption of wrong and inappropriate ones.

This means that the Planning Commission has failed and continues today to fail all along the line. The failure, it should be made clear, is not essentially the failure of its staff of experts or administrators. In such respects as for example, the theoretic writing in the reports or some aspects of the work of the Development Wing—to take two rather divergent illustrations—the competence of the staff is shown to be of high order.

The reasons for this total failure are to be sought rather in the special characteristics, to which Mr. Agarwal draws attention in the extracts quoted by me at the beginning of this address. The root of the failure lies in the process by which the Planning Commission, essentially only an Advisory body, has come to mix itself with the actual process of the formation of public policies even in matters other than of development.

It was, perhaps, the composition of the Planning Commission which made it inevitable that this should happen. It contained from the beginning, as members, some ministers from the Cabinet. The other members also were either experienced administrators or public men of standing almost none from whom brought to their task experience, knowledge or expertise, which were not available among the public men from whom ministers are drawn or among the senior administrative personnel who were chiefly responsible for co-ordination of policies and their implementation. In the circumstances, it was natural that members other than Cabinet Ministers should seek fields of action for themselves which were suited to their ability and to their inclinations. This naturally resulted in turning the Planning Commission from its proper functions to activities which were largely the same as those of ministries and State Governments. In the result, even the expert staff of the Planning Commission lost its special character. The experts at the Planning Commission were merely experts for the time being with the Planning Commission. The ease with which not only the senior officials of the Commission, but also experts changed from Government Department to the Planning Commission and vice versa or combined duties in both the organisations, emphasised the basic similarity in the activities of the Ministries and the Planning Commission.

The recent report of the Team for the Study of the Community Projects and the National Extension Service has drawn ~~pointed out~~ attention to difficulties created by this duplication and it is well-known that progress of rural co-operation on accepted lines has, for a considerable time been blocked by the interference of the Planning Commission with the legitimate sphere of the Ministry of Food & Agriculture.

It is the power complex of the Planning Commission or its members; their natural desire to exercise power and patronage like Ministers that are chiefly responsible for the neglect by the Commission of its main functions and for a needless extension of its activities over many irrelevant fields. The misdirection has been helped largely by membership of

✓the Prime Minister and the Finance Minister of the Planning Commission which appears to have vested the Planning Commission and its decisions with an unnatural kind of prestige and importance.

The situation can be remedied only by going back to the functions of the Planning Commission as originally laid down and making the Planning Commission fulfil them. It is not my purpose to suggest that the Indian Planning Commission be entirely changed in character and reduced to the level, of, say, a section in the Ministry of Finance. The Planning Commission as an organisation, not under any particular Ministry and with powers in the appropriate context to deal directly with Central Ministries and Governments of States should retain its present status. What is important is that it should no longer have any executive functions and should not be mixed up with the essentially political process of final policy making. Final decisions regarding economic policy should fully rest with the special Committee of the Cabinet and appropriate committees of secretaries and in the final resort the Cabinet itself. It is true that there are said to exist, even today, such bodies in the Cabinet and the Secretariat but they are apparently ineffective and the intrusion of the Planning Commission in this sphere has affected the efficiency of Government itself. The shedding by the Planning Commission of its role of direct participation in policy making may appear to reduce its importance; in fact, this is likely to increase greatly its usefulness in the first instance and its prestige ultimately. The cutting out of executive functions will mainly affect only the Commission's special connection with national extension, etc., and with the Programme Evaluation Organisation.

Secondly, there will have to be basic change in the manner in which the Commission deals with budgets and programmes of the Ministries and the States. The proper procedure in this regard may be visualised as follows. There are two aspects to all such questions. The first is that of the proper technical examination of any individual proposal. This, on the relevant

plane, the Planning Commission must carry out. The second relates to inclusions or omissions or size or phasing in light of plan size or structure. In this context the effective decisions relating to individual Ministries or States must be seen to be derived as corollaries of the basic official decisions constituting and governing the total Plan. If there is an adjustment during the Plan period, this also will be on the appraisal of the Planning Commission requiring changed policy, which the Government has duly endorsed. So that the relation of the Planning Commission with States and Ministries will be that of an expert body engaged in bringing out the implications of total policy in relation to the activities of particular organisations or authorities rather than of an authority engaged in bargaining with or bullying or being bullied by another Governmental organisation.

There are two other aspects of the Commission's existing organisation relating to which a few words may be said. The first is that of Panels and other advisory organisations. The Planning Commission appears to have no fixed policy regarding their use and has been active in setting them up and consulting them only at the times of the preparation of new plans. These organisations should be used more consistently for getting to know what non-official expert opinion is concerned with, for getting it to give attention to the broad problems of planning in each particular field and for activating group thinking in relation to the next plan stage in particular and future plans in general. Secondly there is the direction to which efforts of the staff of experts and administrators is oriented. The administrative staff of the Commission ought to be kept down to the minimum; its main function should be to obtain for the Planning Commission such direct knowledge of current conditions as will enable it to make a proper appraisal of the progress of plan. The staff of experts of the Commission will, however, have to be varied in its composition. There is need for this staff to acquire, over the years, a special point of view and a particular attitude of mind. These derive from the grounds which justify a Planning

Commission retaining a nuclear expert staff of its own rather than depending on the ministry or other government experts. There are two main grounds. Firstly, the ordinary Ministry or other expert inevitably takes a narrow point of view; in respect both of the placing of each problem against the background of an operative national plan and of being comparatively hospitable to novel suggestions the experts of the Planning Commission should appear differentiated. Secondly, official experts such as those of individual Ministries are heavily burdened with day to day and routine work. There is no point, as happens today, in the Planning Commission experts being kept at a similar grind. If they have to be forward looking they must have leisure enough to think ahead. I may translate this in terms of what the Planning Commission economists would do. Firstly, I expect them to be engaged in producing periodical overall critical surveys of the operation of the economy such as the Council of Economic Advisers to the President of the U. S. A. produces every six months and secondly they would plan out a number of longterm studies such, for example, as those of the problems and the costs of the operation of the mixed economy or relative effectiveness of various types of planning techniques.

A changed view of the composition of the Commission will be necessary to bring about the re-orientation suggested above. Obviously the Prime Minister and the Finance Minister should cease to be members of the Commission. No minister of the Cabinet should be a member of the Commission except the Minister for Planning, if such a post is continued in the cabinet, and he should be the Chairman of the Commission. The Deputy Chairman of the Commission should be, by preference, an administrator of wide experience. This is necessary, as the Planning Commission operates essentially through contacts with Ministries and Governments and their senior officers and somebody acquainted with their ways should be the administrative head of the organisation. For the rest, the members should be experts, all of whom, however, have some experience of the handling of practical problems. The expertise,



chiefly required will be that natural scientists, technicians, social scientists, statisticians and economists. The total membership need not be, should not be, large because after all, the main expertise will be furnished by the superior staff of the Commission together with advisory bodies such as panels.

I hope I shall not be considered irreverent if I put in a strong plea for constituting, after reorganisation, a relatively youthful body. Instead of thinking in terms of people above 65 it may be useful to think of the majority of members being below 55. The work of the Commission is likely to prove taxing and will need, for success, comparatively open and vigorous minds.

As a result of this review of the total situation I conclude that there is at present great and urgent need of complete rethinking in relation to the functioning and composition of the National Planning Commission. The extremely difficult times through which we are passing make it necessary that a revitalized and properly oriented organisation be at the apex of our planning efforts. The present conjuncture of circumstances may make it possible, in other ways also, to undertake such basic reconsideration.

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